



City of Costa Mesa

Annual Comprehensive Financial Report

Fiscal Year Ended

JUNE 30, 2025



CITY OF COSTA MESA, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025

PREPARED BY:
FINANCE DEPARTMENT

www.costamesaca.gov



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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 18, 2025

To the Honorable Mayor, Members of City Council, and Citizens of the City of Costa Mesa:

The Annual Comprehensive Financial Report (ACFR) of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2025, 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. Management is responsible for the accuracy of the data, along with the completeness and fairness of presentation, including all disclosures. 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. 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 because the cost of internal controls should not outweigh their benefits.

Management asserts that to the best of its knowledge and belief, the enclosed data is accurate in all material respects. It is reported in a manner designed to fairly present 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, 2025, have been audited by CliftonLarsonAllen 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, 2025, 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, 2025, 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. There is a 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 110,321 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 Reneé and Henry Segerstrom Concert Hall, the Segerstrom Center for the Arts, the Orange County Fairgrounds, and 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

The City continued to demonstrate resilience and strength economically in spite of various consumer and inflationary challenges during Fiscal Year 2024-25. Financial results at the end of the fiscal year, along with consumer spending, taxable sales, and assessed property values, are indicative of the resilient local economy.

In Fiscal Year 2024-25, General Fund revenue, not including transfers, increased by \$7.0 million or 3.8 percent from the previous fiscal year. This is due to improvements in areas such as a resilient housing market and increased interest income from a higher interest rate environment, offsetting a slight decrease in transient occupancy tax. Home sales activity remained relatively stable in spite of high interest rates. This was apparent in the increase in the City's median sales price on single family homes, which increased by \$105,000 over last year to a median of \$1.6 million, or a 7 percent increase. Property tax revenue increased by \$3.1 million, or 5.5 percent, over the prior fiscal year because of higher assessed values of properties. Sales tax revenues experienced a slight increase versus the prior year, increasing by \$1.8 million, or 2.4 percent. This was a result of improved consumer activity in the last quarter of the fiscal year in sectors such as: general consumer goods, transportation, business and construction industries.

The travel industry remained a contributor to General Fund revenues in spite of a small reduction in revenues versus the prior year. Consumer activity in the experience, travel, and leisure industries reflected a slight deficiency to Transient Occupancy Tax (TOT) revenue by \$188,275 to \$10.0 million, or 1.9 percent below the prior fiscal year.

General Fund expenditures increased by \$13.5 million or 8.1 percent compared to the prior year. This is mostly due to the increase in pension and labor expenses for Police and Fire. For Fiscal Year 2024-25, the General Fund ended with an increase in net operations by \$598,903 or 1 percent, including the transfers to the Internal Services Funds for the City's shared liability, technology, and equipment funds and Financing Authority Debt Service Fund for debt service payments. Operating transfers out from the General Fund decreased by \$5.6 million over the prior fiscal year due to the adjusted funding of deferred projects in the Capital Fund and Internal Service Funds.

Amidst essentially flat for Fiscal Year 2024-25, some economic factors indicate potential slowdown in consumer trends due to lagging tariff impacts and higher interest rates, as well as concerns over a slowing labor market. In addition, high prices and historically above average financing rates continue to impact affordability on large consumer purchases such as automobiles and homes. Potential lower policy rates and technology-driven investments look to spur growth in the future.

The outlook for Fiscal Year 2025-26 is a measured one. The City is carefully monitoring trends in anticipation of any potential micro- and macro-economic slowdown. Nonetheless, the City continues to enjoy a robust, 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):

TESLA Service Center (3565 Cadillac Avenue) - TESLA established an approximately 60,000 square foot service center at 3565 Cadillac Avenue in early 2024 where owners can bring their cars for regular maintenance and service. Founded in 2003, TESLA is one of the largest global corporations and a leader in the transition to sustainable energy solutions.

Shake Shack (329 East 17th Street) - This nationwide burger diner restaurant concept opened a location in the City, serving a classic American menu of premium burgers, hot dogs, crinkle-cut fries, shakes, frozen custard, beer, and wine.

Orange Coast Chrysler, Jeep, Dodge, Ram, Fiat (2929 Harbor Boulevard) - This project involved a major remodel to the dealership's front elevation including updates to signage, landscaping, driveways, circulation, and parking.

Harbor Freight (3029 Harbor Boulevard) - This project involved the conversion of a former Rite Aid store to Harbor Freight tools. Harbor Freight is the largest tool store in the United States having over 1,500 locations and carries over 4,000 products, specializing in air compressors, generators, drills, saws, hand tools, tool storage, welding supplies, and automotive tools.

Major Developments (approved/under construction):

Project Homekey (Motel 6 site - 2274 Newport Boulevard, Phase II) - The Motel 6 property located at 2274 Newport Boulevard involves the acquisition and two-phase adaptive re-use of an 88-unit motel into permanent housing. All units will be converted to 300 square foot studio apartments with new kitchenettes, with common areas for residents to include a new outdoor patio, smoking area, dog run, and community garden. Phase I was completed in 2023 and included a conversion of 40 units into housing for individuals earning 30% or less than the Area Median Income, 30 of which are permanent supportive housing units serving homeless veterans and 10 of which are set aside for homeless individuals who meet the Mental Health Services Act (MHSA) eligibility criteria. Phase II commenced construction this year.

Project Homekey (Travelodge site - 1400 Bristol Street) - This project involves the acquisition and adaptive re-use of a 120-room motel into 78 permanent housing units. The project is expected to contain 38 studio, 36 one-bedroom, and 4 two-bedroom units. Units will range in size from 400 square feet to 590 square feet and will be upgraded with new kitchenettes, countertops, flooring, paint, fixtures, appliances, and will include other site enhancements. Construction commenced on this project this year.

Vanguard University (55 Fair Drive) - The university has an approved multi-year master plan to replace some of the existing buildings with more modern facilities, provide additional student housing, and construct a parking structure. The 42,687 square foot 2-story student center is complete. Construction of the perimeter improvements along Fair Drive and Newport Boulevard that includes new fencing and a freestanding sign have also been completed. Construction for the Freed Center, a new 61,006 square foot gymnasium and events center which consists of a multipurpose gymnasium and athletic facility with additional student facilities, was completed in 2024. Construction in the approved master plan continues.

Avenue of the Arts Hotel Expansion (3350 Avenue of the Arts) - The project is a hotel expansion of an existing 4 diamond hotel in Costa Mesa. The new master plan includes an expanded parking structure, a new restaurant, hotel lobby, and six levels of 150 new hotel rooms. Construction is anticipated to begin in 2026.

The Plant (765-767 Baker Street and 2972 Century Place) - This project consists of the proposed renovation of three existing commercial buildings (containing the former Car Mart and Plant Stand) totaling 19,100 square feet, for retail and restaurant uses surrounding a central courtyard area. In addition, new buildings are proposed consisting of two greenhouse structures which will contain food stall uses, a four-story mixed use building with 48 residential units, 14 live/work units, and 2,570 square feet of workshop/maker office space above a two-level parking structure.

ROVE/Gelson's (2666 Harbor Boulevard) - This project consists of an electric-vehicle charging station with a small grocery store run by high-end chain Gelson's. This project is currently under construction with an anticipated completion in early 2026.

One Metro West (1683 Sunflower Avenue) – The project is a mixed-use development in three seven-story multi-family residential structures with up to 1,057 rental dwelling units; one 25,000 square foot stand-alone commercial creative office building; 6,000 square feet of specialty commercial retail space. Improvements include 1.5-acres of public open space, landscaping, streetscape improvements, and a Class-I bike trail system on Sunflower Avenue providing access to the regional Santa Ana River Trail. The project has an approved development agreement and is expected to be submitted for plan review in Summer 2026.

Jamboree Housing Affordable Senior and Permanent Supportive Housing Project at the Costa Mesa Senior Center (695 West 19th Street) – The City partnered with Jamboree Housing Corporation on an affordable senior residential development with 34 permanent supportive housing units, 35 independent living units, and one unrestricted manager's unit on a 1.5-acre portion of the Costa Mesa Senior Center property. The project was approved by City Council at its March 18, 2025 meeting.

Victoria Place (Victoria Street and Newport Boulevard) - This ownership residential project consists of 40 three-story ownership live/work units near the intersection of Victoria Place and Newport Boulevard. This project was approved by the City Council at its July 15, 2025 meeting.

Bear Street (3150 Bear Street) - This ownership residential project with 146 residential units includes eight very-low income on-site affordable units ranging in size from 1,000 square feet to 2,200 square feet in a stacked townhouse-style design. This project was approved by the City Council at its August 5, 2025 meeting.

RVCA Site (960 West 16th Street) – This ownership residential project proposes 38 live/work units in three-story detached units near the terminus of 16th Street near the Randall Preserve. The Planning Commission approved the project at its February 10, 2025 meeting.

Future Development (under review):

Hive Live (3333 Susan Street) –The proposed project includes three multifamily residential buildings with integrated “wrap” parking structures with a total of 1,050 rental units with a proposed site density of 74 dwelling units per acre. In addition, an approximate 2,500 square foot resident-serving retail component is proposed on the ground floor. The City's Planning Commission recommended approval of the project in June 2025.

Fairview Developmental Center – Specific Plan (2501 Harbor Boulevard) – Fairview Developmental Center (FDC) is a 109-acre property owned previously operated by the State of California as a residence for developmentally disabled persons. The City is currently undergoing a land use planning process for future use of the property with \$3.5 million allocated by the State of California. At their October 21, 2025 meeting, the City Council directed staff to study the environmental impacts of up to 4,000 housing units, 35,000 square feet of commercial uses and a minimum of 14 acres of open space. Staff released the Notice of Preparation (NOP) to begin the environmental review process on October 29, 2025, and are working on drafting the Specific Plan.

Neighborhoods Where We All Belong (NWWAB) – This City-initiated rezoning effort will create development capacity for over 21,000 residential dwelling units within the City to meet requirements of State Housing Law as well as revitalize areas along commercial corridors suitable for new development. This effort is anticipated to be completed in Fall 2026.

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, 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, 2024. This was the 27th 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. We believe that our June 30, 2025, 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 residents on a daily basis. Special appreciation is also extended specifically to the 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 printing of this document. Further, thanks are also extended to our independent auditors, CLA (CliftonLarsonAllen), for their continued oversight, expertise, and advice.

Respectfully submitted,



CECILIA GALLARDO-DALY
City Manager



CAROL MOLINA
Finance Director



City of Costa Mesa List of Principal Officials

Mayor

John Stephens

City Council

Manuel Chavez

Mike Buley

Loren Gameros

Andrea Marr

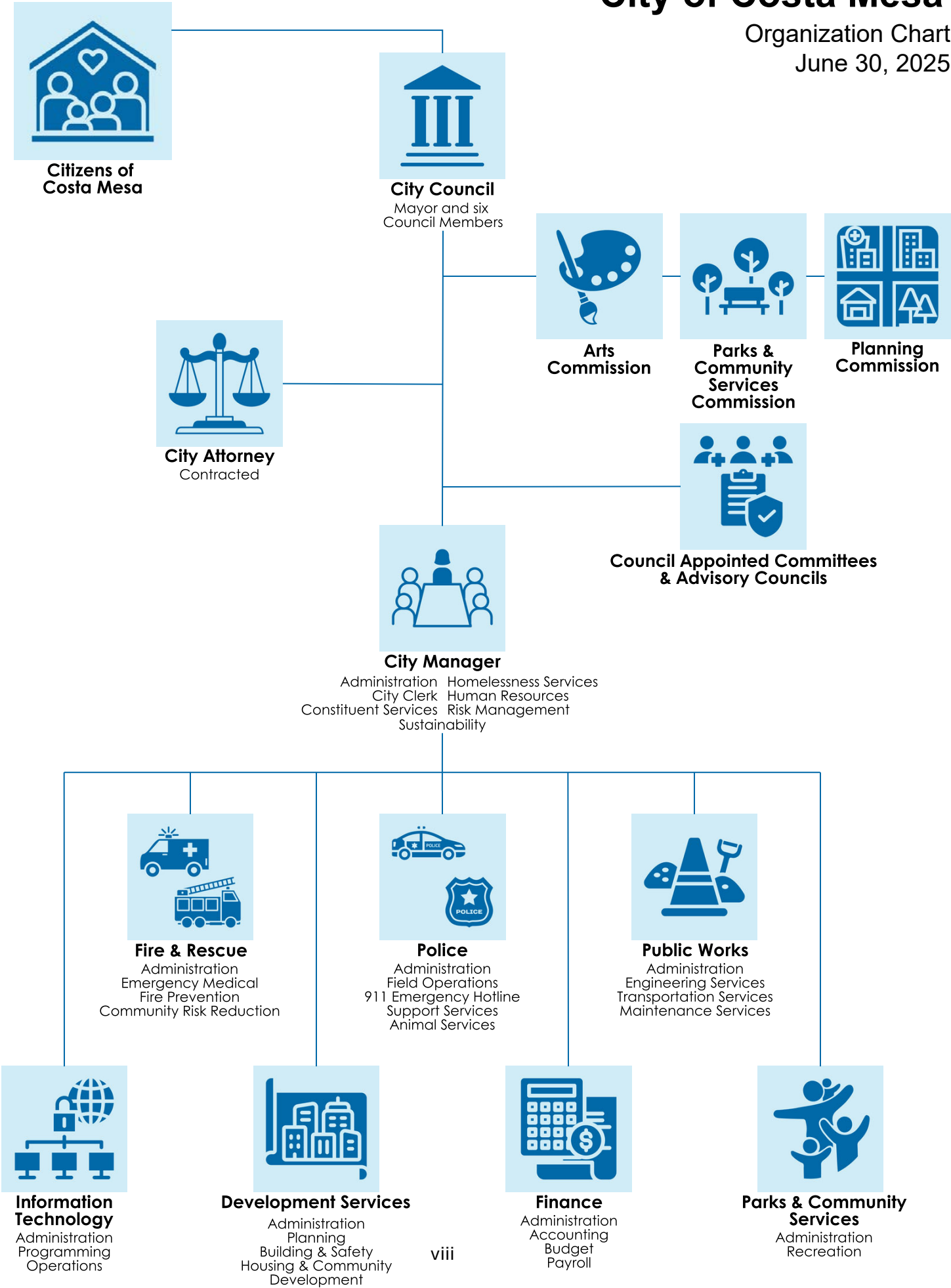
Jeff Pettis

Arlis Reynolds

City Manager-----	Cecilia Gallardo-Daly
City Attorney (Contract) -----	Kimberly Barlow
Assistant City Manager -----	Alma Reyes
Development Services Director-----	Carrie Tai
Finance Director-----	Carol Molina
Information Technology Director -----	Steve Ely
Parks and Community Services Director -----	Brian Gruner
Public Works Director -----	Raja Sethuraman
Fire Chief -----	Dan Stefano
Police Chief -----	Joyce Lapointe

City of Costa Mesa

Organization Chart
June 30, 2025





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, 2024

Christopher P. Morill

Executive Director/CEO



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
INDEPENDENT AUDITOR'S REPORT





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Costa Mesa's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, as of June 30, 2025, 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 Opinions

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 Auditors' 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 opinions.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 18 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, as of July 1, 2024. Accordingly, the beginning net position for the governmental activities has been restated to reflect this change in accounting principle. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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, schedules of changes in net pension liability and related ratios of the pension plans, schedule of proportionate share of the net pension liability, schedules of pension plan contributions, schedule of changes in net OPEB liability and related ratios, and the budgetary comparison schedules for the general and major special revenue funds, 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 GAAS, 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 for the year ended June 30, 2025 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 fund financial statements and schedules for the year ended June 30, 2025 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2025 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2025.

The financial statements of the City's governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2024 were audited by other auditors whose report dated January 16, 2025, expressed unmodified opinions on those financial statements. Their report, as of the same date, on the combining and individual fund financial statements and schedules stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2024, as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Honorable Mayor and
Members of the City Council
City of Costa Mesa

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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

The financial statements of the City of Costa Mesa's governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2024 were audited by other auditors whose report dated January 16, 2025, expressed unmodified opinions on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 18, 2025, on our consideration of the City of Costa Mesa'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 the City of Costa Mesa's 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 of Costa Mesa's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
December 18, 2025

ANNUAL COMPREHENSIVE
FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2025. 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–vii 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 2025 by \$111.8 million (*net position*). Of this amount, \$209.5 million (*unrestricted net position deficit*) primarily resulted from the unfunded liabilities for pension plans and other postemployment benefits (OPEB) that impacted other government agencies, along with the implementation of Government Accounting Standards Board (GASB) 101. GASB 101 established standards for measuring and recognizing liabilities for certain types of compensated absences.
- In the government-wide financial statements, total net position decreased by \$1.4 million from the prior fiscal year total of \$113.2 million due to the change in the GASB 101 compensated absences reporting requirements.
- In the fund financial statements, the governmental funds reported a combined ending fund balance of \$153.6 million, an increase of \$3.8 million in comparison with the prior year total of \$149.8 million.
- At the end of Fiscal Year 2025, the General Fund's unassigned fund balance was \$19.3 million or 10.7 percent of General Fund expenditures of \$180.5 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- At June 30, 2025, the City reported \$335.8 million in pension liabilities and \$46.4 million in OPEB liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between 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.

Considering 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 32 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, Government Grant, Capital Improvements, American Rescue Plan Act, and Gas Tax funds, all of which are considered to be major funds. Data from the other 27 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 20-27 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. There are no business-type functions because 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 fund 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 28-30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for Foundation 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 pages 31-32 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 33-78 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 79-85 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 101-133 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$111.8 million at June 30, 2025, a decrease of \$1.4 million from 2024 due to the change in the GASB 101 compensated absences reporting requirements.

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 \$383.6 million on the Statement of Net Position, a decrease of \$10.6 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				
	June 30, 2025	June 30, 2024	Increase/ (Decrease)	Percent Increase/ (Decrease)
ASSETS:				
Current and other assets	\$224,519,840	\$232,357,684	\$ (7,837,844)	-3.37%
Capital assets, net	292,978,884	286,653,490	6,325,394	2.21%
Total assets	<u>\$517,498,724</u>	<u>519,011,174</u>	<u>(1,512,450)</u>	<u>-0.29%</u>
Deferred outflows of resources	84,983,956	105,890,092	(20,906,136)	-19.74%
LIABILITIES:				
Current and other liabilities	26,025,974	34,716,746	(8,690,772)	-25.03%
Long-term liabilities	436,833,218	444,076,596	(7,243,378)	-1.63%
Total liabilities	<u>462,859,192</u>	<u>478,793,342</u>	<u>(15,934,150)</u>	<u>-3.33%</u>
Deferred inflows of resources	27,851,208	32,903,041	(5,051,833)	-15.35%
NET POSITION:				
Net investment in capital assets	270,080,000	257,950,628	12,129,372	4.70%
Restricted	51,183,067	23,478,495	27,704,572	118.00%
Unrestricted	(209,490,787)	(168,224,238)	(41,266,549)	24.53%
Total net position	<u>\$111,772,280</u>	<u>\$113,204,885</u>	<u>\$ (1,432,605)</u>	<u>-1.27%</u>

At the end of Fiscal Year 2024-25, the City continued to report positive balances in two out of three categories of net position for the government, as well as for its separate governmental activities. The unrestricted net position ended the fiscal year with a balance of \$209.5 million is primarily due to the unfunded pension obligations and new changes in the GASB 101 reporting requirements. These requirements recalculate compensated absences from a one-year to a three-year average. If absent, the City's net position would have increased by \$1.3 million.

As a result of the new calculation of Fiscal Year 2024-25, the City's total net position decreased by \$1.4 million.

CHANGES IN NET POSITION

	Governmental Activities	
	2025	2024
REVENUES:		
Program Revenues:		
Charges for services	\$ 25,970,795	\$ 22,991,560
Operating contributions and grants	26,016,091	23,659,800
Capital contributions and grants	4,477,056	4,395,853
General Revenues:		
Taxes:		
Property taxes	59,494,432	56,411,786
Sales and use taxes	78,244,492	76,400,160
Transient occupancy tax	9,962,421	10,150,696
Franchise taxes	6,637,150	6,542,802
Cannabis and Business tax	5,060,510	3,902,514
Other intergovernmental, unrestricted	349,375	138,951
Investment income	8,709,004	7,200,904
Gain on sale of capital assets	68,995	-
Miscellaneous	2,288,046	2,579,219
Total revenues	227,278,367	214,374,245
EXPENSES:		
General Government	57,099,994	46,273,963
Protection of persons and property	116,454,036	112,351,024
Community programs	20,681,772	29,965,511
Public services	30,882,547	22,489,959
Interest on long-term debt	807,311	1,033,694
Total expenses	225,925,660	212,114,151
Change in net position	1,352,707	2,260,094
NET POSITION, BEGINNING OF YEAR	113,204,885	110,944,791
RESTATEMENT	(2,785,312)	-
NET POSITION, BEG OF YEAR, RESTATED	110,419,573	110,944,791
NET POSITION, END OF YEAR	\$ 111,772,280	\$ 113,204,885

Governmental Activities

During the current year, the net position for governmental activities decreased by \$1.4 million from the prior fiscal year's ending balance of \$113.2 million. Total revenues of \$227.3 million were higher than expenses and net transfers of \$219.8 million. Key factors in the City's net position included:

- Charges for services increased by \$3.0 million or 12.9 percent due to the increase in traffic impact fees, building permits, paramedic fees, and plan check fees.
- Property tax revenues increased by \$3.1 million or 5.5 percent. The increase is due primarily due to a steady housing market, increase in the City's single-family homes median sales price, and an increase in overall property assessed valuations.
- Operating contributions and grants increased by \$2.3 million or 10.0 percent primarily due to a grant received for the Fire Station #4 Training Tower funding, Jack Hammett Sports Complex, and LED lights for TeWinkle and Bark Park.
- Sales and use taxes increased by \$1.8 million or 2.4 percent, which is the City's largest revenue source. The sales and use tax increase is due to improved consumer spending in general consumer goods and positive performance across various sectors during the remaining months of the fiscal year.
- Investment income increased by \$1.5 million due to a higher yield on interest income.

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 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 2024-25, the City's governmental funds reported combined ending fund balance of \$153.6 million, an increase of \$3.8 million or 2.5 percent in comparison with the prior fiscal year fund balance of \$149.8 million. Of this total amount:

- \$0.9 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.
- \$50.4 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.

- \$57.9 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 \$19.3 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of Fiscal Year 2024-25, the General Fund's fund balance increased by \$0.6 million. While the total fund balance amounted to \$61.0 million, the unassigned fund balance was \$19.3 million. Key factors attributable to the increase in net position include:

- Tax revenue increased by \$5.8 million or 3.8 percent. Notable contributors to this increase were sales tax by \$1.8 million due to price increases on consumer products. Property tax increased by \$2.9 million as a result of a steady housing market, increase in the City's single-family homes median sales price, an increase in overall property assessed valuations from new developments, and improvements to properties. Cannabis and Business tax revenues increased by \$1.2 million due to higher annual receipts of new Measure Q Cannabis businesses.
- Charges for services increased by \$1.0 million or 10 percent. This includes a rise in paramedic fees by \$0.5 million, increase of permit fees by \$0.3 million, as well as vehicle storage fees and self-haul fees by \$0.2 million.
- Transient occupancy tax decreased by \$0.2 million or 1.9 percent due to a slight reduction in travel and tourism.

