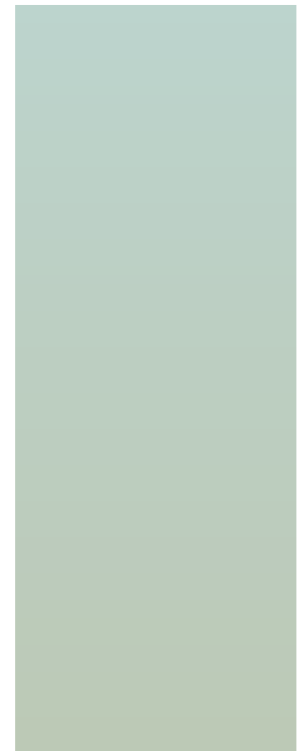




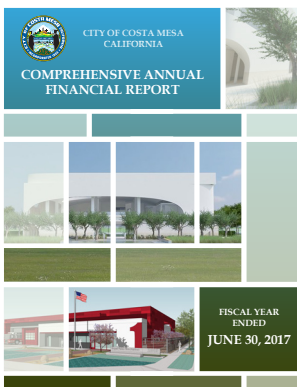
CITY OF COSTA MESA
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR
ENDED
JUNE 30, 2017





Fire Station 1

When complete, Fire Station No. 1 will feature a new 12,000 square-foot, state-of-the-art facility, including 10 dorm rooms, three administrative offices, one training/classroom, an emergency medical supply room, and four utility rooms. The new facility will address out-of-date building code and standard issues, accommodate multi-gender usage, and provide an efficient floor plan that aims to improve emergency response time.

Lions Park Project

The purpose of the Lions Park project is to improve library services, and create quality programming and event user space necessary to meet the needs of the community. The projects will repurpose both the Donald Dungan Library to the adjacent Neighborhood Community Center building and move the NCC to the current library space. Features will include: a new two-story 20,000-square-foot library building and a renovated Neighborhood Community Center. The project will also add one acre of programmed park open space that will be utilized as an event lawn and provide residents with a variety of fun, family, and educational events.

CITY OF COSTA MESA, CALIFORNIA
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2017

Prepared by: Finance Department
Stacy Daugherty
Finance Director

CITY OF COSTA MESA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
List of Principal Officials	vi
Organizational Chart	vii
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Proprietary Funds:	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Net Position	31
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Net Position	33
Statement of Changes in Net Position	34
Notes to the Basic Financial Statements	35

CITY OF COSTA MESA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2017

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information:	
Fire Safety Plan:	
Schedule of Proportionate Share of the Net Pension Liability	91
Schedule of Contributions	92
Miscellaneous Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	93
Schedule of Contributions	94
Police Safety Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	95
Schedule of Contributions	96
Police 1% Supplemental Retirement Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	97
Schedule of Contributions	98
Other Post-Employment Benefit Plan:	
Schedule of Funding Progress	99
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	102
Housing Authority Special Revenue Fund	104
HOME Program Special Revenue Fund	105
Notes to Required Supplementary Information	106
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	107
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	108
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	112
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Special Gas Tax Fund	114
Proposition 172 Fund	115
Air Quality Improvement Fund	116
Community Development Fund	117
Supplemental Law Enforcement Services Fund	118
Narcotics Forfeiture Fund	119
Local Law Enforcement Block Grant Fund	120
Office of Traffic Safety Fund	121

CITY OF COSTA MESA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2017

TABLE OF CONTENTS, (CONTINUED)

		<u>Page</u>
Nonmajor Debt Service Fund:		123
Balance Sheet – Nonmajor Debt Service		124
Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service		125
Major and Nonmajor Capital Projects Funds:		127
Combining Balance Sheet		128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		130
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
Parking Districts Fund		132
Drainage Fees Fund		133
Traffic Impact Fees Fund		134
Fire System Development Fees Fund		135
Park Development Fund – Major Fund		136
Capital Improvements Fund – Major Fund		137
Measure “M2” Fund – Major Fund		138
Internal Service Funds:		139
Combining Statement of Net Position		140
Combining Statement of Revenues, Expenses and Changes in Net Position		141
Combining Statement of Cash Flows		142
Agency Funds:		143
Combining Statement of Fiduciary Assets and Liabilities		144
Combining Statement of Changes in Fiduciary Assets and Liabilities		145
STATISTICAL SECTION:	<u>Table</u>	
Net Position by Component – Last Ten Fiscal Years	1	148
Changes in Net Position – Last Ten Fiscal Years	2	149
Fund Balances of Governmental Funds – Last Ten Fiscal Years	3	150
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years	4	151
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	5	152
Taxable Sales by Category – Last Ten Calendar Years	6	153

CITY OF COSTA MESA, CALIFORNIA
 Comprehensive Annual Financial Report
 For the fiscal year ended June 30, 2017

TABLE OF CONTENTS, (CONTINUED)

	<u>Table</u>	<u>Page</u>
Principal Sales Tax Remitters by Category – Current Year and Nine Years Ago	7	154
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	8	155
Property Tax Levies and Collections-General Fund – Last Ten Fiscal Years	9	156
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	10	157
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	11	158
Principal Property Taxpayers – Current Year and Nine Years Ago	12	159
Ratio of General Bonded Debt Outstanding and Legal Debt Margin – Last Ten Fiscal Years	13	160
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	14	161
Direct and Overlapping Governmental Activities Debt	15	162
Demographic and Economic Statistics – Last Ten Calendar Years	16	163
Principal Employers - Current Year and Nine Years Ago	17	164
Operating Indicators by Function/Program – Last Ten Fiscal Years	18	165
Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	19	166
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	20	167

CITY OF COSTA MESA CALIFORNIA



INTRODUCTORY SECTION



CITY OF COSTA MESA

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

FROM THE OFFICE OF THE FINANCE DIRECTOR —CITY TREASURER

January 26, 2018

Honorable Mayor, Councilmembers, and City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2017, is hereby submitted. These statements have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City's financial statements for the year ended June 30, 2017, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2017, and that the statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 114,044 and a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

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

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

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with 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 Council at the department functional level within individual funds.

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 budgetary amendments are approved by the City Manager.

ECONOMIC CONDITION

The City, like other municipalities has continually been burdened by the financial pressures and impacts imposed by Federal, State, and County governments. Since the early 1980's, these governmental units have passed on to municipalities a myriad of unfunded mandates or service/regulatory requirements and also, have eliminated or redistributed significant sources of revenue. Most recently, the State of California dissolved all redevelopment agencies during fiscal year 2011-2012. The City continues to meet these challenges to ensure a high level of service to our residents.

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

In fiscal year 2017, the City's strong economic base continued to produce solid increases in sales, property, and transient occupancy tax revenues over the prior year after factoring out the effect of a \$6.8 million one-time sales tax payment received in 2016. The largest General Fund revenue increase was from property taxes in the amount of \$1.3 million or 5%, while expenditures increased by 5%. The General Fund had an operating surplus of \$16.9 million before net other financing uses of \$18.3 million. The City expects the local economy to remain stable with moderate growth in the next fiscal year.

MAJOR AND FUTURE DEVELOPMENT INITIATIVES

Major Developments:

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

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

Aura (2626 Harbor Boulevard) – An existing car dealership was demolished to accommodate the 33 unit detached, two-story residential project. The project includes two private parks within the development and is currently under construction.

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

DeNova Homes (929 Baker Street) – This is a subdivision of a 4.7 acre (205,168 square foot) lot located at 929 Baker Street into a residential development with 56-units of two-story, detached common interest residential development including a 0.1 acre private park. This project is currently under construction.

Costa Bella (22nd and Santa Ana Avenue) – The first phase of a 13 unit detached, two-story single family residential project is being constructed in the Colleen Island Annexation area. Permits have been obtained and the project is under construction.