Major Funds Other Than the General Fund

The Capital Improvements Fund had \$33.5 million in fund balance which represents a net decrease of \$1.9 million or 5.4 percent from the prior fiscal year. The decrease in fund balance is mainly attributed to the increase in capital expenditures from \$4.3 million to \$8.0 million. The Citywide Street Maintenance and Fire Station #4 Training Tower incurred the highest expenditures, \$1.6 million and \$1.5 million, respectively.

The Government Grants Fund is comprised of reimbursements of Federal and State grants. It had a fund balance of \$0.6 million at the end of the fiscal year which represents a net increase of \$2.1 million or 137.7 percent from the prior fiscal year. The increase in fund balance is due to grant expenditures reimbursements in the current year.

The Gas Tax Fund had a fund balance of \$24.8 million, which represents a net increase of \$2.9 million or 13.5 percent increase from the prior fiscal year. Gas Tax revenues were \$7.6 million compared to \$4.7 million in expenditures in Fiscal Year 2024-25. The revenue is primarily earmarked for street related projects.

The American Rescue Plan Act (ARPA) Fund had \$502,739 in fund balance in Fiscal Year 2024-25, and had a fund balance of \$425,256 in the prior fiscal year. The increase is due to interest earnings received during the year.

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.

The unrestricted net position of the Internal Service Funds at the Fiscal Year 2024-25 was \$19.6 million. Total net position increased by \$77,718 or 0.2 percent from the prior fiscal year. The increase in net position is mainly attributed to a decrease in payables and an increase in assets for equipment and fleet purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2024-25 the actual revenues were \$169,212 or 0.1 percent higher than the final amended budget. Sales tax revenue increased by \$1.8 million and property tax revenue increased by \$2.9 million compared to the prior fiscal year. Additionally, charges for services revenue received increased by \$1.0 million compared to the prior fiscal year. Actual expenditures were \$2.8 million or 1.5 percent lower than the final adjusted budget.

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, 2025, amounted to \$293.0 million. 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 increased by \$6.3 million. Major infrastructure asset additions during the fiscal year were: Adams Avenue and Pinecreek Drive Intersection, LED Light Retrofit Project for Tennis Center and Bark Park, various building maintenance projects, various street rehabilitation projects, 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 decreased by \$12.8 million and capital assets being depreciated or amortized increased by \$36.1 million. The increase is due to several completed infrastructure parks and roads projects.

CAPITAL ASSETS
(NET OF DEPRECIATION)

	Governmental Activities	
	2025	2024
Land	\$ 34,579,306	\$ 34,579,306
Land rights related to streets	29,821,224	29,821,224
Construction in progress	14,600,678	27,432,761
Building improvements and structures	62,696,962	64,464,513
Machinery and equipment	22,287,634	22,792,719
Intangibles	1,985,642	67,577
Right-to-use-assets	1,206,343	687,898
Park system and facilities	10,082,610	7,380,647
Infrastructure- roads	106,206,233	88,512,145
Infrastructure- storm drains	9,512,252	10,914,700
TOTALS	\$292,978,884	\$ 286,653,490

Construction in progress as of June 30, 2025, totaled \$14.6 million, \$12.8 million lower than the previous fiscal year. Generally, as the notice of completion (NOC) is filed on each project, the costs associated with each project will be deleted from the construction in progress capital asset category and added to the appropriate capital asset category in the year the NOC is filed. Construction in progress includes some of the following projects with significant commitment balances:

CONSTRUCTION COMMITMENTS

CONSTRUCTION PROJECT	TOTAL BUDGET	SPEND TO DATE	REMAINING COMMITMENT
Newport Boulevard (Victoria/22nd to 19th)	\$ 1,178,820	\$ 94,496	\$ 1,084,324
SB Newport Boulevard Improvement (Mesa/Victoria)	1,965,652	97,040	1,868,612
Newport Boulevard NB 22th Bristol SB Bristol Mesa	2,134,145	94,186	2,039,959
TeWinkle Skate Park Expansion	2,132,158	91,724	2,040,434
TeWinkle Park Lakes Repairs	2,132,475	143,553	1,988,922
Mesa Restoration/Cultural Restoration	2,000,000	92,313	1,907,687
Stabilize/Restore Fairview Park	2,000,000	36,331	1,963,669
Sunflower Avenue Rehabilitation	2,570,782	-	2,570,782
Fairview Road Rehabilitation	2,780,829	-	2,780,829
TOTALS	\$18,894,861	\$649,644	\$ 18,245,217

Additional information on capital assets can be found in Note 7 on pages 54-55 of this report.

Long-Term Debt

At year-end, the City had one outstanding bond issue: the Financing Authority 2017 Lease Revenue Bonds with an outstanding balance of \$19.9 million. Additionally, the City had \$33.0 million in other outstanding liabilities related to leases, loans, claims, and employee benefits.

Long-term liabilities had a net decrease of \$0.07 million, primarily due to the City’s outstanding leases.

OUTSTANDING DEBT		
	Governmental Activities	
	2025	2024
Bonds Payable	\$ 19,893,978	\$ 22,056,745
Other Liabilities	33,337,000	30,554,311 *
TOTALS	\$ 53,230,978	\$ 52,611,056

* Balance was restated due to the implementation of GASB 101

Additional information on the City’s long-term debt can be found in Notes 8 through 9 on pages 60-64 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

During fiscal year 2024-25, the City continued to remain economically resilient, boasting new businesses, diverse industries, and strong financial management. Positive indicators like reduced unemployment and higher property values marked continued local economic growth, while continuing to remain fiscally cautious for financial stability. Looking ahead for fiscal year 2025-26, the City anticipates a slowdown in economic growth and continues to exercise strong fiscal management to ensure stability. Supported by a diverse economic base, robust reserves, and commitment to quality service delivery, Costa Mesa is well prepared to proactively manage anticipated economic challenges.

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. 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
- 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, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities	
	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 184,451,972	\$ 193,341,227
Cash and Investments with Fiscal Agent	30,711	381,491
Due from Other Governments	23,913,960	21,177,148
Accounts Receivable, Net	2,240,792	4,455,911
Interest Receivable	1,241,716	1,183,240
Loans Receivable, Net	4,839,435	2,795,774
Rent Receivable	465,156	395,963
Leases Receivable	3,170,693	3,484,578
Inventories	475,603	336,156
Prepaid Items	3,689,802	4,806,196
Capital Assets:		
Capital Assets not Being Depreciated	79,001,208	91,833,291
Capital Assets, Net of Depreciation and Amortization	213,977,676	194,820,199
Total Assets	<u>517,498,724</u>	<u>519,011,174</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	76,137,150	96,499,873
Deferred Amounts Related to OPEB	8,846,806	9,390,219
Total Deferred Outflows of Resources	<u>84,983,956</u>	<u>105,890,092</u>
LIABILITIES		
Accounts Payable	9,166,846	12,026,252
Accrued Liabilities	5,824,297	4,906,459
Accrued Interest Payable	182,700	203,480
Retentions Payable	861,476	375,986
Deposits Payable	5,887,068	4,701,309
Unearned Revenue	4,103,587	12,503,260
Long-Term Liabilities:		
Portion Due Within One Year	9,574,377	8,127,992
OPEB Liability Due Within One Year	2,900,880	1,889,161
Police Retirement 1% Supplemental Liability Due Within One Year	180,680	188,828
Portion Due Beyond One Year	43,656,601	41,697,752
OPEB Liability	43,525,290	43,562,915
Police Retirement 1% Supplemental Liability Due	1,205,296	1,383,478
Net Pension Liability	335,790,094	347,226,468
Total Liabilities	<u>462,859,192</u>	<u>478,793,340</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Leases	2,933,190	3,295,536
Deferred Amounts Related to Pensions	5,623,027	7,858,571
Deferred Amounts Related to OPEB	19,294,991	21,748,934
Total Deferred Inflows of Resources	<u>27,851,208</u>	<u>32,903,041</u>
NET POSITION		
Net Investment in Capital Assets	265,820,274	257,950,628
Restricted for:		
Pension	2,092,360	-
Protection of Persons and Property	1,863,547	1,568,489
Community Programs	10,206,991	12,663,845
Public Services	37,019,168	9,246,161
Debt Service	1,001	-
Unrestricted	(205,231,061)	(168,224,238)
Total Net Position	<u>\$ 111,772,280</u>	<u>\$ 113,204,885</u>

See accompanying Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2025	2024
Governmental Activities:						
General Government	\$ 57,099,994	\$ -	\$ 329,200	\$ -	\$ (56,770,794)	\$ (46,030,042)
Protection of Persons and Property	116,454,036	10,670,393	14,103,162	-	(91,680,481)	(92,436,403)
Community Programs	20,681,772	6,735,983	4,635,096	-	(9,310,693)	(17,197,227)
Public Services	30,882,547	8,564,419	6,948,633	4,477,056	(10,892,439)	(4,369,573)
Interest on Long-Term Debt	807,311	-	-	-	(807,311)	(1,033,694)
Total Governmental Activities	<u>\$ 225,925,660</u>	<u>\$ 25,970,795</u>	<u>\$ 26,016,091</u>	<u>\$ 4,477,056</u>	<u>(169,461,718)</u>	<u>(161,066,939)</u>
General Revenues						
Taxes:						
Property Taxes					59,494,432	56,411,786
Sales and Use Taxes					78,244,492	76,400,160
Transient Occupancy Tax					9,962,421	10,150,696
Franchise Taxes					6,637,150	6,542,802
Business/Cannabis Tax					5,060,510	3,902,514
Other Intergovernmental - Unrestricted					349,375	138,951
Investment Income (Loss)					8,709,004	7,200,904
Gain on sale of capital assets					68,995	-
Miscellaneous					2,288,046	2,579,220
Total General Revenues					<u>170,814,425</u>	<u>163,327,033</u>
CHANGE IN NET POSITION					<u>1,352,707</u>	<u>2,260,094</u>
Net Position - Beginning of Year, As Previously Reported					113,204,885	110,944,791
Restatement					<u>(2,785,312)</u>	<u>-</u>
Net Position - Beginning of Year, As Restated					<u>110,419,573</u>	<u>110,944,791</u>
NET POSITION - END OF YEAR					<u>\$ 111,772,280</u>	<u>\$ 113,204,885</u>

See accompanying Notes to Basic 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.

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).

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

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.

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 14 Special Revenue Funds, 10 Capital Projects Funds, and 1 Debt Service Fund.

CITY OF COSTA MESA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

		Special Revenue		
	General	Government Grants	Gas Tax	American Rescue Plan Act
ASSETS				
Cash and Investments	\$ 52,436,755	\$ 4,674,653	\$ 24,178,189	\$ 690,776
Cash and Investments with Fiscal Agents	-	-	-	-
Due from Other Governments	19,884,347	719,447	810,927	-
Accounts Receivable, Net	1,833,781	-	-	-
Interest Receivable	431,840	9,879	158,106	4,781
Loans Receivable, Net	730	-	-	-
Leases Receivable	1,896,961	-	-	-
Rent Receivable	432,851	-	-	-
Due from Other Funds	181,028	-	-	-
Inventories	73,601	-	-	-
Prepaid Items	809,471	-	-	-
Total Assets	<u>\$ 77,981,365</u>	<u>\$ 5,403,979</u>	<u>\$ 25,147,222</u>	<u>\$ 695,557</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 3,257,749	\$ 316,318	\$ 208,974	\$ 142,436
Accrued Liabilities	5,543,579	15,984	35,871	-
Retentions Payable	-	170,764	76,491	-
Deposits Payable	5,499,974	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	-	4,040,040	-	50,382
Total Liabilities	<u>14,301,302</u>	<u>4,543,106</u>	<u>321,336</u>	<u>192,818</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	1,700,925	-	-	-
Unavailable Revenue	1,017,334	281,074	56,361	-
Total Deferred Inflows of Resources	<u>2,718,259</u>	<u>281,074</u>	<u>56,361</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	809,471	-	-	-
Inventories	73,601	-	-	-
Restricted:				
Pension and OPEB	2,092,360	-	-	-
Protection of Persons and Property	-	-	-	502,739
Community Programs	-	-	-	-
Public Services	-	579,799	24,769,525	-
Debt Service	-	-	-	-
Committed	25,125,000	-	-	-
Assigned	13,554,327	-	-	-
Unassigned	19,307,045	-	-	-
Total Fund Balances	<u>60,961,804</u>	<u>579,799</u>	<u>24,769,525</u>	<u>502,739</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 77,981,365</u>	<u>\$ 5,403,979</u>	<u>\$ 25,147,222</u>	<u>\$ 695,557</u>

See accompanying Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

Capital Projects		Nonmajor Governmental Funds	Totals	
Measure M2	Capital Improvements		2025	2024
\$ 7,286,084	\$ 34,430,582	\$ 23,521,960	\$ 147,218,999	\$ 154,610,165
-	-	30,711	30,711	381,491
1,531,002	182,427	785,810	23,913,960	21,177,148
-	-	394,251	2,228,032	4,455,911
17,391	208,796	183,507	1,014,300	1,129,220
-	-	4,838,705	4,839,435	2,795,774
-	-	1,273,732	3,170,693	3,484,578
-	-	32,305	465,156	395,963
-	-	-	181,028	65,076
-	-	28	73,629	69,920
-	-	-	809,471	560,290
<u>\$ 8,834,477</u>	<u>\$ 34,821,805</u>	<u>\$ 31,061,009</u>	<u>\$ 183,945,414</u>	<u>\$ 189,125,536</u>
\$ 2,404,183	\$ 956,969	\$ 1,510,234	\$ 8,796,863	\$ 9,942,792
-	101	103,352	5,698,887	4,783,548
288,305	258,924	66,992	861,476	375,986
-	-	387,094	5,887,068	4,701,309
-	-	181,028	181,028	65,076
-	-	13,165	4,103,587	12,503,260
<u>2,692,488</u>	<u>1,215,994</u>	<u>2,261,865</u>	<u>25,528,909</u>	<u>32,371,971</u>
-	-	1,232,265	2,933,190	3,295,536
422,399	138,083	3,415	1,918,666	3,705,967
<u>422,399</u>	<u>138,083</u>	<u>1,235,680</u>	<u>4,851,856</u>	<u>7,001,503</u>
-	-	-	809,471	560,290
-	-	28	73,629	69,892
-	-	-	2,092,360	3,367,408
-	-	1,360,808	1,863,547	1,697,480
-	-	10,203,576	10,203,576	10,475,793
5,719,590	-	5,190,420	36,259,334	30,915,892
-	-	1,001	1,001	17,449
-	-	-	25,125,000	25,125,000
-	33,467,728	10,848,900	57,870,955	61,410,302
-	-	(41,269)	19,265,776	16,112,556
<u>5,719,590</u>	<u>33,467,728</u>	<u>27,563,464</u>	<u>153,564,649</u>	<u>149,752,062</u>
<u>\$ 8,834,477</u>	<u>\$ 34,821,805</u>	<u>\$ 31,061,009</u>	<u>\$ 183,945,414</u>	<u>\$ 189,125,536</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF COSTA MESA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2025**

Total Fund Balance - Governmental Funds	\$ 153,564,649
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Amounts reported for governmental activities in the statement of net position are different because:

When capital assets (property, plant, and 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	699,527,331
Accumulated Depreciation/Amortization	(423,057,765)

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	(17,345,000)
Premium on Bonds	(2,548,978)
Loans Payable	(51,302)
Leases Payable	(505,726)
Subscription Payable	(694,991)
Employee Benefits Leave Payable	(10,579,029)

Accrued liabilities in the statement of net position differ from the amount reported in governmental funds due to accrued interest on outstanding debt payable.	(182,700)
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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.

35,263,427

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	1,918,666
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Amounts regarding the pension plans and OPEB are as follows:

Deferred Outflows of Resources Related to Pensions	76,137,150
Deferred Outflows of Resources Related to OPEB	8,846,806
Deferred Inflows of Resources Related to Pensions	(5,623,027)
Deferred Inflows of Resources Related to OPEB	(19,294,991)
CalPERS Pension Liability	(335,790,094)
OPEB Liability	(46,426,170)
Police 1% Supplemental Retirement Liability	<u>(1,385,976)</u>

Net Position of Governmental Activities	<u><u>\$ 111,772,280</u></u>
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CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

		Special Revenue		
	General	Government Grants	Gas Tax	American Rescue Plan Act
REVENUES				
Taxes	\$ 159,222,229	\$ -	\$ -	\$ -
Licenses and Permits	6,809,704	-	-	-
Charges for Services	11,235,537	-	-	-
Fines and Forfeitures	1,455,764	-	-	-
Intergovernmental	3,602,022	7,840,461	6,236,356	4,894,160
Investment Income (Loss)	2,671,680	87,654	1,142,498	77,484
Rental Income	4,811,425	-	-	-
Miscellaneous	1,092,678	-	218,959	-
Total Revenues	<u>190,901,039</u>	<u>7,928,115</u>	<u>7,597,813</u>	<u>4,971,644</u>
EXPENDITURES				
Current:				
General Government	44,123,621	2,483,286	-	-
Protection of Persons and Property	109,314,995	1,004,012	-	1,968,657
Community Programs	16,651,172.00	503,154	-	-
Public Services	9,689,267.00	1,819,846	4,659,007	-
Debt Service:				
Principal	594,726	-	-	-
Interest and Fiscal Charges	116,351	-	-	-
Total Expenditures	<u>180,490,132</u>	<u>5,810,298</u>	<u>4,659,007</u>	<u>1,968,657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,410,907</u>	<u>2,117,817</u>	<u>2,938,806</u>	<u>3,002,987</u>
OTHER FINANCING SOURCES (USES)				
Subscriptions Proceeds	1,036,210	-	-	-
Transfers In	-	-	-	-
Transfers Out	(10,848,214)	-	-	(2,925,504)
Total Other Financing Sources (Uses)	<u>(9,812,004)</u>	<u>-</u>	<u>-</u>	<u>(2,925,504)</u>
NET CHANGE IN FUND BALANCES	<u>598,903</u>	<u>2,117,817</u>	<u>2,938,806</u>	<u>77,483</u>
Fund Balances - Beginning of Year				
As Previously Presented	60,362,901	(1,538,018)	21,830,719	425,256
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-
Fund Balances - Beginning of Year As Restated	<u>60,362,901</u>	<u>(1,538,018)</u>	<u>21,830,719</u>	<u>425,256</u>
FUND BALANCES - END OF YEAR	<u>\$ 60,961,804</u>	<u>\$ 579,799</u>	<u>\$ 24,769,525</u>	<u>\$ 502,739</u>

See Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

Capital Projects		Nonmajor Governmental Funds	Totals	
Measure M2	Capital Improvements		2025	2024
\$ -	\$ -	\$ 27,912	\$ 159,250,141	\$ 153,486,531
-	-	-	6,809,704	5,982,422
-	-	987,203	12,222,740	10,568,751
-	-	18,655	1,474,419	1,422,437
3,860,654	566,334	6,073,639	33,073,626	26,518,073
374,600	1,570,269	1,131,922	7,056,107	5,731,450
-	-	658,403	5,469,828	5,396,192
-	22,401	579,498	1,913,536	1,650,312
<u>4,235,254</u>	<u>2,159,004</u>	<u>9,477,232</u>	<u>227,270,101</u>	<u>210,756,168</u>
-	37,180	6,139,896	52,783,983	43,466,720
-	215,911	679,793	113,183,368	104,825,629
-	103,963	2,026,267	19,284,556	25,158,889
6,283,124	7,671,607	2,755,714	32,878,565	20,328,775
-	-	2,015,000	2,609,726	2,486,391
-	-	781,175	897,526	941,676
<u>6,283,124</u>	<u>8,028,661</u>	<u>14,397,845</u>	<u>221,637,724</u>	<u>197,208,080</u>
<u>(2,047,870)</u>	<u>(5,869,657)</u>	<u>(4,920,613)</u>	<u>5,632,377</u>	<u>13,548,088</u>
-	-	-	1,036,210	-
-	3,949,994	7,171,441	11,121,435	15,195,375
-	-	(203,717)	(13,977,435)	(18,892,041)
-	<u>3,949,994</u>	<u>6,967,724</u>	<u>(1,819,790)</u>	<u>(3,696,666)</u>
<u>(2,047,870)</u>	<u>(1,919,663)</u>	<u>2,047,111</u>	<u>3,812,587</u>	<u>9,851,422</u>
-	35,387,391	33,283,813	149,752,062	139,900,640
<u>7,767,460</u>	<u>-</u>	<u>(7,767,460)</u>	<u>-</u>	<u>-</u>
<u>7,767,460</u>	<u>35,387,391</u>	<u>25,516,353</u>	<u>149,752,062</u>	<u>139,900,640</u>
<u>\$ 5,719,590</u>	<u>\$ 33,467,728</u>	<u>\$ 27,563,464</u>	<u>\$ 153,564,649</u>	<u>\$ 149,752,062</u>

See Notes to Basic Financial Statements.