Future Developments:

City Common (Southwest corner of Harbor Boulevard and Hamilton Street) – This 1.5 acre site is proposed for construction of a single lot detached single family condominium development. This project will consist of 28 two and three-bedroom, three story, detached homes with 27 two-car garages for three-bedroom homes and single-car garages for two-bedroom homes. Open space for the development is proposed at 58 percent of the total acreage.

Independent and Assisted Living Facility (1640 Monrovia Ave) – This project consists of a 111 unit independent and assisted living facility in a 4-story building to include amenities such as a fitness center, dance studio, cafe, bar/lounge in addition to a small even space and ancillary office space. This project was approved by City Council in July 2016.

Self-Storage Facility (375 Bristol Street) – The plans for construction of a new 719 unit self-storage facility with retention of 12,500 square feet of existing retail area was approved by City Council in November 2016. This project is currently on hold.

Mirival Phase II (2850 Mesa Verde Drive East) – This 11 unit, two-story detached single family residential development includes a private street and was approved by the Planning Commission in June 2017. The project is currently in the building plan check process.

Vanguard University (55 Fair Drive) – The university has submitted a master plan amendment to the Planning Division to replace some existing buildings with more modern facilities, provide additional student housing, and replace some surface parking with a parking structure. This amendment reflects long range plans for the university and will take several years to complete. This project has not yet been scheduled for a public hearing.

DEBT ADMINISTRATION

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

In September 2015, Moody's Investors Service upgraded the rating of the City's Refunding Certificates of Participation (COP), Series 2003 (Public Facilities Project) and Refunding COP, Series 2007 (Police Facility Expansion) to Aa3 from A1. The 2003 COP was paid off by the City in July 2017 and the 2007 COP was refinanced in October within the issuance of the 2017 Lease Revenue Bonds that also provided funding for the Lion's Park Library project. The September 2017 credit rating by Standard & Poor's for the 2017 bonds was AA+.

In October 2015, Standard and Poor's Rating Services affirmed its "A" rating and gave a stable outlook for the Costa Mesa Redevelopment Agency outstanding Tax Allocation Bonds. These bonds were paid off by the Successor Agency in May 2017.

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

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2016. This was the 19th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2017 report continues to conform to the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for the Certificate.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



STACY DAUGHERTY
Finance Director



City of Costa Mesa List of Principal Officials

June 30, 2017

Mayor

Katrina Foley

City Council

Sandra L. Genis

Allan R. Mansoor

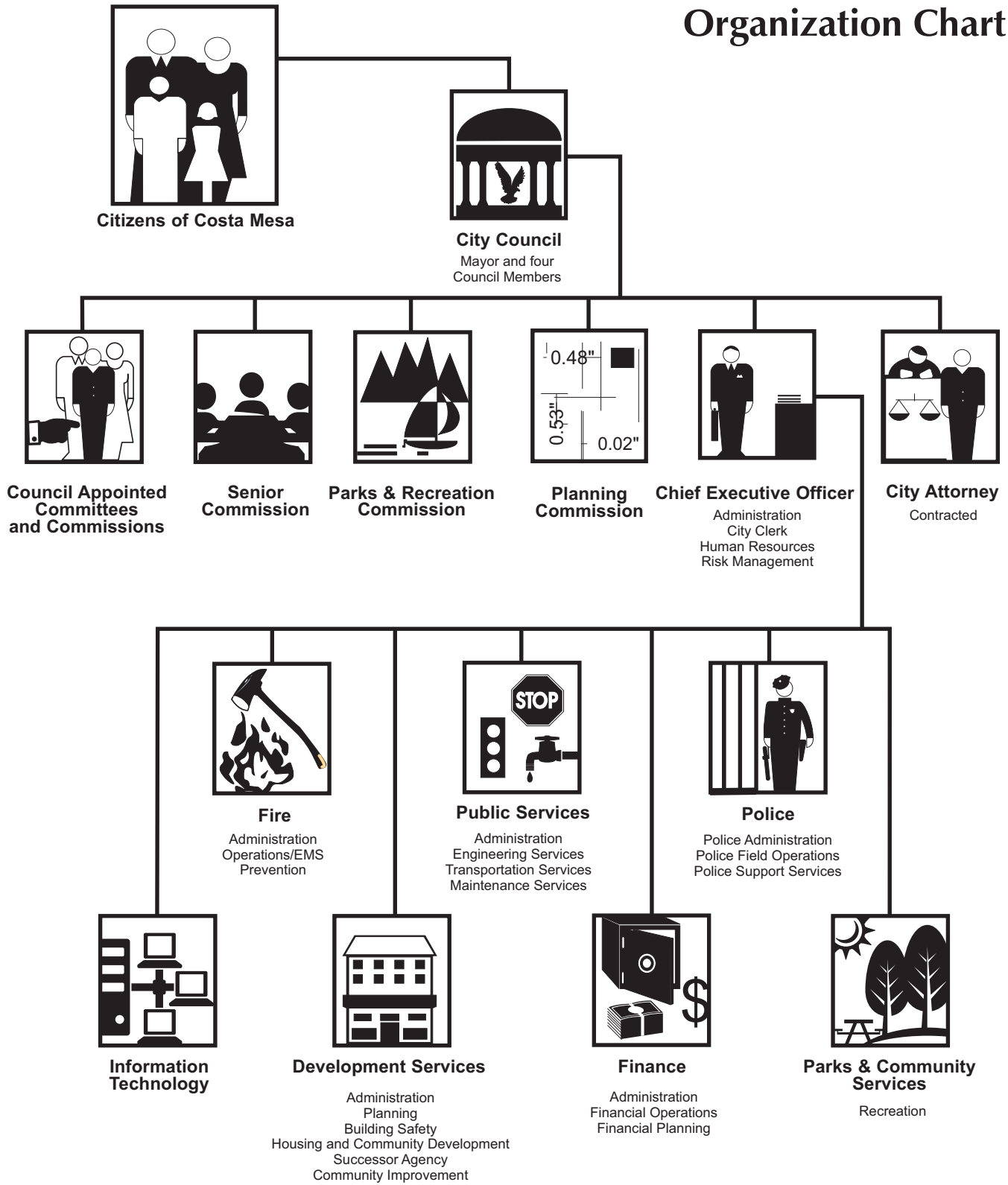
James M. Righeimer

John B. Stephens

City Manager-----	Thomas R. Hatch
Assistant City Manager/Administrative Services Director-----	Tamara Letourneau
City Attorney (Contract)-----	Thomas P. Duarte
Development Services Director (Contract)-----	Jay Trevino
Interim Finance Director-----	Stephen Dunivent
Information Technology Director-----	Steve Ely
Public Services Director-----	Raja Sethuraman
Fire Chief-----	Dan Stefano
Police Chief-----	Rob Sharpnack

City of Costa Mesa, California

Organization Chart



Visit our website at www.costamesaca.gov



Government Finance Officers Association

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

Presented to

**City of Costa Mesa
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF COSTA MESA CALIFORNIA

INDEPENDENT AUDITORS'
REPORT



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa (the City), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the City restated the governmental activities net position and the fund balances of the governmental funds at July 1, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Partial Prior Year Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2016 from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions - fire safety plans, the schedule of changes in the net pension liability and related ratios and the schedule of contributions - miscellaneous, police safety, and police 1% supplemental retirement plans, the schedule of funding progress - other post-employment benefit plan, and budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and individual major fund schedules (supplementary section), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
January 26, 2018