**CITY OF COSTA MESA, CALIFORNIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balance - Governmental Funds \$ 3,812,587

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

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 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	21,430,756
Depreciation Expense	(16,543,381)

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	(1,811,696)
Subscriptions Proceeds	(1,036,210)
Principal Payments - Bonds	2,015,000
Principal Payments - Loans Payable	15,391
Principal Payments - Lease Payable	234,541
Principal Payments - Subscription Payable	344,794
Amortization of Bond Premium	147,767

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 position 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	(6,504,475)
Net Change in OPEB Liability	936,436

Recording of the current year change of accrued interest on outstanding debt payable.	20,780
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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,.	77,718
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Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	(1,787,301)
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Change in Net Position of Governmental Activities	\$ 1,352,707
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CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities - Internal Service Funds	
	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 37,232,973	\$ 38,731,062
Accounts Receivable	12,760	-
Interest Receivable	227,416	54,020
Prepaid Items	2,880,331	4,245,906
Inventories	401,974	266,236
Total Current Assets	40,755,454	43,297,224
CAPITAL ASSETS		
Intangible Assets	1,932,537	-
Motorized Equipment	24,570,988	22,875,746
Other Equipment	8,832,890	5,928,501
Accumulated Depreciation	(18,827,097)	(13,732,948)
Capital Assets, Net	16,509,318	15,071,299
Total Assets	57,264,772	58,368,523
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	369,983	2,083,460
Accrued Liabilities	125,410	122,911
Notes Payable	891,411	864,738
Claims Payable	1,293,969	862,543
Total Current Liabilities	2,680,773	3,933,652
LONG-TERM LIABILITIES		
Notes Payable	4,259,726	5,151,138
Claims Payable	15,060,846	14,098,024
Total Long-Term Liabilities	19,320,572	19,249,162
Total Liabilities	22,001,345	23,182,814
NET POSITION		
Net Investment in Capital Assets	11,358,181	9,055,423
Unrestricted	23,905,246	26,130,286
Total Net Position	\$ 35,263,427	\$ 35,185,709

See Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Governmental Activities - Internal Service Funds	
	2025	2024
OPERATING REVENUES		
Charges for Services	\$ 11,236,062	\$ 10,938,708
OPERATING EXPENSES		
Allocated Administrative Costs	5,231,815	4,288,668
Depreciation	1,632,720	1,532,452
Fuel and Repair Parts	974,182	1,423,961
Claims and Premiums	7,892,862	6,768,057
Total Operating Expenses	15,731,579	14,151,483
OPERATING LOSS	(4,495,517)	(3,212,775)
NONOPERATING REVENUES (EXPENSES)		
Investment Income (Loss)	1,652,894	1,469,458
Other Nonoperating Revenue	73,678	10,000
Interest Expense	(78,332)	(55,041)
Gain/(Loss) on Disposal of Equipment	68,995	145,438
Total Nonoperating Revenues (Expenses)	1,717,235	1,569,855
LOSS BEFORE TRANSFERS	(2,778,282)	(1,642,920)
TRANSFERS		
Transfers In	2,856,000	3,716,386
CHANGE IN NET POSITION	77,718	2,053,746
Net Position - Beginning of Year	35,185,709	33,131,963
NET POSITION - END OF YEAR	\$ 35,263,427	\$ 35,185,709

See Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Governmental Activities - Internal Service Funds	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and User Departments	\$ 11,223,302	\$ 10,938,708
Cash Payments to Suppliers for Goods and Services	(11,023,030)	(7,197,189)
Cash Payments to Employees for Services	(2,162,722)	-
Cash Received from Other Sources	73,678	(2,926,462)
Net Cash Provided (Used) by Operating Activities	<u>(1,888,772)</u>	<u>815,057</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Funds	<u>2,856,000</u>	<u>3,716,386</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Capital Debt	(864,739)	(563,165)
Interest Paid on Capital Debt	(78,332)	(55,041)
Proceeds from Sale of Capital Assets	127,830	178,217
Acquisition of Capital Assets	(3,129,574)	(6,896,181)
Net Cash Used by Capital and Related Financing Activities	<u>(3,944,815)</u>	<u>(5,049,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income (Loss)	<u>1,479,498</u>	<u>1,459,030</u>
Net Cash Provided by Investing Activities	<u>1,479,498</u>	<u>1,459,030</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,498,089)	921,032
Cash and Cash Equivalents - Beginning of Year	<u>38,731,062</u>	<u>37,810,030</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 37,232,973</u>	<u>\$ 38,731,062</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (4,495,517)	\$ (3,212,775)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,632,720	1,532,452
Other Revenues	73,678	-
(Increase) Decrease in Accounts Receivable	(12,760)	-
(Increase) Decrease in Inventories	1,365,575	(117,033)
(Increase) Decrease in Prepaid Items	(135,738)	242,026
Increase (Decrease) in Accounts Payable	(1,713,477)	1,247,568
Increase (Decrease) in Accrued Liabilities	2,499	(10,349)
Increase (Decrease) in Claims Payable	1,394,248	1,133,168
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,888,772)</u>	<u>\$ 815,057</u>

There were no noncash investing, capital and financing activities during fiscal year ended June 30, 2025.

See Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 253,253
Accounts Receivable	<u>46</u>
Total Assets	<u>253,299</u>
LIABILITIES	
Accounts Payable	12,275
Deposits Payable	<u>34,160</u>
Total Liabilities	<u>46,435</u>
FIDUCIARY NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	<u>206,864</u>
Total Fiduciary Net Position	<u><u>\$ 206,864</u></u>

See Notes to Basic Financial Statements.

CITY OF COSTA MESA, CALIFORNIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2025

	Custodial Fund
ADDITIONS:	
Donations	\$ 5,988
Investment Income	695
Total Additions	<u>6,683</u>
DEDUCTIONS:	
Remittance to Others	<u>376,115</u>
Total Deductions	<u>376,115</u>
CHANGE IN FIDUCIARY NET POSITION	(369,432)
Total Fiduciary Net Position - Beginning of Year	<u>576,296</u>
TOTAL FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 206,864</u></u>

See Notes to Basic Financial Statements.

ANNUAL COMPREHENSIVE
FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS



CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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 the 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 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.

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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

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.

Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

The underlying account system of the City is organized and operated on the basis of separate funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Proprietary statements include financial information for internal service funds. Fiduciary statements include financial information for agency and private purpose trust funds. Fiduciary funds of the City represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable and available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

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

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

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

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Funds (Continued)

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.

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 in 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 the 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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 March 1st each year and are delinquent if not paid as of August 31st.

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.

Gas Tax – 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).

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

Capital Projects Fund

Measure M2 Fund – This capital projects fund was established to account for construction of capital facilities financed by Measure M2 monies.

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.

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Classifications (Continued)

Capital Projects Fund (Continued)

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.

Custodial Funds – The custodial funds are used to account for assets held by the City 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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories

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

H. 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. Subscription-Based Information (IT) Arrangements

The City is a participant in subscription-based IT arrangements as detailed in Note 9. The City recognizes a subscription-based IT payable and right to use IT assets in the financial statements. At the commencement of the arrangement, the City initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 to begin depreciating or amortizing assets when they are placed in service. 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 to 20 Years
Landscaping and Sprinklers	35 to 40 Years
Automotive Equipment	2 to 20 Years
Office Furniture	5 to 20 Years
Office Machines	3 to 20 Years
Office Equipment	5 to 60 Years
Intangible Assets	7 to 10 Years
Right-to-Use Lease Assets	2 to 7 Years
Right-to-Use Subscription Assets	2 to 7 Years
Park System and Facilities	10 to 25 Years
Infrastructure – Roads	10 to 50 Years
Infrastructure – Storm Drains	50 to 100 Years

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. 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 lease receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balances (Continued)

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. Net Position

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted Net Position - Is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments.

Unrestricted Net Position - Is the amount of net position that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the City of Costa Mesa's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Employee Leave Benefits

The liability for employee leave benefits reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

P. 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.

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

	<u>CalPERS Plans</u>
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

	<u>Supplemental Plan</u>
Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

S. Use of Estimates

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

T. Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the City's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and Investments	\$ 184,451,972
Cash and Investments with Fiscal Agent	30,711
Statement of Fiduciary Net Position:	
Cash and Investments	253,253
Total Cash and Investments	<u><u>\$ 184,735,936</u></u>

Cash and investments at June 30, 2025, consisted of the following:

Petty Cash on Hand	\$ 52,200
Demand Deposits	39,460,156
Investments	145,223,580
Total Cash and Investments	<u><u>\$ 184,735,936</u></u>

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
Nonnegotiable 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
Supranational Securities	5 years	15%	5%

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

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Authorized Investments	Maximum Maturity	Maximum Percentage Portfolio	Maximum Investment in One Issuer
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:

Investment Type	12 Months or Less	13 to 24 Months	2 to 60 Months	Total
Federal Agency Securities	\$ 3,432,723	\$ -	\$ 5,595,167	\$ 9,027,890
State Investment Pool (LAIF)	75,074,322	-	-	75,074,322
U.S. Treasury Securities	1,164,656	4,113,795	28,679,293	33,957,744
Medium-Term Corporate Notes	1,408,471	3,081,573	12,276,552	16,766,596
Asset Backed Securities	20,146	307,332	7,169,063	7,496,541
Money Market Mutual Funds	807,126	-	-	807,126
PARS Section 115 Trust:				-
Pooled Balanced Index Plus	2,092,360	-	-	2,092,360
Held by Trustee:				
Money Market Mutual Funds	1,001	-	-	1,001
Total	<u>\$ 84,000,805</u>	<u>\$ 7,502,700</u>	<u>\$ 53,720,075</u>	<u>\$ 145,223,580</u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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:

Investment Type	Minimum Legal Rating	AAA	AA	A	Not Rated	Total
Federal Agency Securities	n/a	\$ -	\$ 9,027,890	\$ -	\$ -	\$ 9,027,890
U.S. Treasury Securities*	n/a	-	-	-	33,957,744	33,957,744
Medium-Term Corporate Notes	A	-	3,743,106	13,023,490	-	16,766,596
State Investment Pool (LAIF)	n/a	-	-	-	75,074,322	75,074,322
Asset Backed Securities	AA	7,496,541	-	-	-	7,496,541
Money Market Mutual Funds	AAA	807,126	-	-	-	807,126
PARS Section 115 Trust:						
Pooled Balanced Index Plus	n/a	-	-	-	2,092,360	2,092,360
Held by Trustee:						
Market Mutual Funds	AAA	1,001	-	-	-	1,001
Total		\$ 8,304,668	\$ 12,770,996	\$ 13,023,490	\$ 111,124,426	\$ 145,223,580

* Not required to be rated.

GASB requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2025, there were no investments in any single issuer exceeded 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).

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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.

Fair Value Measurements

Fair value measurements for the year ended June 30, 2025, are as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 9,027,890	\$ -	\$ 9,027,890
U.S. Treasury Securities	-	33,957,744	-	33,957,744
Medium-Term Corporate Notes	-	16,766,596	-	16,766,596
Asset Backed Securities	-	7,496,541	-	7,496,541
Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 67,248,771</u>	<u>\$ -</u>	67,248,771
State Investment Pool (LAIF)*				75,074,322
Money Market Mutual Funds*				807,126
PARS Section 115 Trust				
Pooled Balanced Index Plus*				2,092,360
Held by Trustee:				
Money Market Mutual Funds*				<u>1,001</u>
Total Investment Portfolio				<u>\$ 145,223,580</u>

*Not subject to fair value categorization.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2025, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 181,028

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

NOTE 4 TRANSFERS IN AND OUT

Transfers in and out for the year ended June 30, 2025, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>	
General Fund	Capital Improvements Fund	\$ 3,949,994	(a1)
General Fund	Nonmajor Governmental Funds	4,042,220	(a2 to a3)
General Fund	Internal Service Funds	2,856,000	(a4)
American Rescue Plan Act	Nonmajor Governmental Funds	2,925,504	(b1 to b2)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	203,717	(c)
Total		<u>\$ 13,977,435</u>	

(a) The General Fund transferred the following:

1. \$3,949,994 to the Capital Improvements Capital Projects Fund for capital improvement projects;
2. \$2,777,227 to the Financing Authority Debt Service Fund for debt service payments;
3. \$1,264,993 to the Housing Authority for subsidy of homeless program costs;
4. \$2,856,000 to the Internal Service Funds for pursuant to the Municipal Code's 1.5% transfer to the Information Technology

(b) The American Rescue Plan Act Fund transferred the following:

1. \$454,308 to the Housing Authority for tenant based rental assistance
2. \$2,471,196 to the Housing Asset Trust Fund for affordable housing.

(c) The Housing Asset Trust Fund transferred \$203,717 to the Housing Authority Fund for tenant relocation assistance.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 LOANS RECEIVABLE

The City's loans receivable at June 30, 2025, by loan program are as follows:

HOME Program	\$ 2,393,754
Community Development Loan Program	152,795
Rental Rehabilitation Program	200,477
First Time Home Buyer Program	1,338,476
Single Family Rehabilitation Program	142,500
Neighborhood Stabilization Program	115,250
Motel 6 Construction	850,000
Travelodge North Housing Project	2,100,000
Capital Improvements Loans	231,760
Other Programs	509,272
Total	8,034,284
Less: Allowance for Uncollectible Loans	(3,194,849)
Loans Receivable, Net	\$ 4,839,435

Allowance for uncollectible accounts are established for various loans.

NOTE 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, 2025, the lease receivable is \$1,273,732, and deferred inflows of resources is \$1,232,268. The City recognized \$91,279 of lease revenue and interest revenue of \$26,694 during the fiscal year.

Buildings and Infrastructure

The City entered into three 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, 2025, the lease receivable is \$1,896,960, and deferred inflows of resources is \$1,700,922. The City recognized \$271,066 of lease revenue and interest revenue of \$42,522 during the fiscal year.

The future principal and interest payments as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 254,277	\$ 63,264	\$ 317,541
2027	199,667	58,129	257,796
2028	213,774	54,093	267,867
2029	353,679	69,133	422,812
2030 - 2034	1,111,110	165,841	1,276,951
2035 - 2039	1,007,762	58,382	1,066,144
2040 - 2044	30,423	613	31,036
Total	\$ 3,170,692	\$ 469,455	\$ 3,640,147

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at July 1, 2024	Additions	Deletions	Transfers	Balance at June 30, 2025
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	27,432,761	18,531,380	-	(31,363,463)	14,600,678
Total Capital Assets, Not Being Depreciated	91,833,291	18,531,380	-	(31,363,463)	79,001,208
Capital Assets, Being Depreciated/Amortized:					
Building Improvements and Structures	125,768,378	-	-	2,891,289	128,659,667
Landscaping and Sprinklers	10,076,675	-	-	-	10,076,675
Automotive Equipment	23,173,608	2,904,178	(588,350)	-	25,489,436
Office Furniture	954,586	-	-	-	954,586
Office Machines	8,748,325	-	-	-	8,748,325
Other Equipment	21,776,754	1,910,635	-	(1,909,245)	21,778,144
Intangible Assets	1,714,343	-	-	1,932,537	3,646,880
Right-to-Use Lease Assets	1,434,585	-	(365,808)	-	1,068,777
Right-to-Use Subscription Assets	193,154	1,036,210	(193,154)	-	1,036,210
Park System and Facilities	23,108,912	-	-	3,602,533	26,711,445
Infrastructure - Roads	301,279,835	-	-	24,846,349	326,126,184
Infrastructure - Storm Drains	101,566,209	-	-	-	101,566,209
Total Capital Assets, Being Depreciated/Amortized	619,795,364	5,851,023	(1,147,312)	31,363,463	655,862,538
Less: Accumulated Depreciation/Amortization:					
Building Improvements and Structures	(61,303,864)	(4,658,841)	-	-	(65,962,705)
Landscaping and Sprinklers	(9,668,840)	(156,182)	-	-	(9,825,022)
Automotive Equipment	(11,311,698)	(1,483,142)	529,515	-	(12,265,325)
Office Furniture	(760,023)	(51,015)	-	-	(811,038)
Office Machines	(8,378,172)	(239,118)	-	-	(8,617,290)
Other Equipment	(11,818,497)	(1,422,360)	-	-	(13,240,857)
Intangible Assets	(1,646,766)	(14,472)	-	-	(1,661,238)
Right-to-Use Lease Assets	(746,687)	(229,929)	365,808	-	(610,808)
Right-to-Use Subscription Assets	(193,154)	(287,836)	193,154	-	(287,836)
Park System and Facilities	(15,728,265)	(900,570)	-	-	(16,628,835)
Infrastructure - Roads	(212,767,690)	(7,330,188)	177,927	-	(219,919,951)
Infrastructure - Storm Drains	(90,651,509)	(1,402,448)	-	-	(92,053,957)
Total Accumulated Depreciation/Amortization	(424,975,165)	(18,176,101)	1,266,404	-	(441,884,862)
Total Capital Assets, Being Depreciated/Amortized, Net	194,820,199	(12,325,078)	119,092	31,363,463	213,977,676
Total Capital Assets, Net	\$ 286,653,490	\$ 6,206,302	\$ 119,092	\$ -	\$ 292,978,884

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to the following functions for the year ended June 30, 2025:

Governmental Activities:	
General Government	\$ 2,936,227
Protection of Persons and Property	2,407,205
Community Programs	1,387,468
Public Services	<u>11,445,201</u>
Total Depreciation/Amortization Expense -	
Governmental Activities	<u><u>\$ 18,176,101</u></u>

The City has active construction projects as of June 30, 2025. The significant projects include the following:

Construction Project	Total Budget	Spent to Date	Remaining Commitment
Sunflower Avenue Rehabilitation	\$ 2,570,782	\$ -	\$ 2,570,782
Fairview Road Rehabilitation	2,780,829	-	2,780,829
Newport (Victoria/22nd to 19th)	1,178,820	94,496	1,084,324
SB Newport Boulevard Improvement (Mesa/Victoria)	1,965,652	97,040	1,868,612
Newport Boulevard NB 22nd Bristol			
SB Bristol Mesa	2,134,145	94,186	2,039,959
TeWinkle Skate Park Expansion	2,132,158	91,724	2,040,434
TeWinkle Park Lakes Repairs	2,132,475	143,553	1,988,922
Mesa Restoration/Cultural Restoration	2,000,000	92,313	1,907,687
Stabilize/Restore Fairview Park	<u>2,000,000</u>	<u>36,331</u>	<u>1,963,669</u>
Total	<u><u>\$ 18,894,861</u></u>	<u><u>\$ 649,643</u></u>	<u><u>\$ 18,245,218</u></u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2025, is as follows:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Bonds Payable:					
Financing Authority					
2017 Lease Revenue					
Bonds	\$ 19,360,000	\$ -	\$ (2,015,000)	\$ 17,345,000	\$ 2,115,000
Unamortized Premium	2,696,745	-	(147,767)	2,548,978	147,767
Total Bonds Payable	22,056,745	-	(2,162,767)	19,893,978	2,262,767
Other Liabilities:					
Lease Payable - Facility	82,489	-	(82,489)	-	-
Lease Payable - Warehouse	657,778	-	(152,052)	505,726	160,099
Loans Payable	66,693	-	(15,391)	51,302	15,391
SBITA Payable - Microsoft	3,575	1,036,210	(344,794)	694,991	344,312
Claims Payable	14,960,567	2,528,677	(1,134,429)	16,354,815	1,293,969
Fire Truck Note Payable	1,058,422	-	(143,086)	915,336	145,710
Mobile Command					
Note Payable	1,674,377	-	(193,810)	1,480,567	198,045
Police Armored Vehicle					
Finance Lease	325,273	-	(77,275)	247,998	79,910
Ambulance Note Payable	682,804	-	(161,586)	521,218	167,516
Pumpers, Water, and					
Asphalt Trucks					
Finance Lease	2,275,000	-	(288,982)	1,986,018	300,230
Employee Leave					
Benefits Payable (1) (2)	8,767,333	1,811,696	-	10,579,029	4,606,428
Total Other Liabilities	30,554,311	5,376,583	(2,593,894)	33,337,000	7,311,610
Total Long-Term Liabilities	\$ 52,611,056	\$ 5,376,583	\$ (4,756,661)	\$ 53,230,978	\$ 9,574,377

(1) The beginning balance was restated due to the implementation of GASB Statement No. 101, See Note 18.

(2) The change in the compensated absence liability is presented as a net change.

NOTE 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, 2025, the principal outstanding is \$17,345,000 and the unamortized bond premium balance is \$2,548,978.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Costa Mesa Financing Authority Bonds - 2017 Lease Revenue Bonds (Continued)

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, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,115,000	\$ 677,925	\$ 2,792,925
2027	2,220,000	569,550	2,789,550
2028	570,000	499,800	1,069,800
2029	600,000	470,550	1,070,550
2030	630,000	439,800	1,069,800
2031 - 2035	3,660,000	1,680,250	5,340,250
2036 - 2040	4,495,000	865,094	5,360,094
2041 - 2043	3,055,000	151,044	3,206,044
Total	<u>\$ 17,345,000</u>	<u>\$ 5,354,013</u>	<u>\$ 22,699,013</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. The lease ended during the year.

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, 2025, the value of the lease liability is \$505,726. The City is required to make monthly principal and interest payments of \$12,500. The future principal and interest payments as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 160,099	\$ 8,717	\$ 168,816
2027	168,466	5,414	173,880
2028	177,161	1,939	179,100
Total	<u>\$ 505,726</u>	<u>\$ 16,070</u>	<u>\$ 521,796</u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Subscription-Based Information Technology Arrangements (SBITAs)

Microsoft – Dell Technologies

On September 1, 2024, the City entered into a three-year subscription-based IT arrangement for the use of software. The total lease liability is \$1,036,210 at 1.834% interest. As of June 30, 2025, the value of the lease liability is \$694,991. The City is required to make annually principal and interest payments of \$350,679. The future principal and interest payments as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	344,312	6,367	\$ 350,679
2027	350,679	-	350,679
Total	<u>\$ 694,991</u>	<u>\$ 6,367</u>	<u>\$ 701,358</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 10 years with monthly payments of approximately \$1,282. The loans bear no interest.

The annual debt service requirements for loans payable as of June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 15,391
2027	15,391
2028	15,391
2029	5,129
Total	<u>\$ 51,302</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 5th of each year with annual payments of \$162,497. The note bears an interest rate of 1.8340% per annum.

The annual debt service requirements for the note as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 145,710	\$ 16,787	\$ 162,497
2027	148,382	14,115	162,497
2028	151,103	11,394	162,497
2029	153,875	8,622	162,497
2030	156,697	5,800	162,497
2031	159,569	2,927	162,496
Total	<u>\$ 915,336</u>	<u>\$ 59,645</u>	<u>\$ 974,981</u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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 7th of each year with annual payments of \$230,395. The note bears an interest rate of 2.0150% per annum. The annual debt service requirements for the note as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 198,045	\$ 32,350	\$ 230,395
2027	202,372	28,023	230,395
2028	206,794	23,601	230,395
2029	211,312	19,083	230,395
2030	215,929	14,466	230,395
2031 - 2032	446,115	104,674	550,789
Total	<u>\$ 1,480,567</u>	<u>\$ 222,197</u>	<u>\$ 1,702,764</u>

Police Armored Vehicle Note Payable

On August 15, 2022, the City entered in a Master Lease – Purchase Agreement and financed the purchase of a Police Armored Vehicle for \$400,000. The lease payment is due annually on August 17th of each year with annual payments of \$88,367. The note bears an interest rate of 3.410% per annum.

The annual debt service requirements for the finance lease as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 79,910	\$ 8,457	\$ 88,367
2027	82,635	5,732	88,367
2028	85,453	2,913	88,366
Total	<u>\$ 247,998</u>	<u>\$ 17,102</u>	<u>\$ 265,100</u>

Ambulances Note Payable

On August 16, 2022, the City entered in a Master Lease – Purchase Agreement and financed the purchase of four CCL150 Type III Ambulances for \$841,068. The lease payment is due annually on September 16th of each year with annual payments of \$186,645. The note bears an interest rate of 3.670% per annum.

The annual debt service requirements for the finance lease as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 167,516	\$ 19,129	\$ 186,645
2027	173,664	12,981	186,645
2028	180,038	6,605	186,643
Total	<u>\$ 521,218</u>	<u>\$ 38,715</u>	<u>\$ 559,933</u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Pumpers, Water, and Asphalt Trucks Finance Lease

On July 28, 2023, the City entered into a Master Lease – Purchase Agreement and financed the purchase of pumpers, water truck street cleaners, asphalt roller truck, and other essential equipment and attachments for \$2,275,000. The lease payment is due annually on July 28th of each year with annual payments of \$377,526. The note bears an interest rate of 3.892% per annum.