CITY OF COSTA MESA CALIFORNIA

MANAGEMENT'S DISCUSSION
AND ANALYSIS



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, 2017. We encourage all readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–v of this report.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2017 by \$87.5 million (*net position*). Of this amount, (\$161.8) million (*unrestricted net position deficit*) primarily resulted from the previous implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, and Amendment of GASB Statement No. 68." These statements established standards for measuring and recognizing liabilities for defined benefit pension plans.
- Total net position increased by \$3.3 million from the prior fiscal year total of \$84.2 million, as restated from \$86.1 million.
- As of the close of fiscal year 2017, governmental funds reported combined ending fund balances of \$118.5 million, an increase of \$7.7 million in comparison with the prior year total of \$110.8 million, as restated from \$107.4 million.
- At the end of fiscal year 2017, general fund unassigned fund balance was \$30.9 million or 30% of general fund expenditures of \$104.5 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- Long-term debt had a net increase of \$2.4 million or 5% during fiscal year 2017. This increase was attributable to a \$5.1 million increase in the outstanding claims payable liability offset by principal payments of \$2.8 million on outstanding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

and liabilities/deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains twenty-one individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General, Housing Authority, The HOME Investment Partnerships Program (HOME), Park Development, Capital Improvements, and Measure "M2" funds, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-89 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 90-106 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 107-146 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$87.5 million at June 30, 3017.

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

CONDENSED STATEMENT OF NET POSITION				
	JUNE 30 2017	JUNE 30 2016	INCREASE/ (DECREASE)	PERCENT INCREASE/ (DECREASE)
ASSETS:				
Current and other assets	\$ 140,870,260	\$ 133,570,634	\$ 7,299,626	5.46%
Capital assets, net of accumulated depreciation	234,914,203	234,283,653	630,550	0.27%
Total assets	375,784,463	367,854,287	7,930,176	2.16%
Deferred outflows of resources	48,070,496	17,587,718	30,482,778	173.32%
LIABILITIES:				
Current and other liabilities	18,281,311	15,705,659	2,575,652	16.40%
Long-term liabilities	311,544,698	270,777,733	40,766,965	15.06%
Total liabilities	329,826,009	286,483,392	43,342,617	15.13%
Deferred inflows of resources	6,493,424	12,809,260	(6,315,836)	(49.3%)
NET POSITION:				
Net investment in capital assets	219,280,752	216,195,466	3,085,286	1.43%
Restricted	30,060,048	29,311,111	748,937	2.56%
Unrestricted	(161,805,274)	(159,357,224)	(2,448,050)	(1.54%)
TOTAL NET POSITION	\$ 87,535,526	\$ 86,149,353	\$ 1,386,173	1.61%

At the end of fiscal year 2017, the City continued to report positive balances in two of the three categories of net position for the government as a whole, as well as for its separate governmental activities. However, the unrestricted net position reported a negative balance of \$161.8 million primarily due to the prior implementation of GASB Statements No. 68 and 71 for defined benefit pension plans. During fiscal year 2017, the City's total net position increased by \$3.3 million from prior fiscal year net position of \$84.2 million, as restated from \$86.1 million.

CHANGES IN NET POSITION		
	Governmental Activities	
	2017	2016
REVENUES:		
Program Revenues:		
Charges for services	\$ 13,630,193	\$ 14,662,180
Operating contributions and grants	4,487,089	4,907,815
Capital contributions and grants	7,114,471	4,597,301
General Revenues:		
Taxes:		
Property taxes	37,925,385	36,105,783
Sales and use taxes	57,591,889	58,524,162
Transient occupancy tax	8,924,854	8,622,505
Franchise taxes	4,593,631	5,060,402
Business license tax	918,928	973,521
Other intergovernmental, unrestricted	51,340	45,777
Investment income	496,650	1,871,216
Miscellaneous	1,333,610	913,351
Total revenues	137,068,040	136,284,013
EXPENSES:		
General government	28,474,037	24,631,010
Protection of persons and property	70,786,483	63,956,413
Community programs	12,069,675	4,639,743
Public services	21,415,061	22,498,495
Interest on long-term debt	974,233	1,081,605
Total expenses	133,719,489	116,807,266
Change in net position	3,348,551	19,476,747
Net position at beginning of year	86,149,353	66,672,606
Net position restatement	(1,962,378)	-
NET POSITION AT END OF YEAR:	\$ 87,535,526	\$ 86,149,353

Governmental Activities

Governmental activities increased the City's net position by \$3.3 million and key elements attributable to this increase are as follows:

- Charges for services revenues decreased by \$1.0 million or 7% from fiscal year 2016. This decrease was mostly due to declines in park, drainage, and traffic impact development impact fees. These revenues depend upon the timing of development and can vary annually.
- Capital contributions and grants increased by \$2.5 million or 55% from fiscal year 2016. This increase was attributable to the timing of disbursements and subsequent receipts for the City's many grant funded capital projects.
- Property tax revenues increased by \$1.8 million or 5% from fiscal year 2016. This increase resulted primarily from the healthy real estate market and additions to the property tax base resulting from ongoing new construction activity.
- Investment income decreased by \$1.4 million from fiscal year 2016. This decrease was mostly related to fair market adjustments to investments. Since the City usually holds investments until maturity, these adjustments will not affect long term performance of the portfolio.
- Overall expenses increased by \$16.9 million or 15% from fiscal year 2016. Notable increases are noted below:
 - Increased costs from the ongoing process of filling open positions in the Police Department.
 - Additional efforts in code enforcement, group home monitoring, and neighborhood stabilization.
 - Election costs incurred in November 2016.
 - Increased activity for capital maintenance projects.
 - Pension expenses recognized pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, and Amendment of GASB Statement No. 68.*"
 - Allocated costs from Internal Service Funds for additional claims payable liabilities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Government Funds

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

As of the end of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$118.5 million, an increase of \$7.7 million in comparison with the prior fiscal year fund balances of \$110.8 million, as restated from \$107.4 million. Of this total amount:

- \$2.3 million represents *nonspendable fund balance* which includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to maintain intact.
- \$28.1 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.
- \$16.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by formal action of the City Council. It includes legislation (City Council action) that can only be overturned by new legislation requiring the same voting consensus.
- \$41.4 million represents *assigned fund balance* which includes amounts that are designated or expressed by City Council but do not require formal actions like resolutions or ordinances.
- The remaining \$30.6 million constitutes *unassigned fund balance*.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2017, fund balance of the City's General Fund decreased by \$1.4 million. While total fund balance amounted to \$63.1 million, unassigned fund balance was \$30.9 million. Key factors in this change are as follows:

- Sales tax revenues decreased by \$1.0 million or 2% from fiscal year 2016. This decrease was mostly caused by the prior year wrap up of "Triple Flip" sales tax revenues after the State of California paid off its deficit bonds. The City received a final payment related to prior year amounts in 2016. The City continued to experience healthy retail economic activity primarily related to retail and automobile sales.
- Property tax revenues increased by \$1.3 million or 5% from fiscal year 2016. This increase resulted primarily from the healthy real estate market and additions to the property tax base resulting from ongoing new construction activity.
- Overall, total revenues in the General Fund decreased by \$0.5 million.
- Protection of Person and property expenditures increased by \$2.1 million or 3% from fiscal year 2016. This increase was mostly attributed to the successful staffing of previously vacant authorized positions within the Police Department. This positive trend is expected to continue within the subsequent fiscal year.

- Overall, total expenditures in the General Fund increased by \$5.3 million or 5%.
- Other financing uses increased by net amount of \$6.3 million or 52%. This increase was primarily attributable to additional funding of \$2.1 million for capital projects and \$3.6 million for Internal Service funds in the current fiscal year.

Major Funds Other Than the General Fund

The Housing Authority Fund had \$5.1 million in fund balance at the end of the fiscal year which represents a net increase of \$0.5 million or 39% from the prior fiscal year fund balance of \$4.6 million, as restated from \$1.1 million. This restatement was due to the reclassification of unavailable revenues related to outstanding housing loans to fund balance.

The HOME Program Fund had \$116,456 in fund balance at the end of the fiscal year which represents a net increase of \$19,202 or 20% from the prior fiscal year. The increase in fund balance resulted from the timing of grant disbursements, program income, and the timing of the drawdown requests.

The Park Development Fund had \$3.1 million in fund balance at the end of the fiscal year which represents a net increase of \$1.6 million or 100% from the prior fiscal year. This fund balance increase resulted mostly from the collection of park development fees of \$1.5 million and a reduction of project costs charged to this fund.

The Capital Improvements Fund had \$21.3 million in fund balance at the end of the fiscal year which represents a net increase of \$3.2 million or 17% from the prior fiscal year. The General Fund has been able to provide more funding for capital projects due to increased revenues as a result of the recovering economy.

The Measure “M2” Fund had \$5.4 million in fund balance at the end of the fiscal year which represents a net increase of \$4.4 million or 442% from the prior fiscal year. This increase is attributed to the timing of grant reimbursements from Orange County Transportation Authority (OCTA), other unspent OCTA allocations received for street maintenance, and disbursements on a variety of open projects.

Proprietary Funds

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City utilizes Internal Service Funds which are a propriety fund type.

The unrestricted net position of the Internal Service Funds at the end of the year was a deficit of \$6.0 million. Total net position decreased by \$2.1 million from the prior fiscal year. This decrease was primarily due to additional claims payable liabilities recognized offset by interfund transfers from the General Fund of \$3.6 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2017, actual revenues were \$4.1 million or 3% more than originally estimated and \$4.0 million or 3% more than the final adjusted budget. Major revenue line items in the General Fund are typically adjusted once during the fiscal year in the mid-year budget review while newly approved grants are budgeted once approved by City Council. Revenue estimates are typically not revised for unexpected activity occurring subsequent to the mid-year budget review. Therefore, the City recognized increases during the fiscal year and adjusted the budget as necessary.

Actual expenditures were \$1.3 million or 1% less than originally estimated and \$4 million or 4% less than the final adjusted budget. Contributing factors to the variance related to the final adjusted budget were lower costs incurred due to vacant positions in the Police and Public Services Departments. Any remaining difference consists of smaller fluctuations in a variety of departments and accounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities (the City has no business-type activities or discretely presented component units) as of June 30, 2017, amounted to \$234.9 million net of accumulated depreciation and amortization. The investment in capital assets includes land, building improvements and structures, landscaping and sprinklers, machinery and equipment, intangible assets, park system and facilities, and road and storm drain infrastructure. The City's investment in capital assets for the current fiscal year increased by \$0.6 million. Major capital asset additions during fiscal year 2017 were mostly related to ongoing capital projects that are described below. Other assets capitalized included city-wide vehicle replacements and a variety of equipment purchases. During the fiscal year, capital assets not being depreciated increased by \$8.1 million and capital assets being depreciated decreased by \$9 million.

Construction in progress as of the fiscal year end totaled \$13.3 million and included the following projects with larger balances:

CONSTRUCTION PROJECT	TOTAL BUDGET	SPEND TO DATE	COMMITMENT
Fire Station #1 Demo and New Construction	\$ 1,676,201	\$ 2,366,621	\$ (690,420)*
Bristol Street and Bear Street Rehabilitation	1,974,493	1,013,564	960,929
East 19th Street Safe Route to School	1,451,038	832,271	618,767
Lions Park Projects (Library, Community Center and Park)	6,362,301	2,555,656	3,806,645
TOTALS	\$ 11,464,033	\$ 6,768,112	\$ 4,695,921

*A new budget allocation was appropriated on July 1, 2017.

CAPITAL ASSETS AT YEAR-END <i>(NET OF DEPRECIATION)</i>		
	Governmental Activities	
	2017	2016*
Land	\$ 34,579,306	\$ 34,213,106
Land rights related to streets	29,821,224	29,821,224
Construction in progress	13,260,858	3,589,540
Building improvements and structures	24,738,580	26,989,381
Machinery and equipment	13,685,308	13,433,660
Intangibles	1,086,593	1,173,929
Park system and facilities	7,874,371	8,653,777
Infrastructure- roads	97,268,462	102,765,613
Infrastructure- storm drains	12,599,501	13,643,423
TOTALS	\$ 234,914,203	\$ 234,283,653

*Includes amounts reported in the prior year financial statement. The restatement of \$1.6 million is included in the 2017 column.