The annual debt service requirements for the finance lease as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 300,230	\$ 77,296	\$ 377,526
2027	311,915	65,611	377,526
2028	324,055	53,471	377,526
2029	336,666	40,890	377,556
2030	349,770	27,756	377,526
2031	363,382	14,143	377,525
Total	<u>\$ 1,986,018</u>	<u>\$ 279,167</u>	<u>\$ 2,265,185</u>

NOTE 10 FUND BALANCES

Fund balances consisted of the following at June 30, 2025:

	<u>General Fund</u>	<u>Government Grants</u>	<u>Gas Tax Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Measure "M2"</u>	<u>Capital Improvements</u>	<u>Nonmajor Funds</u>
Nonspendable:							
Prepaid Items	\$ 809,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	73,601	-	-	-	-	-	28
Restricted:							
Pension and OPEB	2,092,360	-	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-	-	1,360,808
Community Programs	-	-	-	502,739	-	-	10,203,576
Public Services (1)	-	579,799	24,769,525	-	5,719,590	-	5,190,420
Debt Service	-	-	-	-	-	-	1,001
Committed:							
Declared Disasters (2)	14,125,000	-	-	-	-	-	-
Self-Insurance (3)	2,000,000	-	-	-	-	-	-
Economic Reserves	9,000,000	-	-	-	-	-	-
Assigned:							
Compensated Absences	5,982,021	-	-	-	-	-	-
Police Retirement 1% Supplemental	1,572,306	-	-	-	-	-	-
Workers' Compensation	2,000,000	-	-	-	-	-	-
Facilities Reserve	2,000,000	-	-	-	-	-	-
Strategic Plan Projects	2,000,000	-	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-	-	700,807
Public Services	-	-	-	-	-	33,467,728	10,148,093
Unassigned	19,307,045	-	-	-	-	-	(41,269)
Total Fund Balance	<u>\$ 60,961,804</u>	<u>\$ 579,799</u>	<u>\$ 24,769,525</u>	<u>\$ 502,739</u>	<u>\$ 5,719,590</u>	<u>\$ 33,467,728</u>	<u>\$ 27,563,464</u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 FUND BALANCES (CONTINUED)

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.

The following funds had deficits at June 30, 2025:

Nonmajor Governmental Funds

Special Revenue Funds

Supplemental Law Enforcement Services	\$ 34,112
Office of Traffic Safety	7,157

The deficit fund balances will be eliminated through receipts of future revenues.

NOTE 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:

	Miscellaneous	Police Safety	Fire Safety	1%	Total
Net Pension Liability	\$ (108,315,359)	\$ (138,218,500)	\$ (89,256,235)		\$ (335,790,094)
1% Supplemental Liability	-	-	-	(1,385,976)	(1,385,976)
Deferred Outflows of					
Resources - Pension	21,031,028	25,808,218	29,297,904	-	76,137,150
Deferred Inflows of					
Resources - Pension	-	(1,221,923)	(4,401,104)	-	(5,623,027)
Pension Expense (Credit)	15,627,318	17,063,159	15,431,662	(5,650)	48,116,489

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. General Information about the Pension Plans (Continued)

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.

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 five years of service.

Public Employees' Pension Reform Act of 2013 (PEPRA) miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five 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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2025, 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% at 55	2.0% at 60	2.0% at 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 Percent of Eligible Compensation	2.0% - 2.5%	1.092% - 2.418%	1.0% - 2.5%
Required Employee Contribution Rates	10.47%	7.5%	8.50%
Required Employer Contribution Rates	7.94%	10.41%	10.41%

	Police Safety (Agent Multiple-Employer)	
	Prior to March 11, 2012	On or After January 1, 2013
Hire Date		
Benefit Formula	3.0% at 55	2.0% at 60
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	50 - 63
Monthly Benefits, as a Percent of Eligible Compensation	3.0%	2.0% - 2.7%
Required Employee Contribution Rates	14.0%	14.0%
Required Employer Contribution Rates	17.54%	22.54%

	Fire Safety (Cost Sharing Multiple-Employer)		
	Prior to December 30, 2012	On or After December 30, 2012	On or After January 1, 2013
Hire Date			
Benefit Formula	3.0% at 50	2.0% at 50	2.7% at 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 Percent of Eligible Compensation	3.0%	2.0% - 2.7%	2.0% - 2.7%
Required Employee Contribution Rates	14.0%	9.0%	13.75%
Required Employer Contribution Rates	24.30%	20.09%	13.76%

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. General Information about the Pension Plans (Continued)

Employees Covered

At the June 30, 1899 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	652	225	132
Inactive Employees Entitled to but			
not yet Receiving Benefits	866	74	34
Active Employees	412	136	82
Total	<u>1,930</u>	<u>435</u>	<u>248</u>

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. For the year ended June 30, 2025, the employer contributions for the Miscellaneous, Police Safety and Fire Safety were \$14,236,977, \$14,905,682 and \$10,645,047, respectively

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, 1899, based on an annual actuarial valuation as of June 30, 1899 and rolled forward to June 30, 1899 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, 1899 valuation was rolled forward to determine the June 30, 1899 pension liability, based on the following actuarial methods and assumptions:

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

Actuarial Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB 68
Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.90%
Mortality Rate Table ¹	Derived using CalPERS membership data for all funds
Post-Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

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

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1-10 ^{1,2}
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-Backed Securities	0.05	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

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, 1899, are as follows:

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Pension Liability (Asset)
Balances - June 30, 2023	\$ 335,445,836	\$ 222,698,544	\$ 112,747,292
Changes in the Year:			
Service Cost	5,721,926	-	5,721,926
Interest on Total Pension Liability	22,953,564	-	22,953,564
Difference Between Expected and Actual Experience	4,199,393	-	4,199,393
Contributions - Employer	-	12,798,677	(12,798,677)
Contributions - Employees	-	3,282,484	(3,282,484)
Net Investment Income	-	21,406,865	(21,406,865)
Administrative Expenses	-	(181,210)	181,210
Benefit Payments, Including Refunds of Employee Contributions	(19,691,688)	(19,691,688)	-
Net Changes	13,183,195	17,615,128	(4,431,933)
Balances - June 30, 2024	\$ 348,629,031	\$ 240,313,672	\$ 108,315,359

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

Changes in Net Pension Liability

The changes in the net pension liability for the Police Safety (Agent Multiple Employer) Plan, using the measurement date of June 30, 1899, are as follows:

	(A) Total Pension Liability	(B) Plan Fiduciary Net Position	(A - B) Net Position Liability (Asset)
Balances - June 30, 2023	\$ 368,714,588	\$ 225,479,353	\$ 143,235,235
Changes in the Year:			
Service Cost	5,777,255	-	5,777,255
Interest on Total Pension Liability	25,115,301	-	25,115,301
Difference Between Expected and Actual Experience	2,338,711	-	2,338,711
Net Plan to Plan Resource			
Contributions - Employer	-	13,718,693	(13,718,693)
Contributions - Employees	-	2,948,851	(2,948,851)
Net Investment Income	-	21,763,931	(21,763,931)
Administrative Expenses	-	(183,473)	183,473
Benefit Payments, Including Refunds of Employee Contributions	(19,904,122)	(19,904,122)	-
Net Changes	13,327,145	18,343,880	(5,016,735)
Balances - June 30, 2024	<u>\$ 382,041,733</u>	<u>\$ 243,823,233</u>	<u>\$ 138,218,500</u>

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

As of June 30, 2025, the City reported net pension liabilities for its proportionate share of the net pension liability of the Fire Safety Plan as follows:

	Share of Net Pension Liability
Balance at June 30, 2023	\$ 91,243,941
Balance at June 30, 2024	89,256,235
Net Changes During 2023 - 2024	<u>\$ (1,987,706)</u>

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, 2023 and 2024, was as follows:

	Fire Safety
Proportion - June 30, 2023	1.22067%
Proportion - June 30, 2024	1.22423%
Change - Increase (Decrease)	0.00356%

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability - Miscellaneous	\$ 153,242,912	\$ 108,315,359	\$ 71,378,853
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability - Police Safety	\$ 189,911,674	\$ 138,218,500	\$ 96,028,482
	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability - Fire Safety	\$ 121,378,061	\$ 89,256,235	\$ 62,985,098

Pension Plan 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

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

At June 30, 2025, 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	\$ 14,236,977	\$ -
Differences Between Expected and Actual Experience	3,516,056	-
Change in Assumptions	-	-
Net Differences Between Projected and Actual Earnings on Plan Investments	3,277,995	-
Total	<u>\$ 21,031,028</u>	<u>\$ -</u>

	Police Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 14,905,682	\$ -
Differences Between Expected and Actual Experience	4,522,746	(1,221,923)
Change in Assumptions	3,174,418	-
Net Differences Between Projected and Actual Earnings on Plan Investments	3,205,372	-
Total	<u>\$ 25,808,218</u>	<u>\$ (1,221,923)</u>

	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 10,645,047	\$ -
Differences Between Expected and Actual Experience	7,284,102	(236,837)
Change in Assumptions	2,199,090	-
Change in Employer's Proportion	-	(4,164,267)
Net Differences Between Projected and Actual Earnings on Plan Investments	4,314,240	-
Differences Between Employer's Contributions and Change in Employer's Proportion	4,855,425	-
Total	<u>\$ 29,297,904</u>	<u>\$ (4,401,104)</u>

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 11 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Net Pension Liability (Continued)

At June 30, 2025, deferred outflows of resources in the amounts of \$14,236,977, \$14,905,682, and \$10,645,047 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
2026	\$ 2,222,893	\$ 3,498,111	\$ 5,060,633
2027	6,789,821	7,887,482	10,550,953
2028	(979,106)	(439,498)	116,305
2029	(1,239,557)	(1,265,482)	(1,476,138)

NOTE 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, 2025 was 17. The average monthly benefit being paid is \$931.33. 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. As such, there are no assets accumulated in a trust for the plan. For the year ended June 30, 2025, the City paid \$1,945,254 in form of insurance premiums for retiree health insurance and implicit subsidy of \$955,626 for a total contribution of \$2,900,880.

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 POLICE 1% SUPPLEMENTAL RETIREMENT PLAN (CONTINUED)

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, 2025, using an annual actuarial valuation as of June 30, 2025. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2025 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2025
Actuarial Assumptions:	
Discount Rate	4.90% per annum. The discount rate is the average, rounded to 5 basis points, of the range of 3 to 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 2025
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

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 POLICE 1% SUPPLEMENTAL RETIREMENT PLAN (CONTINUED)

B. Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.90%. There are no assets accumulated in a trust, therefore the discount rate is the average, rounded to 5 basis points, of the range of three 20 year municipal bond rate indices as of June 30, 2025: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.

The discount rate changed from 4.05% as of June 30, 1899 to 4.90% as of June 30, 2025 measurement date.

C. Changes in the Pension Liability

Balance - June 30, 2024	\$ 1,572,306
Changes in the Year:	
Interest on the Total Pension Liability	60,020
Differences Between Actual Expected and Actual Experience	-
Changes in Assumptions	(65,670)
Benefit Payments, Including Refunds of Member Contributions	(180,680)
Net Changes	(186,330)
Balance - June 30, 2025	<u>\$ 1,385,976</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 4.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Net Pension Liability - Supplemental Plan	\$ 1,463,829	\$ 1,385,976	\$ 1,315,436

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

For the fiscal year ended June 30, 2025, the City recognized pension credit of \$5,650. At June 30, 2025, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 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, 2025, there were 186 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, 2025 was \$75,182.

NOTE 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, 1899 measurement date, the following current and former employees were covered by the benefit terms under the plan:

Active Employees	641
Inactive Employees or Beneficiaries Currently Receiving Benefits	409
Inactive Employees Entitled to but not yet Receiving Benefits	-
Total	<u>1,050</u>

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, 2025, the City contributed \$2,900,880 to the plan. The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 OTHER POST EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

Contributions (Continued)

The City's total OPEB liability was measured as of June 30, 2024 by an actuarial valuation based on the following actuarial methods and assumptions.

Discount Rate: 4.21% 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:

	<u>As of 6/30/24</u>
Bond Buyer Go 20 - Municipal Bond Index	3.93 %
S&P Municipal Bond 20-Year High Grade Rate Index	4.21 %
Fidelity 20-Year Go Municipal Bond Index	3.97 %
Bond Index Range	<u>3.93% - 4.21%</u>
Actual Index Used	4.21 %

Aggregate Payroll Increases: 2.80% 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.

Changes in the Total OPEB Liability

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

	<u>Net OPEB Liability (Asset)</u>
Balance - June 30, 2024	\$ 45,452,076
Changes Recognized for the Measurement Period:	
Service Cost	1,419,494
Interest	1,878,907
Differences Between Expected and Actual Experience	622,499
Changes of Assumptions	(163,741)
Benefit Payments	<u>(2,783,065)</u>
Net Changes	<u>974,094</u>
Balance - June 30, 2025	
(Measurement Date June 30, 2024)	<u><u>\$ 46,426,170</u></u>

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

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, 2025:

	1% Decrease (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
OPEB Liability	\$ 52,007,091	\$ 46,426,170	\$ 41,788,980

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, 2025:

	1% Decrease (7.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
OPEB Liability	\$ 43,160,878	\$ 46,426,170	\$ 51,068,651

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.

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, 2025, the City recognized OPEB expense of \$2,858,347. At June 30, 2025, 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	\$ 2,900,880	\$ -
Differences Between Expected and Actual Experience	857,675	(8,624,445)
Changes in Assumptions	5,088,251	(10,670,546)
Total	<u>\$ 8,846,806</u>	<u>\$ (19,294,991)</u>

The \$2,900,880 reported as deferred outflows of resources related to contributions subsequent to the June 30, 1899 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026.

**CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

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

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

<u>Year Ending June 30,</u>	Deferred Outflows/(Inflows) of Resources
2026	\$ (440,055)
2027	(1,226,141)
2028	(1,226,141)
2029	(1,660,984)
2030	(2,030,969)
Thereafter	(6,764,775)
Total	<u>\$ (13,349,065)</u>

NOTE 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.

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, 2025 was \$0.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 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, 2025:

	Function	Actual Expenditures	Final Budget Appropriations	Excess
Major Fund:				
General Fund				
	City Attorney	\$ 1,107,716	\$ 1,086,750	\$ (20,966)
	Information Technology	6,710,372	6,030,365	(680,007)
	Facilities and			
	Equipment Maintenance	13,124,814	12,585,530	(539,284)
	Building and Safety	3,590,671	3,584,859	(5,812)
	Planning	2,582,541	1,996,962	(585,579)
	Public Services			
	Administration	2,498,764	2,385,716	(113,048)
	Transportation	3,721,711	3,398,116	(323,595)
Special Revenue				
Funds:				
Supplemental Law	Protection of Persons			
Enforcement	and Property	376,562	343,882	(32,680)
Services Fund				

NOTE 17 RISK MANAGEMENT

For the fiscal year ended June 30, 2025, 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 \$16,354,815 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.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 17 RISK MANAGEMENT (CONTINUED)

The City has estimated losses for claims and judgments and has established liabilities of \$12,678,373 for workers' compensation and \$3,676,442 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, 2025 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

The City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$25,000 to \$2,000,000 for which the likelihood of an unfavorable outcome is only reasonably possible, as determined by legal counsel.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2023-24	\$ 13,827,398	\$ 1,932,581	\$ (799,412)	\$ 14,960,567
2024-25	14,960,567	2,528,677	(1,134,429)	16,354,815

NOTE 18 RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE

A. Changes to or within Financial Reporting Entity

Change in Fund Presentation from Major to Nonmajor

Measure M2 Special Revenue Fund previously did not meet the criteria to be reported as a major governmental fund. However, effective July 1, 2024, the met the criteria to be reported as a major fund and is reported as a major governmental fund for the fiscal year ended June 30, 2025. The effect of that change to or within the financial reporting entity is shown in column A of the table below

B. Change in Accounting Principle

Effective July 1, 2024, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of July 1, 2024 was understated by \$2,785,312. This resulted to a restatement of the beginning net position of the governmental activities by \$2,785,312. The effect of the implementation of this standard is shown in column B of the table below.

CITY OF COSTA MESA, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 18 RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCE (CONTINUED)

	June 30, 2024, As Previously Reported	Change in Reporting Entity (A)	Change in Accounting Principle (B)	30-Jun-24 As Adjusted or Restated
Government-Wide:				
Governmental Activities	\$ 113,204,885	\$ -	\$ (2,785,312)	\$ 110,419,573
Total Primary Government	<u>\$ 113,204,885</u>	<u>\$ -</u>	<u>\$ (2,785,312)</u>	<u>\$ 110,419,573</u>
Governmental Funds:				
Major Funds:				
General Fund	\$ 60,362,901	\$ -	\$ -	\$ 60,362,901
Government Grants Special Revenue Fund	(1,538,018)	-	-	(1,538,018)
Gas Tax Special Revenue Fund	21,830,719	-	-	21,830,719
American Rescue Plan Act Special Revenue Fund	425,256	-	-	425,256
Measure M2 Capital Projects Fund	-	7,767,460	-	7,767,460
Capital Improvements Capital Projects Fund	35,387,391	-	-	35,387,391
Nonmajor Funds	<u>33,283,813</u>	<u>(7,767,460)</u>	<u>-</u>	<u>25,516,353</u>
Total Governmental Funds	<u>\$ 149,752,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,752,062</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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:										
Service Cost	\$ 5,721,926	\$ 4,882,865	\$ 4,524,340	\$ 4,114,686	\$ 4,081,002	\$ 3,828,540	\$ 3,528,896	\$ 3,659,618	\$ 3,269,125	\$ 3,187,235
Interest on Total Pension Liability	22,953,564	22,111,904	21,200,745	20,957,522	20,506,212	19,990,625	19,188,563	18,996,998	18,633,944	18,262,096
Differences Between Expected and Actual Experience	4,199,393	5,590,884	(2,514,720)	(1,467,232)	(324,784)	4,152,146	(3,837,320)	(1,038,444)	(2,818,846)	(2,016,112)
Changes in Assumptions	-	-	9,049,210	-	-	-	(1,071,584)	15,484,252	-	(4,399,842)
Changes in Benefit Terms	-	372,418	-	-	-	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(19,691,688)	(19,139,741)	(18,185,189)	(17,147,887)	(16,501,681)	(16,317,568)	(15,285,935)	(14,720,378)	(14,145,202)	(13,476,175)
Net Change in Total Pension Liability	13,183,195	13,818,330	14,074,386	6,457,089	7,760,749	11,653,743	2,522,620	22,382,046	4,939,021	1,557,202
Total Pension Liability - Beginning	335,445,836	321,627,506	307,553,120	301,096,031	293,335,282	281,681,539	279,158,919	256,776,873	251,837,852	250,280,650
Total Pension Liability - Ending (a)	348,629,031	335,445,836	321,627,506	307,553,120	301,096,031	293,335,282	281,681,539	279,158,919	256,776,873	251,837,852
Plan Fiduciary Net Position:										
Contributions - Employer	12,798,677	12,048,314	10,995,829	10,097,843	9,336,852	8,320,570	7,300,573	6,712,045	6,226,072	5,768,827
Contributions - Employees	3,282,484	2,616,057	2,265,758	2,062,454	2,205,872	2,055,169	1,906,040	1,936,240	1,966,557	1,978,052
Net Investment Income	21,406,865	13,272,083	(17,866,615)	44,605,186	9,609,644	11,863,211	15,161,548	18,711,484	897,287	3,881,685
Benefit Payments	(19,691,688)	(19,139,741)	(18,185,189)	(17,147,887)	(16,501,681)	(16,317,568)	(15,285,935)	(14,720,378)	(14,145,205)	(13,476,175)
Plan to Plan Resource Movement	-	-	-	-	-	-	(1,077)	-	3,064	13,634
Administrative Expense	(181,210)	(157,409)	(147,635)	(197,367)	(272,363)	(133,740)	(279,147)	(246,188)	(104,766)	(193,604)
Other Miscellaneous Income (Expense)	-	-	-	-	-	435	(530,105)	-	-	-
Net Change in Plan Fiduciary Net Position	17,615,128	8,639,304	(22,937,852)	39,420,229	4,378,324	5,788,077	8,271,897	12,393,203	(5,156,991)	(2,027,581)
Plan Fiduciary Net Position - Beginning	222,698,544	214,059,240	236,997,092	197,576,863	193,198,539	187,410,462	179,138,565	166,745,362	171,902,353	173,929,934
Plan Fiduciary Net Position - Ending (b)	240,313,672	222,698,544	214,059,240	236,997,092	197,576,863	193,198,539	187,410,462	179,138,565	166,745,362	171,902,353
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 108,315,359</u>	<u>\$ 112,747,292</u>	<u>\$ 107,568,266</u>	<u>\$ 70,556,028</u>	<u>\$ 103,519,168</u>	<u>\$ 100,136,743</u>	<u>\$ 94,271,077</u>	<u>\$ 100,020,354</u>	<u>\$ 90,031,511</u>	<u>\$ 79,935,499</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.93%	66.39%	66.56%	77.06%	65.62%	65.86%	66.53%	64.17%	64.94%	68.26%
Covered Payroll	\$ 33,906,374	\$ 27,755,413	\$ 26,486,277	\$ 26,206,105	\$ 24,012,483	\$ 24,394,495	\$ 20,067,193	\$ 19,532,886	\$ 19,890,931	\$ 17,928,997
Net Pension Liability as a Percentage of Covered Payroll	319.45%	406.22%	406.13%	269.24%	431.11%	410.49%	469.78%	512.06%	452.63%	445.84%

See accompanying Notes to Required Supplementary Information.

**CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
MISCELLANEOUS PLAN
LAST TEN FISCAL YEARS**

Notes to Schedule:

Benefit Changes – The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes in Assumptions – There were no assumption changes in 2023 to 2025. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through 2016, and 7.50% for measurement date June 30, 2014.

**CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 14,236,977	\$ 12,578,180	\$ 11,953,509	\$ 11,072,097	\$ 10,249,971	\$ 9,876,401	\$ 9,256,492	\$ 6,913,866	\$ 6,522,784	\$ 6,056,123
Contributions in Relation to the Actuarially Determined Contributions	(14,236,977)	(12,578,180)	(11,953,509)	(11,072,097)	(10,249,971)	(9,876,401)	(9,256,492)	(6,913,866)	(6,522,784)	(6,056,123)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 37,136,028	\$ 33,906,374	\$ 27,755,413	\$ 26,486,277	\$ 26,206,105	\$ 24,012,483	\$ 24,394,495	\$ 20,067,193	\$ 19,532,886	\$ 19,890,931
Contributions as a Percentage of Covered Payroll	38.34%	37.10%	43.07%	41.80%	39.11%	41.13%	37.95%	34.45%	33.39%	30.45%

Notes to Schedule:

Valuation date for June 30, 2025

6/30/22

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Actuarial Cost Method
Amortization method/period	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by category, entry age, and duration of service
Investment rate of return	6.80%, net of pension plan investment and administrative expense; Includes inflation

Other Information:

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

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE SAFETY PLAN
LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:										
Service Cost	\$ 5,777,255	\$ 5,660,455	\$ 5,458,052	\$ 4,811,521	\$ 4,912,766	\$ 4,959,915	\$ 4,653,580	\$ 4,475,641	\$ 4,011,055	\$ 4,048,034
Interest on Total Pension Liability	25,115,301	24,218,751	23,094,674	22,650,069	21,872,003	21,235,614	20,611,486	20,072,034	19,519,447	18,452,568
Differences Between Expected and Actual Experience	2,338,711	5,683,147	(4,554,440)	503,266	(1,729,542)	(2,112,152)	(1,494,789)	(2,148,051)	4,436,634	1,744,508
Changes in Assumptions	-	-	11,831,923	-	-	-	(1,540,347)	17,608,748	-	(4,744,823)
Changes in Benefit Terms	-	99,834	-	-	-	-	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(19,904,122)	(18,661,561)	(17,630,306)	(16,651,882)	(16,058,867)	(15,024,883)	(14,129,155)	(13,984,335)	(13,319,431)	(12,625,831)
Net Change in Total Pension Liability	13,327,145	17,000,626	18,199,903	11,312,974	8,996,360	9,058,494	8,100,775	26,024,037	14,647,705	6,874,456
Total Pension Liability - Beginning	368,714,588	351,713,962	333,514,059	322,201,085	313,204,725	304,146,231	296,045,456	270,021,419	255,373,714	248,499,258
Total Pension Liability - Ending (a)	382,041,733	368,714,588	351,713,962	333,514,059	322,201,085	313,204,725	304,146,231	296,045,456	270,021,419	255,373,714
Plan Fiduciary Net Position:										
Contributions - Employer	13,718,693	13,196,625	12,366,023	11,583,086	10,608,592	9,471,893	8,263,652	7,592,902	5,992,098	5,228,944
Contributions - Employees	2,948,851	2,402,021	2,367,983	2,166,528	2,285,323	2,222,313	2,120,029	2,012,546	1,988,684	2,191,295
Net Investment Income	21,763,931	13,524,316	(18,004,303)	44,470,479	9,465,284	11,872,172	14,402,562	17,309,154	825,770	3,618,253
Benefit Payments	(19,904,122)	(18,661,561)	(17,630,306)	(16,651,882)	(16,058,867)	(15,024,883)	(14,129,155)	(13,984,335)	(13,319,431)	(12,625,831)
Plan to Plan Resource Movement	-	-	-	-	-	-	222	-	72	-
Administrative Expense	(183,473)	(158,230)	(147,153)	(194,644)	(266,185)	(128,739)	(265,711)	(233,009)	(98,993)	(182,933)
Other Miscellaneous Income (Expense)	-	-	-	-	-	420	(504,590)	-	-	-
Net Change in Plan Fiduciary Net Position	18,343,880	10,303,171	(21,047,756)	41,373,567	6,034,147	8,413,176	9,887,009	12,697,258	(4,611,800)	(1,770,272)
Plan Fiduciary Net Position - Beginning	225,479,353	215,176,182	236,223,938	194,850,371	188,816,224	180,403,048	170,516,039	157,818,781	162,430,581	164,200,853
Plan Fiduciary Net Position - Ending (b)	243,823,233	225,479,353	215,176,182	236,223,938	194,850,371	188,816,224	180,403,048	170,516,039	157,818,781	162,430,581
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 138,218,500</u>	<u>\$ 143,235,235</u>	<u>\$ 136,537,780</u>	<u>\$ 97,290,121</u>	<u>\$ 127,350,714</u>	<u>\$ 124,388,501</u>	<u>\$ 123,743,183</u>	<u>\$ 125,529,417</u>	<u>\$ 112,202,638</u>	<u>\$ 92,943,133</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.82%	61.15%	61.18%	70.83%	60.47%	60.29%	59.31%	57.60%	58.45%	63.61%
Covered Payroll	\$ 23,135,065	\$ 20,069,395	\$ 17,075,363	\$ 15,883,165	\$ 16,175,525	\$ 17,534,445	\$ 14,529,255	\$ 14,696,132	\$ 14,161,162	\$ 13,714,558
Net Pension Liability as a Percentage of Covered Payroll	597.44%	713.70%	799.62%	612.54%	787.30%	709.40%	851.68%	854.17%	792.33%	677.70%

See accompanying Notes to Required Supplementary Information.

**CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
POLICE SAFETY PLAN
LAST TEN FISCAL YEARS**

Notes to Schedule:

Benefit Changes – The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes in Assumptions – There were no assumption changes in 2023 to 2025. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through 2016, and 7.50% for measurement date June 30, 2014.

**CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
POLICE SAFETY PLAN
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 14,905,682	\$ 12,295,561	\$ 13,172,096	\$ 11,680,985	\$ 11,803,904	\$ 11,174,155	\$ 10,894,754	\$ 8,098,773	\$ 7,592,899	\$ 5,994,277
Contributions in Relation to the Actuarially Determined Contributions	(14,905,682)	(12,295,561)	(13,172,096)	(11,680,985)	(11,803,904)	(11,174,155)	(10,894,754)	(8,098,773)	(7,592,899)	(5,994,277)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 22,606,971	\$ 23,135,065	\$ 20,069,395	\$ 17,075,363	\$ 15,883,165	\$ 16,175,525	\$ 17,534,445	\$ 14,529,255	\$ 14,696,132	\$ 14,161,162
Contributions as a Percentage of Covered Payroll	65.93%	53.15%	65.63%	68.41%	74.32%	69.08%	62.13%	55.74%	51.67%	42.33%

Notes to Schedule:

Valuation date for June 30, 2025

6/30/22

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Actuarial Cost Method
Amortization method/period	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by category, entry age, and duration of service
Investment rate of return	6.80%, net of pension plan investment and administrative expense; Includes inflation

Other Information:

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

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FIRE SAFETY PLAN
LAST TEN FISCAL YEARS

Fiscal Year Measurement Date	2024 6/30/2024	2023 6/30/2023	2022 6/30/2022	2021 6/30/2021	2020 6/30/2020	2019 6/30/2019	2018 6/30/2018	2017 6/30/2017	2016 6/30/2016	2015 6/30/2015
Plan's Proportion of the Net Pension Liability	1.22423%	0.61916%	0.63698%	0.67861%	0.74962%	0.75901%	0.78122%	0.75976%	0.78750%	0.85980%
Plan's Proportionate Share of the Net Pension Liability	\$ 89,256,235	\$ 91,243,941	\$ 88,285,197	\$ 61,763,064	\$ 81,561,540	\$ 77,775,545	\$ 75,280,246	\$ 75,347,795	\$ 68,144,130	\$ 59,018,969
Plan's Covered Payroll	\$ 12,297,318	\$ 10,924,436	\$ 9,845,473	\$ 9,203,544	\$ 9,034,047	\$ 9,614,585	\$ 9,057,608	\$ 9,116,708	\$ 9,235,056	\$ 8,616,507
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	725.82%	835.23%	896.71%	671.08%	902.82%	808.93%	831.13%	826.48%	737.89%	684.95%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.00%	60.18%	60.47%	71.38%	73.12%	73.37%	73.39%	71.74%	74.06%	78.40%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 9,446,737	\$ 9,408,864	\$ 9,072,094	\$ 7,555,477	\$ 6,865,279	\$ 5,855,909	\$ 5,040,152	\$ 5,040,152	\$ 4,087,020	\$ 4,600,229

Notes to Schedule:

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employer in the plan may have provided a benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amount to be separately financed employer-specific liabilities. These employers should consult with their auditors/ Additionally, the figures above do not include any liability impact that occurred after the June 30, 2022 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. For pooled plans, this is a Class 3 benefit and there is no normal cost surcharge. The impact on the unfunded liability is included in the pool's differences between expected and actual experience.

Changes in Assumptions – There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations, as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through 2016, and 7.50% for measurement date June 30, 2014.

See accompanying Notes to Required Supplementary Information.

**CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
FIRE SAFETY PLAN
LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution (Actuarially Determined)	\$ 10,645,047	\$ 9,446,737	\$ 9,408,864	\$ 9,072,094	\$ 7,555,477	\$ 6,865,279	\$ 5,855,909	\$ 5,040,152	\$ 3,598,782	\$ 3,286,280
Contributions in Relation to the Actuarially Determined Contributions	(10,645,047)	(9,446,737)	(9,804,864)	(9,072,094)	(7,555,477)	(6,865,279)	(5,855,909)	(5,040,152)	(3,598,782)	(3,786,280)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u></u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (500,000)</u>
Covered Payroll	\$ 12,859,916	\$ 12,297,318	\$ 10,924,436	\$ 9,845,473	\$ 9,203,544	\$ 9,034,047	\$ 9,614,585	\$ 9,057,608	\$ 9,116,708	\$ 9,235,056
Contributions as a Percentage of Covered Payroll	82.78%	76.82%	86.13%	92.14%	82.09%	75.99%	60.91%	55.65%	39.47%	41.00%

Notes to Schedule:

Valuation date for June 30, 2025 6/30/22

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Actuarial Cost Method
Amortization method/period	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Asset valuation method	Market value of assets
Inflation	2.30%
Salary increases	Varies by category, entry age, and duration of service
Investment rate of return	6.90%, net of pension plan investment and administrative expense; Includes inflation

Other Information:

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

See accompanying Notes to Required Supplementary Information.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability:										
Interest on Total Pension Liability	\$ 60,020	\$ 64,074	\$ 66,959	\$ 45,623	\$ 55,426	\$ 69,134	\$ 79,579	\$ 82,454	\$ 77,214	\$ 80,950
Differences Between Expected and Actual Experience	-	(26,421)	-	101,666	-	80,298	-	(9,704)	-	(19)
Changes in Assumptions	(65,670)	(13,865)	(16,007)	(332,850)	59,262	122,873	46,602	(18,938)	(107,900)	-
Benefit Payments, Including Refunds of Employee Contributions	(180,680)	(188,828)	(198,365)	(204,445)	(204,445)	(205,036)	(205,233)	(205,233)	(208,260)	(211,287)
Net Change in Total Pension Liability	(186,330)	(165,040)	(147,413)	(390,006)	(89,757)	67,269	(79,052)	(151,421)	(238,946)	(130,356)
Total Pension Liability - Beginning	1,572,306	1,737,346	1,884,759	2,274,765	2,364,522	2,297,253	2,376,305	2,527,726	2,766,672	2,897,028
Total Pension Liability - Ending (a)	<u>\$ 1,385,976</u>	<u>\$ 1,572,306</u>	<u>\$ 1,737,346</u>	<u>\$ 1,884,759</u>	<u>\$ 2,274,765</u>	<u>\$ 2,364,522</u>	<u>\$ 2,297,253</u>	<u>\$ 2,376,305</u>	<u>\$ 2,527,726</u>	<u>\$ 2,766,672</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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.
The discount rate changed from 3.75% as of June 30, 2022 to 3.90% as of June 30, 2023 measurement date.
The discount rate changed from 3.90% as of June 30, 2023 to 4.05% as of June 30, 2024 measurement date.
The discount rate changed from 4.05% as of June 30, 2024 to 4.90% as of June 30, 2025 measurement date.

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Fiscal Year	06/30/25	06/30/24	6/30/2023	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18
Measurement Period	06/30/24	6/30/2023	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Total OPEB Liability:								
Service Cost	\$ 1,419,494	\$ 1,359,650	\$ 2,123,135	\$ 1,469,582	\$ 1,145,090	\$ 1,110,733	\$ 1,098,145	\$ 1,229,918
Interest on Total OPEB Liability	1,878,907	2,146,489	1,470,020	1,675,650	2,060,874	1,852,821	1,812,069	1,622,474
Differences Between Expected and Actual Experience	622,499	(8,133,352)	(480,791)	(894,275)	(3,128,209)	2,081,994	-	-
Changes in Assumptions	(163,741)	238,216	(14,469,369)	3,854,176	6,606,929	3,420,614	(670,841)	(3,959,316)
Benefit Payments	(2,783,065)	(2,535,920)	(2,520,497)	(2,732,910)	(2,719,892)	(2,751,358)	(2,469,425)	(2,318,709)
Net Change in Total OPEB Liability	974,094	(6,924,917)	(13,877,502)	3,372,223	3,964,792	5,714,804	(230,052)	(3,425,633)
Total OPEB Liability - Beginning	45,452,076	52,376,993	66,254,495	62,882,272	58,917,480	53,202,676	53,432,728	56,858,361
Total OPEB Liability - Ending (a)	<u>\$ 46,426,170</u>	<u>\$ 45,452,076</u>	<u>\$ 52,376,993</u>	<u>\$ 66,254,495</u>	<u>\$ 62,882,272</u>	<u>\$ 58,917,480</u>	<u>\$ 53,202,676</u>	<u>\$ 53,432,728</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll ¹	\$ 62,513,350	\$ 62,202,706	\$ 53,773,706	\$ 48,101,217	\$ 45,645,442	\$ 43,828,141	\$ 43,392,898	\$ 41,026,788

Notes to Schedule:

¹ 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, 2024, the market value of the investments held in the trust was \$1,867,408 and is reflected as a contribution subsequent to the measurement date as of fiscal year 2023.

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%. The discount rate as of the June 30, 2022 measurement date was 4.09%. The discount rate as of June 30, 2023 was 4.13%.

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 eight years are shown.

See accompanying Notes to Required Supplementary Information.



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.

GAS TAX FUND

The Gas Tax Fund is used 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).

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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Taxes:					
Sales Tax	\$ 80,063,389	\$ 78,163,389	\$ 78,244,492	\$ 81,103	\$ 76,400,160
Property Tax	60,473,546	59,367,751	59,317,656	(50,095)	56,465,749
Transient Occupancy Tax	10,136,373	9,962,373	9,962,421	48	10,150,696
Franchise Tax	6,675,334	6,701,334	6,637,150	(64,184)	6,542,802
Cannabis Business Tax	3,896,284	4,106,284	4,082,109	(24,175)	3,195,393
Business License Tax	940,807	978,807	978,401	(406)	707,121
Total Taxes	162,185,733	159,279,938	159,222,229	(57,709)	153,461,921
Licenses and Permits	6,401,512	6,831,965	6,809,704	(22,261)	5,982,422
Fines and Forfeitures	1,302,091	1,521,634	1,455,764	(65,870)	1,297,319
Intergovernmental:					
Motor Vehicle In-Lieu	115,307	177,378	177,378	-	138,951
Prop172	1,504,501	1,394,501	1,392,219	(2,282)	1,396,143
Advances Repayment	-	-	-	-	1,368,045
Grants and Other Reimbursements	750,779	2,089,958	2,032,425	(57,533)	2,091,131
Total Intergovernmental	2,370,587	3,661,837	3,602,022	(59,815)	4,994,270
Charges for Services	11,595,929	11,295,560	11,235,537	(60,023)	10,213,746
Rental	4,772,207	4,792,117	4,811,425	19,308	4,512,794
Investment Income (Loss)	588,493	2,110,563	2,671,680	561,117	2,250,512
Miscellaneous	1,154,207	1,238,213	1,092,678	(145,535)	1,174,798
Total Revenues	190,370,759	190,731,827	190,901,039	169,212	183,887,782
EXPENDITURES					
General Government:					
City Council	874,089	797,887	797,517	370	749,750
City Manager					
Administration	5,516,390	5,679,586	5,709,470	(29,884)	4,771,870
City Clerk	1,224,687	1,269,687	1,292,523	(22,836)	1,078,738
Personnel Services	2,523,135	2,601,006	2,403,168	197,838	2,594,988
Risk Management Services	330,163	352,698	495,151	(142,453)	458,487
City Attorney	1,086,750	1,086,750	1,107,716	(20,966)	977,061
Financial Services	6,073,764	5,075,600	5,057,429	18,171	4,416,585
Information Technology	6,402,558	6,030,365	6,710,372	(680,007)	5,471,390
Facilities and Equipment Maintenance	13,405,985	12,585,530	13,124,814	(539,284)	14,290,076
Nondepartmental	8,073,183	7,710,612	7,425,461	285,151	6,636,224
Total General Government	45,510,704	43,189,721	44,123,621	(933,900)	41,445,169

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
EXPENDITURES (Continued)					
Protection of Persons and Property:					
Police Protection	\$ 61,967,050	\$ 66,750,444	\$ 66,637,869	\$ 112,575	\$ 61,846,778
Fire Protection	37,734,622	39,129,583	39,086,455	43,128	35,159,633
Building and Safety	3,596,502	3,584,859	3,590,671	(5,812)	3,375,682
Total Protection of Persons and Property	<u>103,298,174</u>	<u>109,464,886</u>	<u>109,314,995</u>	<u>149,891</u>	<u>100,382,093</u>
Community Programs:					
Community Recreation	9,430,560	10,871,175	10,688,629	182,546	9,988,871
Planning	2,099,267	1,996,962	2,582,541	(585,579)	2,455,636
Community Improvement	2,326,218	2,089,417	1,568,924	520,493	1,757,726
Development Services Administration	2,119,116	2,137,376	1,811,078	326,298	1,493,742
Total Community Programs	<u>15,975,161</u>	<u>17,094,930</u>	<u>16,651,172</u>	<u>443,758</u>	<u>15,695,975</u>
Public Services:					
Administration	2,370,716	2,385,716	2,498,764	(113,048)	2,358,665
Engineering	4,616,915	4,445,465	3,468,792	976,673	2,681,200
Transportation	3,265,386	3,398,116	3,721,711	(323,595)	3,772,021
Total Public Services	<u>10,253,017</u>	<u>10,229,297</u>	<u>9,689,267</u>	<u>540,030</u>	<u>8,811,886</u>
Debt Service:					
Principal	3,450,000	2,450,000	594,726	1,855,274	566,391
Interest and Fiscal Charges	1,067,905	854,405	116,351	738,054	62,126
Total Debt Service	<u>4,517,905</u>	<u>3,304,405</u>	<u>711,077</u>	<u>2,593,328</u>	<u>628,517</u>
Total Expenditures	<u>179,554,961</u>	<u>183,283,239</u>	<u>180,490,132</u>	<u>2,793,107</u>	<u>166,963,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>10,815,798</u>	<u>7,448,588</u>	<u>10,410,907</u>	<u>(2,623,895)</u>	<u>16,924,142</u>
OTHER FINANCING SOURCES (USES)					
Subscriptions Proceeds	-	-	1,036,210	1,036,210	-
Transfers to Other Funds	(10,970,988)	(8,070,988)	(10,848,214)	(2,777,226)	(16,486,813)
Transfers from Other Funds	-	-	-	-	888,618
Total Other Financing Sources (Uses)	<u>(10,970,988)</u>	<u>(8,070,988)</u>	<u>(9,812,004)</u>	<u>(1,741,016)</u>	<u>(15,598,195)</u>
NET CHANGE IN FUND BALANCE	<u>(155,190)</u>	<u>(622,400)</u>	<u>598,903</u>	<u>(4,364,911)</u>	<u>1,325,947</u>
Fund Balance - Beginning of Year	<u>60,362,901</u>	<u>60,362,901</u>	<u>60,362,901</u>	<u>-</u>	<u>59,036,954</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,207,711</u>	<u>\$ 59,740,501</u>	<u>\$ 60,961,804</u>	<u>\$ (4,364,911)</u>	<u>\$ 60,362,901</u>

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GOVERNMENT GRANTS FUND – MAJOR FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Intergovernmental	\$ 6,883,580	\$ 26,688,063	\$ 7,840,461	\$ (18,847,602)	\$ 3,275,113
Investment Income (Loss)	-	-	87,654	87,654	78,230
Total Revenue	<u>6,883,580</u>	<u>26,688,063</u>	<u>7,928,115</u>	<u>(18,759,948)</u>	<u>3,353,343</u>
EXPENDITURES					
Current:					
General Government	-	9,558,471	2,483,286	7,075,185	2,014,351
Protection of Persons and Property	350,491	6,733,644	1,004,012	5,729,632	1,238,622
Community Programs	-	2,726,699	503,154	2,223,545	1,711,393
Public Services	6,342,090	11,565,449	1,819,846	9,745,603	189,845
Total Expenditures	<u>6,692,581</u>	<u>30,584,263</u>	<u>5,810,298</u>	<u>24,773,965</u>	<u>5,154,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	190,999	(3,896,200)	2,117,817	6,014,017	(1,800,868)
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	(631)	-	(631)	-
NET CHANGE IN FUND BALANCE	190,999	(3,896,831)	2,117,817	6,013,386	(1,800,868)
Fund Balance - Beginning of Year	<u>(1,538,018)</u>	<u>(1,538,018)</u>	<u>(1,538,018)</u>	-	262,850
FUND BALANCE - END OF YEAR	<u>\$ (1,347,019)</u>	<u>\$ (5,434,849)</u>	<u>\$ 579,799</u>	<u>\$ 6,013,386</u>	<u>\$ (1,538,018)</u>

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GAS TAX FUND – MAJOR FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Intergovernmental	\$ 5,996,053	\$ 6,256,916	\$ 6,236,356	\$ (20,560)	\$ 5,981,892
Investment Income (Loss)	-	-	1,142,498	1,142,498	845,794
Miscellaneous	-	218,959	218,959	-	167,874
Total Revenue	5,996,053	6,475,875	7,597,813	1,121,938	6,995,560
EXPENDITURES					
Current:					
Public Services	6,869,372	25,883,611	4,659,007	21,224,604	2,721,195
NET CHANGE IN FUND BALANCE	(873,319)	(19,407,736)	2,938,806	(20,102,666)	4,274,365
Fund Balance - Beginning of Year	21,830,719	21,830,719	21,830,719	-	17,556,354
FUND BALANCE - END OF YEAR	<u>\$ 20,957,400</u>	<u>\$ 2,422,983</u>	<u>\$ 24,769,525</u>	<u>\$ (20,102,666)</u>	<u>\$ 21,830,719</u>

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – AMERICAN RESCUE PLAN ACT – MAJOR FUND
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Intergovernmental	\$ 2,972,172	\$ 4,894,160	\$ 4,894,160	\$ -	\$ 3,620,652
Investment Income (Loss)	-	-	77,484	77,484	166,877
Total Revenue	2,972,172	4,894,160	4,971,644	77,484	3,787,529
EXPENDITURES					
Current:					
Protection of Persons and Property	46,668	2,018,656	1,968,657	49,999	1,600,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	2,925,504	2,875,504	3,002,987	127,483	2,187,529
OTHER FINANCING SOURCES (USES)					
Transfer Out	(2,925,504)	(2,925,504)	(2,925,504)	-	(2,020,652)
NET CHANGE IN FUND BALANCE	-	(50,000)	77,483	127,483	166,877
Fund Balance - Beginning of Year	425,256	425,256	425,256	-	258,379
FUND BALANCE - END OF YEAR	<u>\$ 425,256</u>	<u>\$ 375,256</u>	<u>\$ 502,739</u>	<u>\$ 127,483</u>	<u>\$ 425,256</u>

See accompanying Notes to Required Supplementary Information.

CITY OF COSTA MESA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 BUDGETARY DATA

Annual budgets are legally adopted or amended for all governmental funds on a basis consistent with accounting principles generally accepted in the United States of America, except for the following funds for which annual budgets were not adopted or amended:

- Special Revenue Funds:
 - Local Law Enforcement Block Grant
 - Opioid Settlement
 - Disaster Fund
- Capital Projects Funds:
 - Fire System Development Fees
 - Park Acquisition Fund
 - Lions Park
- Debt Service Funds:
 - 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



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:

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.

Opioid Settlement Fund

Established to account for receipt and disbursements from settlements related to opioid litigation. These funds are restricted for purposes aligned with mitigating the adverse effects of opioid abuse and supporting initiatives aimed at prevention, treatment, recovery, and community support.

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 declare disasters.

Behavioral Health Fund

The City received an award for the Behavioral Health Bridge Housing (BHBH) from the Orange County Health Care Agency (OCHCA) to provide emergency shelter and behavioral health services at the Costa Mesa Bridge Shelter. The program implements a wide range of behavioral health care services, which include housing navigation, workforce development, case management, and housing retention.

Housing Asset Trust Fund

The Housing Trust Fund was created to set aside funding for the development of affordable housing. City Council has emphasized the importance of developing affordable housing for residents of Costa Mesa and this Fund will assist in creating a pathway to achieving the long-term goal of housing affordability for different income levels

Senior Transportation Fund

Established to account for funding and expenditures related to the Senior Transportation Program. These programs are designed to provide access to seniors for medical and personal visits. Funding sources may include but are not limited to: Enhanced Mobility for Senior and Individuals with Disabilities grant; Orange County Transit Authority Measure M2 grant; and Hoag Hospital grant.

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.

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.

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

Parking Districts Fund

Established under the Vehicle Parking District Law of 1943, this fund supports the development and upkeep of public parking facilities in designated downtown areas (along Newport Boulevard). Revenue from dedicated property tax levies can be used for projects such as building or repairing parking lots and structures, installing meters or payment systems, improving lighting and safety features, and enhancing accessibility. These investments help ensure that downtown districts remain accessible, functional, and supportive of local businesses.

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, expansion, replacement and improvement of the City's parks, trails and recreational facilities. The funding is provided by fees levied on new real estate and commercial development. Fees collected help to ensure the improvement of public amenities necessary to match the growth of the City.

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

Established 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.

Park Acquisition Capital Improvements Fund

Established to account future purchase of park acquisition, design and construction.

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:

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
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
ASSETS					
Cash and Cash Equivalents	\$ 401,829	\$ 614,553	\$ 1,045,157	\$ -	\$ 342,364
Cash and Investments with Fiscal Agents	-	-	-	-	-
Due from Other Governments	74,113	38,088	50,083	-	-
Accounts Receivable, Net	-	-	-	-	-
Interest Receivable	2,460	3,785	1,661	-	2,173
Loans Receivable, Net	1,500,000	-	-	-	-
Leases Receivable	-	-	-	-	-
Rent Receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	<u>\$ 1,978,402</u>	<u>\$ 656,426</u>	<u>\$ 1,096,901</u>	<u>\$ -</u>	<u>\$ 344,537</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 103,647	\$ 4,633	\$ 22,816	\$ -	\$ -
Accrued Liabilities	295	-	15,640	14,581	-
Retentions Payable	-	-	-	-	-
Deposits Payable	24	-	-	-	-
Due to Other Funds	-	-	-	19,531	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	<u>103,966</u>	<u>4,633</u>	<u>38,456</u>	<u>34,112</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Lease Related	-	-	-	-	-
Unavailable Revenues	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Protection of Persons and Property	-	-	-	-	-
Community Programs	1,874,436	-	1,058,445	-	344,537
Public Services	-	651,793	-	-	-
Debt Service	-	-	-	-	-
Assigned for:					
Protection of Persons and Property	-	-	-	-	-
Public Services	-	-	-	-	-
Unassigned	-	-	-	(34,112)	-
Total Fund Balances	<u>1,874,436</u>	<u>651,793</u>	<u>1,058,445</u>	<u>(34,112)</u>	<u>344,537</u>
Total Liabilities and Fund Balances	<u>\$ 1,978,402</u>	<u>\$ 656,426</u>	<u>\$ 1,096,901</u>	<u>\$ -</u>	<u>\$ 344,537</u>

**CITY OF COSTA MESA, CALIFORNIA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Special Revenue				
	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Opioid Settlement	Housing Authority
ASSETS					
Cash and Cash Equivalents	\$ 1,658,507	\$ 36,815	\$ -	\$ 1,328,669	\$ 3,775,321
Cash and Investments with Fiscal Agents	-	-	-	-	29,710
Due from Other Governments	-	-	93,070	331,118	-
Accounts Receivable, Net	-	-	-	-	330,870
Interest Receivable	11,126	234	-	8,432	20,639
Loans Receivable, Net	-	-	-	-	3,338,705
Leases Receivable	-	-	-	-	1,273,732
Rent Receivable	-	-	-	-	13,290
Inventory	-	-	-	-	-
Total Assets	<u>\$ 1,669,633</u>	<u>\$ 37,049</u>	<u>\$ 93,070</u>	<u>\$ 1,668,219</u>	<u>\$ 8,782,267</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 688	\$ -	\$ 528,115
Accrued Liabilities	-	-	2,347	-	66,118
Retentions Payable	-	-	-	-	-
Deposits Payable	345,874	-	-	-	26,196
Due to Other Funds	-	-	97,192	-	-
Unearned Revenue	-	-	-	13,165	-
Total Liabilities	<u>345,874</u>	<u>-</u>	<u>100,227</u>	<u>13,165</u>	<u>620,429</u>
DEFERRED INFLOWS OF RESOURCES					
Lease Related	-	-	-	-	1,232,265
Unavailable Revenues	-	-	-	-	3,415
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,235,680</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Protection of Persons and Property	1,323,759	37,049	-	-	-
Community Programs	-	-	-	-	6,926,158
Public Services	-	-	-	1,655,054	-
Debt Service	-	-	-	-	-
Assigned for:					
Protection of Persons and Property	-	-	-	-	-
Public Services	-	-	-	-	-
Unassigned	-	-	(7,157)	-	-
Total Fund Balances	<u>1,323,759</u>	<u>37,049</u>	<u>(7,157)</u>	<u>1,655,054</u>	<u>6,926,158</u>
Total Liabilities and Fund Balances	<u>\$ 1,669,633</u>	<u>\$ 37,049</u>	<u>\$ 93,070</u>	<u>\$ 1,668,219</u>	<u>\$ 8,782,267</u>

**CITY OF COSTA MESA, CALIFORNIA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Special Revenue				Capital Projects
	Disaster Fund	Behavioral Health	Housing Asset Trust	Senior Transportation	Parking Districts
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,345,140	\$ -	\$ 219,228
Cash and Investments with Fiscal Agents	-	-	-	-	-
Due from Other Governments	63,574	134,358	-	-	1,406
Accounts Receivable, Net	-	63,335	-	-	-
Interest Receivable	-	-	15,535	-	1,391
Loans Receivable, Net	-	-	-	-	-
Leases Receivable	-	-	-	-	-
Rent Receivable	-	-	-	-	-
Inventory	28	-	-	-	-
Total Assets	<u>\$ 63,602</u>	<u>\$ 197,693</u>	<u>\$ 2,360,675</u>	<u>\$ -</u>	<u>\$ 222,025</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 366	\$ 93,034	\$ -	\$ -	\$ -
Accrued Liabilities	-	4,371	-	-	-
Retentions Payable	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Due to Other Funds	14,609	49,696	-	-	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	<u>14,975</u>	<u>147,101</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Lease Related	-	-	-	-	-
Unavailable Revenues	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	28	-	-	-	-
Restricted for:					
Protection of Persons and Property	-	-	-	-	-
Community Programs	-	-	-	-	-
Public Services	48,599	50,592	2,360,675	-	-
Debt Service	-	-	-	-	-
Assigned for:					
Protection of Persons and Property	-	-	-	-	-
Public Services	-	-	-	-	222,025
Unassigned	-	-	-	-	-
Total Fund Balances	<u>48,627</u>	<u>50,592</u>	<u>2,360,675</u>	<u>-</u>	<u>222,025</u>
Total Liabilities and Fund Balances	<u>\$ 63,602</u>	<u>\$ 197,693</u>	<u>\$ 2,360,675</u>	<u>\$ -</u>	<u>\$ 222,025</u>

**CITY OF COSTA MESA, CALIFORNIA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Capital Projects				
	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees	Fire System Development Fees
ASSETS					
Cash and Cash Equivalents	\$ 824,252	\$ 2,039,952	\$ 2,385,582	\$ 4,819,961	\$ 696,388
Cash and Investments with Fiscal Agents	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Accounts Receivable, Net	-	-	-	46	-
Interest Receivable	48,550	13,755	15,102	30,690	4,419
Loans Receivable, Net	-	-	-	-	-
Leases Receivable	-	-	-	-	-
Rent Receivable	19,015	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	<u>\$ 891,817</u>	<u>\$ 2,053,707</u>	<u>\$ 2,400,684</u>	<u>\$ 4,850,697</u>	<u>\$ 700,807</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 43,120	\$ 32,870	\$ 237,018	\$ 443,927	\$ -
Accrued Liabilities	-	-	-	-	-
Retentions Payable	-	-	9,938	57,054	-
Deposits Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	<u>43,120</u>	<u>32,870</u>	<u>246,956</u>	<u>500,981</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Lease Related	-	-	-	-	-
Unavailable Revenues	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Protection of Persons and Property	-	-	-	-	-
Community Programs	-	-	-	-	-
Public Services	-	-	-	-	-
Debt Service	-	-	-	-	-
Assigned for:					
Protection of Persons and Property	-	-	-	-	700,807
Public Services	848,697	2,020,837	2,153,728	4,349,716	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>848,697</u>	<u>2,020,837</u>	<u>2,153,728</u>	<u>4,349,716</u>	<u>700,807</u>
Total Liabilities and Fund Balances	<u>\$ 891,817</u>	<u>\$ 2,053,707</u>	<u>\$ 2,400,684</u>	<u>\$ 4,850,697</u>	<u>\$ 700,807</u>

**CITY OF COSTA MESA, CALIFORNIA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Capital Projects			Debt Service	Totals	
	Jack Hammett	Lions Park	Park	Financing	2025	2024
	Sports Complex	Capital Improvements				
ASSETS						
Cash and Cash Equivalents	\$ 567,142	\$ 12,725	\$ 408,375	\$ -	\$ 23,521,960	\$ 29,875,711
Cash and Investments with Fiscal Agents	-	-	-	1,001	30,711	381,491
Due from Other Governments	-	-	-	-	785,810	2,762,815
Accounts Receivable, Net	-	-	-	-	394,251	297,039
Interest Receivable	948	1,959	648	-	183,507	39,896
Loans Receivable, Net	-	-	-	-	4,838,705	2,795,210
Leases Receivable	-	-	-	-	1,273,732	1,355,038
Rent Receivable	-	-	-	-	32,305	-
Inventory	-	-	-	-	28	28
Total Assets	<u>\$ 568,090</u>	<u>\$ 14,684</u>	<u>\$ 409,023</u>	<u>\$ 1,001</u>	<u>\$ 31,061,009</u>	<u>\$ 37,507,228</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	1,510,234	1,587,115
Accrued Liabilities	-	-	-	-	103,352	95,325
Retentions Payable	-	-	-	-	66,992	119,686
Deposits Payable	15,000	-	-	-	387,094	39,902
Due to Other Funds	-	-	-	-	181,028	65,076
Unearned Revenue	-	-	-	-	13,165	245,258
Total Liabilities	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,261,865</u>	<u>2,152,362</u>
DEFERRED INFLOWS OF RESOURCES						
Lease Related	-	-	-	-	1,232,265	1,323,545
Unavailable Revenues	-	-	-	-	3,415	747,508
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,235,680</u>	<u>2,071,053</u>
FUND BALANCES						
Nonspendable	-	-	-	-	28	-
Restricted for:						
Protection of Persons and Property	-	-	-	-	1,360,808	1,272,224
Community Programs	-	-	-	-	10,203,576	10,475,793
Public Services	-	14,684	409,023	-	5,190,420	9,085,173
Debt Service	-	-	-	1,001	1,001	17,449
Assigned for:						
Protection of Persons and Property	-	-	-	-	700,807	668,391
Public Services	553,090	-	-	-	10,148,093	11,800,193
Unassigned	-	-	-	-	(41,269)	(35,410)
Total Fund Balances	<u>553,090</u>	<u>14,684</u>	<u>409,023</u>	<u>1,001</u>	<u>27,563,464</u>	<u>33,283,813</u>
Total Liabilities and Fund Balances	<u>\$ 568,090</u>	<u>\$ 14,684</u>	<u>\$ 409,023</u>	<u>\$ 1,001</u>	<u>\$ 31,061,009</u>	<u>\$ 37,507,228</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Intergovernmental	560,386	145,853	1,509,889	332,622	-
Investment Income (Loss)	14,655	26,873	1,665	(42)	15,764
Rental Income	-	-	-	-	-
Miscellaneous	134,836	-	-	-	40,000
Total Revenues	<u>709,877</u>	<u>172,726</u>	<u>1,511,554</u>	<u>332,580</u>	<u>55,764</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Protection of Persons and Property	-	-	-	376,562	-
Community Programs	551,644	-	605,824	-	-
Public Services	-	19,642	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>551,644</u>	<u>19,642</u>	<u>605,824</u>	<u>376,562</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>158,233</u>	<u>153,084</u>	<u>905,730</u>	<u>(43,982)</u>	<u>55,764</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	-	-	-
Transfer Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>158,233</u>	<u>153,084</u>	<u>905,730</u>	<u>(43,982)</u>	<u>55,764</u>
Fund Balances - Beginning of Year, As Previously Reported Presented	1,716,203	498,709	152,715	9,870	288,773
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Fund Balances - Beginning of Year	<u>1,716,203</u>	<u>498,709</u>	<u>152,715</u>	<u>9,870</u>	<u>288,773</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,874,436</u>	<u>\$ 651,793</u>	<u>\$ 1,058,445</u>	<u>\$ (34,112)</u>	<u>\$ 344,537</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Special Revenue				
	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Opioid Settlement	Housing Authority
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-
Fines and Forfeitures	18,655	-	-	-	-
Intergovernmental	-	-	329,559	756,892	1,429,643
Investment Income (Loss)	78,086	1,713	-	61,944	206,698
Rental Income	-	-	-	-	472,261
Miscellaneous	-	-	-	-	339,002
Total Revenues	<u>96,741</u>	<u>1,713</u>	<u>329,559</u>	<u>818,836</u>	<u>2,447,604</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	4,960,209
Protection of Persons and Property	-	-	301,306	-	-
Community Programs	-	-	-	-	802,357
Public Services	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>301,306</u>	<u>-</u>	<u>5,762,566</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>96,741</u>	<u>1,713</u>	<u>28,253</u>	<u>818,836</u>	<u>(3,314,962)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	-	-	1,923,018
Transfer Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,923,018</u>
NET CHANGE IN FUND BALANCES	<u>96,741</u>	<u>1,713</u>	<u>28,253</u>	<u>818,836</u>	<u>(1,391,944)</u>
Fund Balances - Beginning of Year, As Previously Reported Presented	1,227,018	35,336	(35,410)	836,218	8,318,102
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Fund Balances - Beginning of Year	<u>1,227,018</u>	<u>35,336</u>	<u>(35,410)</u>	<u>836,218</u>	<u>8,318,102</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,323,759</u>	<u>\$ 37,049</u>	<u>\$ (7,157)</u>	<u>\$ 1,655,054</u>	<u>\$ 6,926,158</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Special Revenue				Capital Projects
	Disaster Fund	Behavioral Health	Housing Asset Trust	Senior Transportation	Measure M2
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Intergovernmental	63,578	945,217	-	-	-
Investment Income (Loss)	-	-	93,196	-	-
Rental Income	-	-	-	-	-
Miscellaneous	-	-	-	65,660	-
Total Revenues	63,578	945,217	93,196	65,660	-
EXPENDITURES					
Current:					
General Government	9,357	920,330	-	-	-
Protection of Persons and Property	1,925	-	-	-	-
Community Programs	782	-	-	65,660	-
Public Services	53,414	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	65,478	920,330	-	65,660	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(1,900)	24,887	93,196	-	-
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	2,471,196	-	-
Transfer Out	-	-	(203,717)	-	-
Total Other Financing Sources (Uses)	-	-	2,267,479	-	-
NET CHANGE IN FUND BALANCES	(1,900)	24,887	2,360,675	-	-
Fund Balances - Beginning of Year, As Previously Reported Presented	50,527	25,705	-	-	7,767,460
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	(7,767,460)
Fund Balances - Beginning of Year	50,527	25,705	-	-	-
FUND BALANCES - END OF YEAR	\$ 48,627	\$ 50,592	\$ 2,360,675	\$ -	\$ -

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Capital Projects				
	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees
REVENUES					
Taxes	\$ 27,912	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	262,786	150,933	573,484
Fines and Forfeitures	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment Income (Loss)	9,717	79,757	104,338	109,517	234,705
Rental Income	-	186,142	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>37,629</u>	<u>265,899</u>	<u>367,124</u>	<u>260,450</u>	<u>808,189</u>
EXPENDITURES					
Current:					
General Government	-	-	250,000	-	-
Protection of Persons and Property	-	-	-	-	-
Community Programs	-	-	-	-	-
Public Services	-	49,871	428,009	266,580	1,584,595
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>49,871</u>	<u>678,009</u>	<u>266,580</u>	<u>1,584,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>37,629</u>	<u>216,028</u>	<u>(310,885)</u>	<u>(6,130)</u>	<u>(776,406)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	-	-	-	-	-
Transfer Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>37,629</u>	<u>216,028</u>	<u>(310,885)</u>	<u>(6,130)</u>	<u>(776,406)</u>
Fund Balances - Beginning of Year, As Previously Reported Presented	184,396	632,669	2,331,722	2,159,858	5,126,122
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-
Fund Balances - Beginning of Year	<u>184,396</u>	<u>632,669</u>	<u>2,331,722</u>	<u>2,159,858</u>	<u>5,126,122</u>
FUND BALANCES - END OF YEAR	<u>\$ 222,025</u>	<u>\$ 848,697</u>	<u>\$ 2,020,837</u>	<u>\$ 2,153,728</u>	<u>\$ 4,349,716</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Capital Projects				Debt Service		
	Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Park Acquisition	Financing Authority	Totals	
						2025	2024
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,912	\$ 24,610
Charges for Services	-	-	-	-	-	987,203	355,005
Fines and Forfeitures	-	-	-	-	-	18,655	125,118
Intergovernmental	-	-	-	-	-	6,073,639	8,493,174
Investment Income (Loss)	32,416	23,882	17,473	17,065	2,500	1,131,922	1,186,310
Rental Income	-	-	-	-	-	658,403	883,398
Miscellaneous	-	-	-	-	-	579,498	271,788
Total Revenues	<u>32,416</u>	<u>23,882</u>	<u>17,473</u>	<u>17,065</u>	<u>2,500</u>	<u>9,477,232</u>	<u>11,339,403</u>
EXPENDITURES							
Current:							
General Government	-	-	-	-	-	6,139,896	-
Protection of Persons and Property	-	-	-	-	-	679,793	812,424
Community Programs	-	-	-	-	-	2,026,267	7,494,849
Public Services	-	-	353,603	-	-	2,755,714	5,308,611
Debt Service:							
Principal	-	-	-	-	2,015,000	2,015,000	1,920,000
Interest	-	-	-	-	781,175	781,175	879,550
Total Expenditures	<u>-</u>	<u>-</u>	<u>353,603</u>	<u>-</u>	<u>2,796,175</u>	<u>14,397,845</u>	<u>16,415,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>32,416</u>	<u>23,882</u>	<u>(336,130)</u>	<u>17,065</u>	<u>(2,793,675)</u>	<u>(4,920,613)</u>	<u>(5,076,031)</u>
OTHER FINANCING SOURCES (USES)							
Transfer In	-	-	-	-	2,777,227	7,171,441	7,111,763
Transfer Out	-	-	-	-	-	(203,717)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,777,227</u>	<u>6,967,724</u>	<u>7,111,763</u>
NET CHANGE IN FUND BALANCES	<u>32,416</u>	<u>23,882</u>	<u>(336,130)</u>	<u>17,065</u>	<u>(16,448)</u>	<u>2,047,111</u>	<u>2,035,732</u>
Fund Balances - Beginning of Year, As Previously Reported Presented	668,391	529,208	350,814	391,958	17,449	33,283,813	31,248,081
Change within financial reporting entity (nonmajor to major fund)	-	-	-	-	-	(7,767,460)	-
Fund Balances - Beginning of Year	<u>668,391</u>	<u>529,208</u>	<u>350,814</u>	<u>391,958</u>	<u>17,449</u>	<u>25,516,353</u>	<u>31,248,081</u>
FUND BALANCES - END OF YEAR	<u>\$ 700,807</u>	<u>\$ 553,090</u>	<u>\$ 14,684</u>	<u>\$ 409,023</u>	<u>\$ 1,001</u>	<u>\$ 27,563,464</u>	<u>\$ 33,283,813</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
HOME PROGRAM FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 567,760	\$ 560,386	\$ (7,374)	\$ 930,234
Investment Income (Loss)	14,803	14,655	(148)	38,292
Miscellaneous	135,900	134,836	(1,064)	123,856
Total Revenues	718,463	709,877	(8,586)	1,092,382
EXPENDITURES				
Current:				
Community Programs	1,920,807	551,644	1,369,163	788,957
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,202,344)	158,233	1,360,577	303,425
NET CHANGE IN FUND BALANCE	(1,202,344)	158,233	1,360,577	303,425
Fund Balance - Beginning of Year	1,716,203	1,716,203	-	1,412,778
FUND BALANCE - END OF YEAR	<u>\$ 513,859</u>	<u>\$ 1,874,436</u>	<u>\$ 1,360,577</u>	<u>\$ 1,716,203</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
AIR QUALITY IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 145,800	\$ 145,853	\$ 53	\$ 150,191
Investment Income (Loss)	-	26,873	26,873	17,512
Total Revenues	145,800	172,726	26,926	167,703
EXPENDITURES				
Current:				
Public Services	374,185	19,642	354,543	114,998
NET CHANGE IN FUND BALANCE	(228,385)	153,084	381,469	52,705
Fund Balance - Beginning of Year	498,709	498,709	-	446,004
FUND BALANCE - END OF YEAR	<u>\$ 270,324</u>	<u>\$ 651,793</u>	<u>\$ 381,469</u>	<u>\$ 498,709</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 1,510,506	\$ 1,509,889	\$ (617)	\$ 619,833
Investment Income (Loss)	-	1,665	1,665	6
Total Revenues	<u>1,510,506</u>	<u>1,511,554</u>	<u>1,048</u>	<u>650,739</u>
EXPENDITURES				
Current:				
Community Programs	775,008	605,824	169,184	587,184
Public Services	350,000	-	350,000	-
Total Expenditures	<u>1,125,008</u>	<u>605,824</u>	<u>519,184</u>	<u>587,184</u>
NET CHANGE IN FUND BALANCE	385,498	905,730	520,232	63,555
Fund Balance - Beginning of Year	<u>152,715</u>	<u>152,715</u>	<u>-</u>	<u>89,160</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 538,213</u></u>	<u><u>\$ 1,058,445</u></u>	<u><u>\$ 520,232</u></u>	<u><u>\$ 152,715</u></u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 331,480	\$ 332,622	\$ 1,142	\$ 321,103
Investment Income (Loss)	-	(42)	(42)	258
Total Revenues	331,480	332,580	1,100	321,361
EXPENDITURES				
Current:				
Protection of Persons and Property	343,882	376,562	(32,680)	359,983
NET CHANGE IN FUND BALANCE	(12,402)	(43,982)	(31,580)	(38,622)
Fund Balance - Beginning of Year	9,870	9,870	-	48,492
FUND BALANCE - END OF YEAR	<u>\$ (2,532)</u>	<u>\$ (34,112)</u>	<u>\$ (31,580)</u>	<u>\$ 9,870</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
RENTAL REHABILITATION FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Investment Income (Loss)	\$ -	\$ 15,764	\$ 15,764	\$ 11,293
Miscellaneous	40,000	40,000	-	-
Total Revenues	40,000	55,764	15,764	11,293
EXPENDITURES				
Current:				
Community Programs	80,000	-	80,000	-
Total Expenditures	80,000	-	80,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,000)	55,764	95,764	11,293
NET CHANGE IN FUND BALANCE	(40,000)	55,764	95,764	11,293
Fund Balance - Beginning of Year	288,773	288,773	-	277,480
FUND BALANCE - END OF YEAR	<u>\$ 248,773</u>	<u>\$ 344,537</u>	<u>\$ 95,764</u>	<u>\$ 288,773</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
NARCOTICS FORFEITURE FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Fines and Forfeitures	\$ 19,000	\$ 18,655	\$ (345)	\$ 125,118
Investment Income (Loss)	-	78,086	78,086	62,501
Total Revenues	19,000	96,741	77,741	187,619
EXPENDITURES				
Current:				
Protection of Persons and Property	531,271	-	531,271	254,705
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(512,271)	96,741	609,012	(67,086)
OTHER FINANCING SOURCES (USES)				
Transfers In	248,380	-	248,380	254,705
NET CHANGE IN FUND BALANCE	(263,891)	96,741	857,392	(67,086)
Fund Balance - Beginning of Year	1,227,018	1,227,018	-	1,294,104
FUND BALANCE - END OF YEAR	<u>\$ 963,127</u>	<u>\$ 1,323,759</u>	<u>\$ 857,392</u>	<u>\$ 1,227,018</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
OFFICE OF TRAFFIC SAFETY FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 422,635	\$ 329,559	\$ (93,076)	\$ 170,221
EXPENDITURES				
Current:				
Protection of Persons and Property	422,635	301,306	121,329	197,736
Total Expenditures	422,635	301,306	121,329	197,736
NET CHANGE IN FUND BALANCE	-	28,253	28,253	(27,515)
Fund Balance - Beginning of Year	(35,410)	(35,410)	-	(7,895)
FUND BALANCE - END OF YEAR	<u>\$ (35,410)</u>	<u>\$ (7,157)</u>	<u>\$ 28,253</u>	<u>\$ (35,410)</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
HOUSING AUTHORITY FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 1,418,060	\$ 1,429,643	\$ 11,583	\$ 1,320,654
Investment Income (Loss)	112,029	206,698	94,669	231,987
Rental Income	455,421	472,261	16,840	538,955
Miscellaneous	337,101	339,002	1,901	117,032
Total Revenues	<u>2,322,611</u>	<u>2,447,604</u>	<u>124,993</u>	<u>2,208,628</u>
EXPENDITURES				
Current:				
General Government	10,820,226	4,960,209	5,860,017	-
Community Programs	870,957	802,357	68,600	6,118,708
Total Expenditures	<u>11,691,183</u>	<u>5,762,566</u>	<u>5,928,617</u>	<u>6,118,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(9,368,572)	(3,314,962)	6,053,610	(3,910,080)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>1,923,018</u>	<u>1,923,018</u>	-	<u>3,927,637</u>
NET CHANGE IN FUND BALANCE	(7,445,554)	(1,391,944)	6,053,610	17,557
Fund Balance - Beginning of Year	<u>8,318,102</u>	<u>8,318,102</u>	-	<u>8,300,545</u>
FUND BALANCE - END OF YEAR	<u>\$ 872,548</u>	<u>\$ 6,926,158</u>	<u>\$ 6,053,610</u>	<u>\$ 8,318,102</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
BEHAVIORAL HEALTH FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Intergovernmental	\$ 1,253,590	\$ 945,217	\$ (308,373)	\$ 25,705
Total Revenues	1,253,590	945,217	(308,373)	25,705
EXPENDITURES				
Current:				
General Government	2,097,051	920,330	1,176,721	-
Total Expenditures	2,097,051	920,330	1,176,721	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(843,461)	24,887	(1,485,094)	25,705
NET CHANGE IN FUND BALANCE	(843,461)	24,887	868,348	25,705
Fund Balance - Beginning of Year	25,705	25,705	-	-
FUND BALANCE - END OF YEAR	<u>\$ (817,756)</u>	<u>\$ 50,592</u>	<u>\$ 868,348</u>	<u>\$ 25,705</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
SENIOR TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Miscellaneous	\$ 237,600	\$ 65,660	\$ (171,940)	\$ -
Total Revenues	237,600	65,660	(171,940)	-
EXPENDITURES				
Current:				
Community Programs	237,600	65,660	171,940	-
Total Expenditures	237,600	65,660	171,940	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 566,334	\$ 566,334	\$ 152,972
Investment Income (Loss)	-	-	1,570,269	1,570,269	1,203,727
Miscellaneous	-	-	22,401	22,401	35,852
Total Revenue	-	-	2,159,004	2,159,004	1,392,551
EXPENDITURES					
Current:					
General Government	-	3,971,814	37,180	3,934,634	7,200
Protection of Persons and Property	400,000	1,070,883	215,911	854,972	792,490
Community Programs	55,000	156,183	103,963	52,220	256,672
Public Services	8,700,010	30,223,797	7,671,607	22,552,190	3,297,238
Total Expenditures	9,155,010	35,422,677	8,028,661	27,394,016	4,353,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(9,155,010)	(35,422,677)	(5,869,657)	29,553,020	(2,961,049)
OTHER FINANCING SOURCES (USES)					
Transfer In	6,849,994	3,950,030	3,949,994	(36)	7,194,994
Transfer Out	-	-	-	-	(384,576)
Total Other Financing Sources (Uses)	6,849,994	3,950,030	3,949,994	(36)	6,810,418
NET CHANGE IN FUND BALANCE	(2,305,016)	(31,472,647)	(1,919,663)	29,552,984	3,849,369
Fund Balance - Beginning of Year	35,387,391	35,387,391	35,387,391	-	31,538,022
FUND BALANCE - END OF YEAR	<u>\$ 33,082,375</u>	<u>\$ 3,914,744</u>	<u>\$ 33,467,728</u>	<u>\$ 29,552,984</u>	<u>\$ 35,387,391</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
MEASURE M2
YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES					
Intergovernmental	\$ 4,256,148	\$ 4,022,211	\$ 3,860,654	\$ (161,557)	\$ 4,207,029
Investment Income (Loss)	-	-	374,600	374,600	295,795
Total Revenue	<u>4,256,148</u>	<u>4,022,211</u>	<u>4,235,254</u>	<u>213,043</u>	<u>4,502,824</u>
EXPENDITURES					
Current:					
Public Services	<u>5,146,442</u>	<u>12,263,466</u>	<u>6,283,124</u>	<u>5,980,342</u>	<u>2,484,874</u>
NET CHANGE IN FUND BALANCE	(890,294)	(8,241,255)	(2,047,870)	6,193,385	2,017,950
Fund Balance - Beginning of Year	<u>7,767,460</u>	<u>7,767,460</u>	<u>7,767,460</u>	-	<u>5,749,510</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,877,166</u></u>	<u><u>\$ (473,795)</u></u>	<u><u>\$ 5,719,590</u></u>	<u><u>\$ 6,193,385</u></u>	<u><u>\$ 7,767,460</u></u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
PARKING DISTRICTS FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Taxes	\$ 21,434	\$ 27,912	\$ 6,478	\$ 24,610
Investment Income (Loss)	-	9,717	9,717	6,885
Total Revenues	21,434	37,629	16,195	31,495
 Fund Balance - Beginning of Year	 184,396	 184,396	 -	 152,901
 FUND BALANCE - END OF YEAR	 \$ 205,830	 \$ 222,025	 \$ 16,195	 \$ 184,396

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
GOLF COURSE IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Investment Income (Loss)	\$ -	\$ 79,757	\$ 79,757	\$ 24,763
Rental Income	187,000	186,142	(858)	179,443
Total Revenues	187,000	265,899	78,899	204,206
EXPENDITURES				
Current:				
Public Services	652,078	49,871	602,207	247,921
NET CHANGE IN FUND BALANCE	(465,078)	216,028	681,106	(43,715)
Fund Balance - Beginning of Year	632,669	632,669	-	676,384
FUND BALANCE - END OF YEAR	<u>\$ 167,591</u>	<u>\$ 848,697</u>	<u>\$ 681,106</u>	<u>\$ 632,669</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
PARK DEVELOPMENT FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Charges for Services	\$ 263,000	\$ 262,786	\$ (214)	\$ 142,598
Investment Income (Loss)	-	104,338	104,338	103,835
Total Revenues	<u>263,000</u>	<u>367,124</u>	<u>104,124</u>	<u>246,433</u>
EXPENDITURES				
Current:				
Community Programs	250,000	250,000	-	-
Public Services	<u>2,205,397</u>	<u>428,009</u>	<u>1,777,388</u>	<u>787,433</u>
Total Expenditures	<u>2,455,397</u>	<u>678,009</u>	<u>1,777,388</u>	<u>787,433</u>
NET CHANGE IN FUND BALANCE	(2,192,397)	(310,885)	1,881,512	(541,000)
Fund Balance - Beginning of Year	<u>2,331,722</u>	<u>2,331,722</u>	-	<u>2,872,722</u>
FUND BALANCE - END OF YEAR	<u>\$ 139,325</u>	<u>\$ 2,020,837</u>	<u>\$ 1,881,512</u>	<u>\$ 2,331,722</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
DRAINAGE FEES FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Charges for Services	\$ 151,000	\$ 150,933	\$ (67)	\$ 81,806
Investment Income (Loss)	-	109,517	109,517	86,162
Total Revenues	151,000	260,450	109,450	167,968
EXPENDITURES				
Current:				
Public Services	2,276,327	266,580	2,009,747	183,061
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,125,327)	(6,130)	2,119,197	(15,093)
NET CHANGE IN FUND BALANCE	(2,125,327)	(6,130)	2,119,197	(15,093)
Fund Balance - Beginning of Year	2,159,858	2,159,858	-	2,174,951
FUND BALANCE - END OF YEAR	<u>\$ 34,531</u>	<u>\$ 2,153,728</u>	<u>\$ 2,119,197</u>	<u>\$ 2,159,858</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
TRAFFIC IMPACT FEES FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Charges for Services	\$ 600,000	\$ 573,484	\$ (26,516)	\$ 130,601
Investment Income (Loss)	-	234,705	234,705	209,507
Total Revenues	600,000	808,189	208,189	340,108
EXPENDITURES				
Current:				
Public Services	5,048,160	1,584,595	3,463,565	1,490,324
NET CHANGE IN FUND BALANCE	(4,448,160)	(776,406)	3,671,754	(1,150,216)
Fund Balance - Beginning of Year	5,126,122	5,126,122	-	6,276,338
FUND BALANCE - END OF YEAR	<u>\$ 677,962</u>	<u>\$ 4,349,716</u>	<u>\$ 3,671,754</u>	<u>\$ 5,126,122</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
JACK HAMMETT SPORTS COMPLEX FUND
YEAR ENDED JUNE 30, 2025

	-		Variance with Final Budget Positive (Negative)	Prior Year Actual
	Final Budget	Actual		
REVENUES				
Investment Income (Loss)	\$ -	\$ 23,882	\$ 23,882	\$ 17,337
Rental Income (Loss)	-	-	-	165,000
Total Revenues	-	23,882	23,882	182,337
EXPENDITURES				
Current:				
Public Services	400,000	-	400,000	-
NET CHANGE IN FUND BALANCE	(400,000)	23,882	423,882	182,337
Fund Balance - Beginning of Year	529,208	529,208	-	346,871
FUND BALANCE - END OF YEAR	<u>\$ 129,208</u>	<u>\$ 553,090</u>	<u>\$ 423,882</u>	<u>\$ 529,208</u>

CITY OF COSTA MESA, CALIFORNIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS
LIONS PARK CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2025

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
REVENUES				
Investment Income (Loss)	\$ -	\$ 17,473	\$ 17,473	\$ 16,678
EXPENDITURES				
Current:				
Public Services	353,603	353,603	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(353,603)	(336,130)	17,473	16,678
OTHER FINANCING SOURCES (USES)				
Transfers In	353,602	-	(353,602)	
Transfers Out	(334,136)	-	334,136	
Total Other Financing Sources (Uses)	19,466	-	(19,466)	16,678
NET CHANGE IN FUND BALANCE	(334,137)	(336,130)	(1,993)	16,678
Fund Balance - Beginning of Year	350,814	350,814	-	334,136
FUND BALANCE - END OF YEAR	<u>\$ 16,677</u>	<u>\$ 14,684</u>	<u>\$ (1,993)</u>	<u>\$ 350,814</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 workers' 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
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2025
(WITH COMPARATIVE DATA FOR PRIOR YEAR)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Total	
				2025	2024
ASSETS					
Current Assets:					
Cash and Investments	\$ 6,725,689	\$ 17,531,763	\$ 12,975,521	\$ 37,232,973	\$ 38,731,062
Accounts Receivable	232	12,528	-	12,760	54,020
Interest Receivable	41,850	110,895	74,671	227,416	54,020
Prepaid Items	2,880,331	-	-	2,880,331	4,245,906
Inventories	401,974	-	-	401,974	266,236
Total Current Assets	<u>10,050,076</u>	<u>17,655,186</u>	<u>13,050,192</u>	<u>40,755,454</u>	<u>43,351,244</u>
Capital Assets:					
Intangible Assets	-	-	1,932,537	1,932,537	-
Motorized Equipment	24,570,988	-	-	24,570,988	22,875,746
Other Equipment	8,645,091	-	187,799	8,832,890	5,928,501
Accumulated Depreciation	(18,725,686)	-	(101,411)	(18,827,097)	(13,732,948)
Capital Assets, Net	<u>14,490,393</u>	<u>-</u>	<u>2,018,925</u>	<u>16,509,318</u>	<u>15,071,299</u>
Total Assets	<u>24,540,469</u>	<u>17,655,186</u>	<u>15,069,117</u>	<u>57,264,772</u>	<u>58,422,543</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	128,282	165,493	76,208	369,983	2,083,460
Accrued Liabilities	80,343	17,596	27,471	125,410	122,911
Notes Payable	891,411	-	-	891,411	864,738
Claims Payable	-	1,293,969	-	1,293,969	862,543
Total Current Liabilities	<u>1,100,036</u>	<u>1,477,058</u>	<u>103,679</u>	<u>2,680,773</u>	<u>3,933,652</u>
Long-Term Liabilities:					
Notes Payable	4,259,726	-	-	4,259,726	5,151,138
Claims Payable	-	15,060,846	-	15,060,846	14,098,024
Total Long-Term Liabilities	<u>4,259,726</u>	<u>15,060,846</u>	<u>-</u>	<u>19,320,572</u>	<u>19,249,162</u>
Total Liabilities	<u>5,359,762</u>	<u>16,537,904</u>	<u>103,679</u>	<u>22,001,345</u>	<u>23,182,814</u>
NET POSITION					
Net Investment in Capital Assets	9,339,256	-	2,018,925	11,358,181	9,055,423
Unrestricted	<u>9,841,451</u>	<u>1,117,282</u>	<u>12,946,513</u>	<u>23,905,246</u>	<u>26,130,286</u>
Total Net Position	<u>\$ 19,180,707</u>	<u>\$ 1,117,282</u>	<u>\$ 14,965,438</u>	<u>\$ 35,263,427</u>	<u>\$ 35,185,709</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE DATA FOR PRIOR YEAR)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Total	
				2025	2024
OPERATING REVENUES					
Charges for Services	\$ 6,143,747	\$ 5,092,315	\$ -	\$ 11,236,062	\$ 10,938,708
Total Operating Revenues	<u>6,143,747</u>	<u>5,092,315</u>	<u>-</u>	<u>11,236,062</u>	<u>10,938,708</u>
OPERATING EXPENSES					
Allocated Administrative Costs	2,296,702	832,847	2,102,266	5,231,815	4,288,668
Depreciation	1,632,720	-	-	1,632,720	1,532,452
Fuel and Repair Parts	974,182	-	-	974,182	1,423,961
Claims and Premiums	-	7,892,862	-	7,892,862	6,768,057
Total Operating Expenses	<u>4,903,604</u>	<u>8,725,709</u>	<u>2,102,266</u>	<u>15,731,579</u>	<u>14,151,483</u>
OPERATING INCOME	1,240,143	(3,633,394)	(2,102,266)	(4,495,517)	(3,212,775)
NONOPERATING REVENUES (EXPENSES)					
Investment Income (Loss)	288,900	812,494	551,500	1,652,894	1,469,458
Intergovernmental	-	-	-	-	-
Other Nonoperating Revenue	44,420	29,258	-	73,678	10,000
Interest Expense	(78,332)	-	-	(78,332)	(55,041)
Gain (Loss) on Disposal of Equipment	68,995	-	-	68,995	145,438
Total Nonoperating Revenues (Expenses)	<u>323,983</u>	<u>841,752</u>	<u>551,500</u>	<u>1,717,235</u>	<u>1,569,855</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,564,126</u>	<u>(2,791,642)</u>	<u>(1,550,766)</u>	<u>(2,778,282)</u>	<u>(1,642,920)</u>
Transfers In	-	-	2,856,000	2,856,000	3,716,386
Transfers Out	-	-	-	-	(19,720)
Total Transfers	<u>-</u>	<u>-</u>	<u>2,856,000</u>	<u>2,856,000</u>	<u>3,696,666</u>
CHANGE IN NET POSITION	1,564,126	(2,791,642)	1,305,234	77,718	2,053,746
Net Position - Beginning of Year	<u>17,616,581</u>	<u>3,908,924</u>	<u>13,660,204</u>	<u>35,185,709</u>	<u>33,131,963</u>
NET POSITION - END OF YEAR	<u>\$ 19,180,707</u>	<u>\$ 1,117,282</u>	<u>\$ 14,965,438</u>	<u>\$ 35,263,427</u>	<u>\$ 35,185,709</u>

CITY OF COSTA MESA, CALIFORNIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE DATA FOR PRIOR YEAR)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Total	
				2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and User Departments	\$ 6,143,515	\$ 5,079,787	\$ -	\$ 11,223,302	\$ 10,938,708
Cash Payments to Suppliers for Goods and Services	(2,859,418)	(6,811,809)	(1,351,803)	(11,023,030)	(7,197,189)
Cash payments to Employees for Services	(1,056,950)	(434,209)	(671,563)	(2,162,722)	
Cash Received from Other Sources	44,420	29,258	-	73,678	(2,926,462)
Net Cash Provided (Used) by Operating Activities	<u>2,271,567</u>	<u>(2,136,973)</u>	<u>(2,023,366)</u>	<u>(1,888,772)</u>	<u>815,057</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash Received from Other Funds	-	-	2,856,000	2,856,000	3,716,386
Cash Paid to Other Funds	-	-	-	-	(19,720)
Net Cash Provide (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>2,856,000</u>	<u>2,856,000</u>	<u>3,696,666</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Paid on Capital Debt	(864,739)	-	-	(864,739)	(563,165)
Interest Paid on Capital Debt	(78,332)	-	-	(78,332)	(55,041)
Proceeds from Note Payable	-	-	-	-	2,276,449
Proceeds from Insurance Settlement	-	-	-	-	10,000
Proceeds from Sale of Capital Assets	127,830	-	-	127,830	178,217
Acquisition of Capital Assets	(3,129,574)	-	-	(3,129,574)	(6,896,181)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,944,815)</u>	<u>-</u>	<u>-</u>	<u>(3,944,815)</u>	<u>(5,049,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income (Loss)	<u>258,791</u>	<u>728,189</u>	<u>492,518</u>	<u>1,479,498</u>	<u>1,459,030</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,414,457)</u>	<u>(1,408,784)</u>	<u>1,325,152</u>	<u>(1,498,089)</u>	<u>921,032</u>
Cash and Cash Equivalents - Beginning of Year	<u>8,140,146</u>	<u>18,940,547</u>	<u>11,650,369</u>	<u>38,731,062</u>	<u>37,810,030</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 6,725,689</u></u>	<u><u>\$ 17,531,763</u></u>	<u><u>\$ 12,975,521</u></u>	<u><u>\$ 37,232,973</u></u>	<u><u>\$ 38,731,062</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 1,240,143	\$ (3,633,394)	\$ (2,102,266)	\$ (4,495,517)	\$ (3,212,775)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	1,632,720	-	-	1,632,720	1,532,452
Other Revenues	44,420	29,258	-	73,678	
(Increase) Decrease in Accounts Receivable	(232)	(12,528)	-	(12,760)	242,026
(Increase) Decrease in Prepaid Items	1,365,575	-	-	1,365,575	
(Increase) Decrease in Inventories	(135,738)	-	-	(135,738)	(117,033)
Increase (Decrease) in Accounts Payable	(1,868,676)	82,512	72,687	(1,713,477)	1,247,568
Increase (Decrease) in Accrued Liabilities	(6,645)	2,931	6,213	2,499	(10,349)
Increase (Decrease) in in Claims Payable	-	1,394,248	-	1,394,248	1,133,168
Net Cash Provided by Operating Activities	<u><u>\$ 2,271,567</u></u>	<u><u>\$ (2,136,973)</u></u>	<u><u>\$ (2,023,366)</u></u>	<u><u>\$ (1,888,772)</u></u>	<u><u>\$ 815,057</u></u>

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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

TABLES 1 – 4

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

REVENUE CAPACITY

TABLES 5 – 12

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

DEBT CAPACITY

TABLES 13 – 15

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

TABLES 16 – 17

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

OPERATING INFORMATION

TABLES 18 – 20

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

TABLE 1

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental Activities										
Net investment in capital assets	\$ 216,195,466	\$ 219,280,752	\$ 235,177,233	\$ 248,255,931	\$ 248,815,081	\$ 255,443,158	\$ 249,096,798	\$ 258,068,790	\$ 257,950,628	\$ 270,080,000
Restricted										
Pension	-	-	-	-	-	-	-	-	-	2,092,360
Protection of Persons and Property	1,022,546	217,303	150,169	872,898	1,628,892	1,329,350	1,333,365	1,672,814	1,568,489	1,863,547
Community programs	12,793,475	9,588,998	3,767,377	6,162,341	5,687,227	6,176,036	6,796,140	10,118,512	12,663,845	10,206,991
Public services	15,495,090	20,253,747	13,625,826	14,845,159	17,051,750	18,047,015	20,103,188	7,236,370	9,246,161	37,019,168
Debt service	-	-	-	-	-	-	-	-	-	1,001
Unrestricted	(159,357,224)	(161,805,274)	(224,657,548)	(241,478,263)	(251,417,100)	(243,934,825)	(225,702,393)	(166,151,695)	(168,224,238)	(209,490,787)
Total governmental activities net position	<u>\$ 86,149,353</u>	<u>\$ 87,535,526</u>	<u>\$ 28,063,057</u>	<u>\$ 28,658,066</u>	<u>\$ 21,765,850</u>	<u>\$ 37,060,734</u>	<u>\$ 51,627,098</u>	<u>\$ 110,944,791</u>	<u>\$ 113,204,885</u>	<u>\$ 111,772,280</u>

Source: Government-Wide Financial Statements

TABLE 2

CITY OF COSTA MESA, CALIFORNIA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Years									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General government	\$ 24,631,010	\$ 28,474,037	\$ 31,695,402	\$ 34,008,731	\$ 32,124,703	\$ 36,763,868	\$ 31,808,370	\$ 34,980,361	\$ 46,273,963	\$ 57,099,994
Protection of persons and property	63,956,413	70,786,483	86,777,544	86,440,751	96,625,585	88,643,852	98,324,072	73,551,002	112,351,024	116,454,036
Community programs	4,639,743	12,069,675	10,126,755	16,363,506	17,285,898	22,007,275	14,887,015	21,097,340	29,965,511	20,681,772
Public services	22,498,495	21,415,061	20,062,183	27,937,004	16,269,612	17,663,842	21,645,247	13,379,020	22,489,959	30,882,547
Interest on long-term debt	1,081,605	974,233	1,082,361	1,138,694	1,083,190	986,593	929,979	962,189	1,033,694	807,311
Total primary government expenses	116,807,266	133,719,489	149,744,245	165,888,686	163,388,988	166,065,430	167,594,683	143,969,912	212,114,151	225,925,660
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	2,707,819	2,819,809	3,805,473	7,267,233	7,461,872	5,497,350	6,846,240	8,548,513	9,792,484	10,670,393
Community programs	8,232,995	7,577,878	9,536,570	8,207,122	4,816,413	5,243,843	6,220,199	5,440,973	6,118,182	6,735,983
Public services	3,721,366	3,232,506	5,046,984	6,179,653	7,096,062	6,372,272	8,896,422	8,551,558	7,080,894	8,564,419
Operating grants and contributions	4,907,815	4,487,089	7,727,382	9,339,283	10,576,719	32,519,129	14,404,940	19,907,594	23,659,800	26,016,091
Capital grants and contributions	3,370,260	7,114,471	4,755,573	9,142,040	6,251,484	8,267,623	5,528,637	3,905,958	4,395,853	4,477,056
Total primary government revenues	22,940,255	25,231,753	30,871,982	40,135,331	36,202,550	57,900,217	41,896,438	46,354,596	51,047,213	56,463,942
Total primary government net expense	\$ (93,867,011)	\$ (108,487,736)	\$ (118,872,263)	\$ (125,753,355)	\$ (127,186,438)	\$ (108,165,213)	\$ (125,698,245)	\$ (97,615,316)	\$ (161,066,938)	\$ (169,461,718)
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 26,168,612	\$ 37,925,385	\$ 40,373,351	\$ 43,226,688	\$ 45,548,585	\$ 47,891,698	\$ 49,706,079	\$ 53,806,587	\$ 56,411,786	\$ 59,494,432
Sales and use taxes	58,524,162	57,591,889	56,971,636	62,689,811	55,866,831	63,738,411	77,165,533	79,851,289	76,400,160	78,244,492
Transient occupancy tax	8,622,505	8,924,854	8,819,617	8,595,417	6,587,224	4,282,802	8,366,278	9,830,790	10,150,696	9,962,421
Franchise taxes	5,060,402	4,593,631	4,965,515	5,042,551	4,822,964	4,895,574	5,318,541	6,094,232	6,542,802	6,637,150
Business/Cannabis tax	973,521	918,928	919,450	1,093,154	1,663,100	1,227,843	1,468,202	1,907,551	3,902,514	5,060,510
Other intergovernmental unrestricted	11,209,989	51,340	60,031	55,343	91,674	84,182	130,289	275,292	138,951	349,375
Investment income (loss)	1,871,216	496,650	256,438	4,264,987	4,075,623	(80,831)	(3,609,117)	1,821,815	7,200,904	8,709,004
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	68,995
Miscellaneous	913,351	1,333,610	1,903,266	1,380,413	1,638,221	1,420,418	1,718,804	3,345,453	2,579,219	2,288,046
Settlements	-	-	-	-	-	-	-	-	-	-
Total primary government	113,343,758	111,836,287	114,269,304	126,348,364	120,294,222	123,460,097	140,264,609	156,933,009	163,327,032	170,814,425
Change in Net Position	\$ 19,476,747	\$ 3,348,551	\$ (4,602,959)	\$ 595,009	\$ (6,892,216)	\$ 15,294,884	\$ 14,566,364	\$ 59,317,693	\$ 2,260,094	\$ 1,352,707

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General fund										
Nonspendable	\$ 2,486,085	\$ 2,253,843	\$ 2,038,518	\$ 280,195	\$ 362,189	\$ 964,846	\$ 603,547	\$ 458,687	\$ 630,182	\$ 883,072
Restricted	-	-	-	-	-	1,778,220	3,061,154	3,178,229	3,367,408	2,092,360
Committed	16,125,000	16,125,000	16,125,000	23,625,000	25,125,000	25,125,000	25,125,000	25,125,000	25,125,000	25,125,000
Assigned	13,820,663	13,819,088	13,730,832	8,940,072	9,151,062	8,195,429	12,469,067	13,946,622	13,554,327	13,554,327
Unassigned	32,040,713	30,867,198	23,329,730	20,451,232	18,825,417	17,428,766	16,517,079	16,328,416	17,685,984	19,307,045
Total general fund	<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>	<u>\$ 59,036,954</u>	<u>\$ 60,362,901</u>	<u>\$ 60,961,804</u>
All other governmental funds										
Restricted	\$ 19,309,083	\$ 28,056,898	\$ 30,108,463	\$ 21,753,832	\$ 25,676,330	\$ 25,200,380	\$ 26,636,885	\$ 35,221,550	\$ 43,106,614	\$ 48,327,486
Assigned	23,738,380	27,619,480	25,415,708	24,337,823	25,474,636	31,173,285	34,939,313	44,680,442	47,855,975	44,316,628
Unassigned	(139,064)	(248,979)	(6,353)	(9,453)	(2,312,520)	(451,068)	(1,850,787)	961,694	(1,573,428)	(41,269)
Total all other governmental funds	<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>	<u>\$ 80,863,686</u>	<u>\$ 89,389,161</u>	<u>\$ 92,602,845</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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 99,349,202	\$ 99,464,729	\$ 110,884,896	\$ 123,969,423	\$ 114,463,599	\$ 122,138,588	\$ 141,919,878	\$ 151,484,175	\$ 153,486,531	\$ 159,250,141
Licenses and permits	2,983,081	2,933,305	3,837,564	5,104,022	5,496,049	4,368,740	7,331,252	6,342,557	5,982,422	6,809,704
Fines and forfeits	1,609,134	1,352,682	1,612,230	2,468,993	2,067,884	1,061,346	1,176,357	1,266,768	1,422,437	1,474,419
Intergovernmental	17,612,288	23,205,265	10,558,481	16,646,740	15,006,292	39,855,634	18,077,452	26,254,095	26,518,073	33,073,626
Charges for services	6,668,445	5,909,112	9,553,421	9,990,454	9,489,827	7,309,872	9,030,556	10,155,524	10,568,751	12,222,740
Rental	3,336,053	3,289,222	3,404,676	3,479,527	3,566,255	4,773,662	4,815,577	4,722,383	5,396,192	5,469,828
Investment income (loss)	1,775,765	420,561	244,606	3,616,606	3,394,398	(37,016)	(2,767,803)	1,516,600	5,731,450	7,056,107
Miscellaneous	1,679,917	2,170,215	2,081,739	3,226,941	2,161,633	1,410,996	1,545,970	1,615,437	1,650,312	1,913,536
Total revenues	<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>	<u>203,357,539</u>	<u>210,756,168</u>	<u>227,270,101</u>
Expenditures										
General government	25,102,067	26,518,266	29,048,355	29,219,530	30,808,182	31,851,632	33,567,585	36,619,271	43,466,720	52,783,983
Protection of persons and property	64,426,376	66,141,703	70,198,327	78,762,212	82,939,180	84,027,648	90,698,363	98,044,159	104,825,629	113,183,368
Community programs	8,019,356	9,410,168	10,888,393	13,265,742	14,297,137	18,578,311	16,267,400	19,397,579	25,158,889	19,284,556
Public services	19,836,633	21,680,495	42,305,565	50,429,478	20,506,675	27,033,542	20,962,292	17,514,252	20,328,775	32,878,565
Debt service:										
Principal	2,650,000	2,755,000	4,070,000	1,795,261	1,815,392	1,890,391	2,202,563	2,172,370	2,486,391	2,609,726
Interest	1,109,037	992,383	1,041,853	1,298,315	1,230,958	1,155,360	1,095,786	999,864	941,676	897,526
Bond issuance costs	-	-	344,858	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	2,302,225	-	-	-	-	-	-	-
Total expenditures	<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>	<u>174,747,495</u>	<u>197,208,080</u>	<u>221,637,724</u>
Excess of revenues over (under) expenditures	<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>	<u>28,610,044</u>	<u>13,548,088</u>	<u>5,632,377</u>
Other financing sources (uses):										
Subscription proceeds	-	-	-	-	-	-	-	-	-	1,036,210
Transfers in	12,852,940	16,058,019	12,370,819	15,899,228	10,811,227	26,619,517	13,116,263	22,212,189	15,195,375	11,121,435
Transfers out	(12,852,940)	(19,658,019)	(18,063,009)	(21,148,507)	(11,936,227)	(35,851,711)	(21,365,113)	(28,422,851)	(18,892,041)	(13,977,435)
Issuance of debt	-	-	29,735,000	153,914	-	-	-	-	-	-
Premium on debt issue	-	-	3,694,172	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	(14,530,520)	-	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>(6,210,662)</u>	<u>(3,696,666)</u>	<u>(1,819,790)</u>
Net change in fund balances	<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>	<u>\$ 22,399,382</u>	<u>\$ 9,851,422</u>	<u>\$ 3,812,587</u>
Debt service as a percentage of noncapital expenditures	3.38%	3.18%	5.64%	2.21%	2.19%	2.10%	2.27%	2.03%	1.86%	1.74%

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>
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
2023	79,851,289	53,442,949	9,830,790	6,094,232	1,907,551	1,396,896	152,523,707
2024	76,400,160	56,465,749	10,150,696	6,542,802	3,902,514	1,396,143	154,858,064
2025	78,244,492	59,317,656	9,962,421	6,637,150	5,060,510	1,392,219	160,614,448

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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Apparel stores	\$ 727,073	\$ 754,197	\$ 714,478	\$ 814,593	\$ 835,594	\$ 569,776	\$ 1,031,162	\$ 1,167,167	\$ 1,096,912	\$ 1,062,460
General merchandise	618,702	582,500	565,635	534,747	512,500	315,884	515,117	553,045	547,467	468,976
Food stores	103,225	90,941	88,385	90,178	91,470	92,557	91,147	91,789	99,534	116,767
Eating and drinking establishments	469,465	496,041	515,683	535,744	556,504	405,696	589,711	681,847	698,632	728,072
Building materials	205,343	224,225	236,497	242,750	251,846	251,117	314,137	351,411	320,238	315,552
Auto dealers and supplies	858,187	924,641	1,006,804	1,153,396	1,230,062	1,149,598	1,380,887	1,402,985	1,476,879	1,378,368
Service stations	215,707	190,969	200,170	235,572	232,911	161,495	242,199	315,387	274,997	251,408
Other retail stores	1,047,009	1,050,063	1,116,930	1,178,337	1,165,897	943,056	1,320,071	1,509,430	1,491,955	1,441,191
All other outlets	1,112,851	1,206,829	1,157,415	1,269,997	1,402,675	1,447,700	1,697,098	1,809,139	1,865,556	1,803,763
	<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>	<u>\$ 7,882,200</u>	<u>\$ 7,872,170</u>	<u>\$ 7,566,557</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>	2024			2015		
	<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	\$ 1,803,763	1	23.84%	\$ 1,112,851	1	20.77%
Other retail stores	1,441,191	2	19.05%	1,047,009	2	19.54%
Auto dealers and supplies	1,378,368	3	18.22%	858,187	3	16.02%
Apparel stores	1,062,460	4	14.04%	727,073	4	13.57%
Eating and drinking establishments	728,072	5	9.62%	469,465	6	8.76%
General merchandise	468,976	6	6.20%	618,702	5	11.55%
Building materials	315,552	7	4.17%	205,343	8	3.83%
Service stations	251,408	8	3.32%	215,707	7	4.03%
Food stores	116,767	9	1.54%	103,225	9	1.93%

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>
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
2023	1.25	0.50	6.00	7.75
2024	1.25	0.50	6.00	7.75
2025	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)
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%
2023	37,663,468	36,812,087	97.74%	268,998	37,081,085	98.45%
2024	38,940,043	38,085,358	97.81%	315,831	38,401,189	98.62%
2025	40,950,437	40,023,594	97.74%	361,547	40,385,141	98.62%

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

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

Source: Orange County Assessor 2024/2025 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)

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Miscellaneous Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value ⁽¹⁾</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
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%
2023	15,853,782,350	5,070,138,124	2,052,311,019	1,390,912,662	-	24,367,144,155	0.15103%	24,367,144,155	100.00%
2024	17,022,360,496	5,352,310,983	2,214,212,560	1,426,931,653	-	26,015,815,692	0.14476%	26,015,815,692	100.00%
2025	18,100,710,527	5,455,410,264	2,365,280,527	1,623,354,452	-	27,544,755,770	0.14494%	27,544,755,770	100.00%

⁽¹⁾ 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 2015/2016 - 2024/2025 Combined Tax Rolls.

TABLE 11

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

Fiscal Year	City Direct Rates		Overlapping Rates		
	Basic Rate	Total Direct Rate ⁽¹⁾	County of Orange Debt	School District Debt	Special Districts Debt
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
2023	0.14879	0.15103	0.36649	0.48300	0.00515
2024	0.14879	0.14476	0.36649	0.48300	0.00515
2025	0.14879	0.14494	0.36649	0.48300	0.00865

(1) 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.

Source: HdL Coren & Cone, Orange County Assessor 2015/2016 - 2024/2025 Combined Tax Rolls.

TABLE 12

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

<u>Taxpayer</u>	<u>2024-2025</u>			<u>2015-2016</u>		
	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue
The Irvine Company LLC	\$ 759,111	1	1.90%	\$ 436,418	1	1.53%
South Coast Plaza	534,700	2	1.34%	414,905	3	1.45%
PR II MCC South Coast Property Owner	415,804	3	1.04%	398,970	4	1.40%
Advanced Costa Mesa 23 LLC	337,261	4	0.84%			
United Dominion Realty LP	335,387	5	0.84%	285,290	6	1.00%
Automobile CLUB of Southern CA	271,486	6	0.68%			
580 Anton Woner LLC	259,725	7	0.65%			
LMC Costa Mesa Holdings LLC	245,984	8	0.62%			
The Press Owner LLC	225,121	9	0.56%			
Casden Lakes LP	216,047	10	0.54%			
Behringer Harvard Pacifica Proj Owner				271,809	7	0.95%
BRE LLC				271,608	8	0.95%
Trust Costa Mesa Courtyards LLC				419,807	2	1.47%
RREEF America Reit II Corporation						
1901 Newport LLC Royal Street				336,284	5	1.18%
WWG TSQ Owner LLC				269,979	9	0.94%
Marjack LLC Irvine Company LLC				226,883	10	0.79%
Total	<u>\$ 3,600,626</u>		<u>9.02%</u>	<u>\$ 3,331,952</u>		<u>11.65%</u>

Source: HdL Coren & Cone, Orange County Assessor 2024/2025 & 2015/2016 Combined Tax Rolls.

TABLE 13

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

	2016	2017	2018	2019	2020	FISCAL YEARS				
						2021	2022	2023	2024	2025
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)	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407	907,985,504	968,274,281	1,035,775,785	1,096,106,704
Legal debt margin	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407	907,985,504	968,274,281	1,035,775,785	1,096,106,704
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%

⁽¹⁾ 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 2024/2025 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,	Percentage of Total Taxable Assessed Value	Per Capita	Other Governmental Activities Debt							Total Primary Government	Percentage of Personal Income	Per Capita
			Revenue Bonds ⁽¹⁾	Certificates of Participation	Loan Payable	Lease Payable	SBITA ⁽²⁾ Payable	Notes Payable	Lease Purchase Financing			
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
2023	0.0000%	-	24,124,512	-	82,086	-	-	-	1,198,931	25,405,529	0.48%	528.74
2024	0.0000%	-	22,056,745	-	66,693	740,267	3,575	3,415,603	2,600,273	28,883,156	0.48%	526.05
2025	0.0000%	-	19,893,978	-	51,302	505,726	694,991	2,917,121	2,234,016	26,297,134	0.42%	463.50

(1) Amount includes the unamortized Bond Premium.

(2) Subscription-Based Information Technology Arrangements

Source: City of Costa Mesa Finance Department

TABLE 15

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2025

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ⁽²⁾</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt			
Newport Mesa Unified School District	\$ 206,519,744	26.092%	\$ 53,885,132
Coast Community College District	854,816,084	13.423%	114,741,963
Santa Ana Unified School District	401,142,561	3.641%	14,605,601
Santa Ana Unified School District Certificates of Participation	38,301,736	3.641%	1,394,566
Rancho Santiago Community College District	132,145,756	1.569%	2,073,367
Rancho Santiago Community College District SFID No. 1	138,730,000	2.954%	4,098,084
Metropolitan Water District	17,155,000	0.676%	115,968
OC General Fund Obligation	429,065,000	3.396%	14,571,047
OC Board of Education Certificate of Participation	9,120,000	3.396%	309,715
Coast Community College District General Fund Obligations	1,125,000	13.423%	151,009
Total Overlapping Debt	2,228,120,881		205,946,451
City Direct Debt			
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 ⁽¹⁾	19,893,978	100%	19,893,978
Financed Lease	2,234,016	100%	2,234,016
Lease Payable	505,726	100%	505,726
Loan Payable	51,302	100%	51,302
SBITA	694,991	100%	694,991
Note Payable	2,917,121	100%	2,917,121
Total Direct Debt	26,297,134		26,297,134
Total Direct and Overlapping Debt			\$ 232,243,585

⁽¹⁾ See Note 8 in Finance Statement for more information about the City's direct debt. The amount included the unamortized Bond Premium \$2,548,978

⁽²⁾ 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: California Municipal Statistics, Inc., Orange County Assessor and Auditor Combined 2024/25 Lien Data Tax Rolls.

TABLE 16

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

Year	Population ⁽²⁾	Personal Income (thousands of dollars)	Per Capita Personal Income ⁽¹⁾	Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Orange County Unemployment Rate ⁽⁴⁾
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%
2023	111,183	5,342,262	48,049	36	17,816	3.70%
2024	109,423	6,007,994	54,906	36	17,768	4.00%
2025	110,321	6,259,245	56,736	37	17,635	4.50%

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>2024-2025</u>			<u>2015-2016</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>
Experian Information Solutions, Inc.	3,700	1	5.73%	3,998	1	6.53%
Coast Community College District	2,900	2	4.49%	3,700	2	6.04%
Anduril Industries	2,500	3	3.87%	2,900	3	4.73%
Orange Coast Community College	1,900	4	2.94%	1,900	5	3.10%
California State Hospital-Fairview Dev. Ctr.	1,215	5	1.88%	2,516	4	4.11%
Automobile Club Enterprises	1,200	6	1.86%			
Nationsbenefit LLC	740	7	1.15%	800	8	1.31%
Monroe Operations LLC	681	8	1.05%	600	10	0.98%
International Bus Mechanic Corp.	675	9	1.05%	1,500	6	2.45%
Deloitte & Touche LLP	630	10	0.98%	1,184	7	1.93%
				700	9	1.14%

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	2016	2017	Fiscal Years		2020	2021	2022	2023	2024	2025
			2018	2019						
General Government										
Number of residents served via public services programs	785	750	700	700	700	700	1,042	1,123	1,058	973
Accounts payable checks issued	9,182	9,031	8,734	8,857	8,604	7,269	7,079	7,347	7,816	7,627
Total printshop photocopies produced	1,619,784	1,749,460	1,996,486	1,699,007	1,116,892	1,250,000	1,250,000	1,250,000	1,000,000	1,000,000
Protection of persons and property										
Police protection										
911 Emergency/Public Safety calls	(3) N/A	1,000	1,029	882	876	847	1,027	1,248	954	46,398
Calls responded to within 5 minutes	N/A	66%	72%	75%	72%	76%	96%	96%	80%	96%
Assigned theft cases	(3) 900	1,200	N/A	N/A	N/A	N/A	2,171	1,597	3,442	2,880
Percentage of theft cases cleared	40%	60%	74%	64%	52%	31%	59%	59%	36%	25%
Assigned burglary cases	400	200	N/A	N/A	N/A	N/A	897	1,097	1,056	961
Percentage of burglary cases cleared	40%	70%	69%	64%	50%	38%	54%	38%	37%	23%
Case and arrest reports processed	14,584	19,310	19,319	18,382	19,079	18,794	22,135	20,050	18,270	18,556
Fire protection										
Number of calls for service	12,955	12,721	12,936	10,572	10,637	10,073	11,249	12,063	11,815	11,821
Fire related responses	238	271	218	261	245	246	222	251	261	253
Emergency medical aid responses	9,366	9,374	9,603	9,639	9,454	8,960	10,055	10,746	10,439	10,459
Community Programs										
Number of Recreation program enrollments processed	(1) N/A	N/A	N/A	N/A	N/A	N/A	6,400	7,700	8,000	11,000
Over-the-counter plan checks reviewed within five working days	(2) 240	240	522	630	630	630	N/A	N/A	N/A	N/A
Number of inspections performed	(1) 29,100	31,040	29,585	29,100	18,966	28,012	35,000	37,000	32,000	25,000
Complaint response within two working days	(2) 90%	90%	90%	90%	90%	90%	100%	100%	N/A	N/A
Public services										
Number of trees trimmed annually	7,750	6,250	6,250	6,250	8,750	5,291	3,317	3,611	5,105	8,430
Number of catch basins cleaned annually	1,165	1,115	1,100	1,100	1,165	1,165	1,165	1,165	1,165	1,165

(1) Previous statistical Performance Measures and Workload Indicators have been revised to reflect on-line software implementation, current Department goals and City Council priorities

(2) Performance Measures and Workload Indicators for these programs are no longer tracked.

(3) In November 2023 the department switched tracking methods from UCR (Part 1 and 2 Crimes) to NIBRS Federal Reporting Standards (Group A & B Offenses). Method not comparable to prior year:

Source: City of Costa Mesa Finance Department

TABLE 19

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

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
City Council	6.0	6.0	6.0	8.0	10.5	10.5	10.5	10.5	8.0	8.0
City Manager's Office	33.30	37.59	39.74	41.60	36.48	37.00	37.88	47.95	51.32	57.32
Financial Services	21.71	21.50	22.25	22.50	22.00	23.00	23.00	24.00	25.00	26.75
Information Technology	12.50	12.94	13.16	12.16	13.70	15.50	17.50	20.50	22.00	22.00
Administrative Services	-	-	-	-	-	-	-	-	-	-
Development Services	43.50	46.23	45.95	44.80	48.79	51.64	52.64	53.34	55.34	58.34
Parks and Community Services	70.70	74.00	80.54	87.23	96.71	95.67	96.73	88.16	88.82	88.57
Protection of Persons and Property										
Police Protection	232.63	234.46	235.60	233.76	235.17	235.86	236.36	240.36	254.86	256.75
Fire Protection	87.25	87.50	94.00	94.00	95.00	96.25	97.25	98.75	99.25	99.25
Public Works	81.77	84.82	77.47	72.05	76.70	76.50	80.00	81.25	85.50	85.00
	<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>	<u>664.81</u>	<u>690.09</u>	<u>701.98</u>

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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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)	529.0	529.0	535.6	535.6	535.6	540.0	522.0	522.0	522.0	522.0
Streetlights	6,674	6,674	6,674	6,881	6,869	6,869	6,882	6,882	6,904	6,911
Traffic signals	124	124	125	126	127	128	131	131	131	131
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	2,067	2,067	2,067	2,067	2,067	2,067
Park sites	31	31	31	31	32	32	30	30	30	30
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer/football fields	10	10	10	10	6	6	6	6	6	6
Community centers	4	3	3	3	4	4	3	3	3	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	64.7	45.5	45.5	45.5	45.5

Source: City of Costa Mesa Finance Department