Additional information on the City's capital assets can be found in note 6 on pages 57-58 of this report.

Long-Term Debt

At year-end, the City had a number of Public Financing Authority bond issues outstanding, including 2003 Refunding Certificates of Participation (\$2.4 million), 2006 Revenue Refunding Bonds (\$1.0 million), and 2007 Certificates of Participation (\$18.3 million). In addition, the City had \$26.5 million of other liabilities (primarily related to claims and employee benefits) outstanding.

Long-term liabilities had a net increase of \$2.4 million, primarily due to the \$2.7 million payment of normally scheduled principal maturities on bonds offset by a \$5.1 million increase in the outstanding claims payable liability.

OUTSTANDING DEBT		
	Governmental Activities	
	2017	2016
Bonds Payable	\$ 21,620,000	\$ 24,375,000
Other Liabilities	26,527,234	21,414,403
TOTALS	\$ 48,147,234	\$ 45,789,403

Additional information on the City's long-term debt can be found in notes 7 through 10 on pages 59-64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2017, the local economy continued to be robust with increasing property values and stable retail sales. While the positive local economy has been beneficial, the City continues to remain cautious about future economic conditions due to the potential volatility of the City's large sales tax base. Economic declines could affect the City more quickly than other cities which are less reliant on sales taxes. When adopting the fiscal year 2018 budget, the City remained conservative with revenue

estimates, maintained control over budgeted appropriations, and provided funding for capital improvement projects.

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 finances. 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: stacy.daugherty@costamesaca.gov
- by phone: 714-754-5243



CITY OF COSTA MESA CALIFORNIA

GOVERNMENT-WIDE
FINANCIAL STATEMENTS



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

CITY OF COSTA MESA, CALIFORNIA

Statement of Net Position

June 30, 2017

(With Comparative Data for Prior Year)

	Governmental Activities	
	2017	2016
Assets:		
Cash and investments (note 2)	\$ 114,274,404	\$ 99,144,510
Cash and investments with fiscal agent (note 2)	4,386,549	4,356,813
Due from other governments	14,016,587	21,827,516
Accounts receivable	612,721	572,909
Interest receivable	327,463	198,019
Loans receivable	6,822,154	7,012,380
Rent receivable	245,151	234,805
Inventories	137,253	154,185
Prepaid items	47,978	69,497
Capital assets (note 6):		
Land	34,579,306	34,213,106
Land rights related to streets	29,821,224	29,821,224
Construction in progress	13,260,858	3,589,540
Other capital assets, net of accumulated depreciation	<u>157,252,815</u>	<u>166,659,783</u>
Total assets	<u>375,784,463</u>	<u>367,854,287</u>
Deferred outflows of resources:		
Deferred outflows on pensions	<u>48,070,496</u>	<u>17,587,718</u>
Liabilities:		
Accounts payable	5,794,913	5,405,234
Accrued liabilities	480,885	1,772,194
Accrued interest payable	250,338	268,488
Retentions payable	480,283	584,544
Deposits payable	806,665	765,925
Due from other governments	3,487,412	-
Long-term liabilities:		
Portion due within one year:		
Claims payable (notes 7, 9 and 19)	1,120,815	1,154,274
Bonds payable (notes 7 and 8)	2,860,000	2,755,000
Employee leave benefits payable (notes 7 and 9)	3,000,000	3,000,000
Portion due beyond one year:		
Claims payable (notes 7, 9 and 19)	14,587,331	9,439,466
Bonds payable (notes 7 and 8)	18,760,000	21,620,000
Employee leave benefits payable (notes 7 and 9)	1,010,752	1,107,428
Net OPEB obligation (notes 7, 9 and 16)	4,280,610	3,946,563
Police retirement 1% supplemental (notes 7, 9 and 14)	2,527,726	2,766,672
Net pension liability (note 13c)	<u>270,378,279</u>	<u>231,897,604</u>
Total liabilities	<u>329,826,009</u>	<u>286,483,392</u>
Deferred inflows of resources:		
Deferred inflows on pensions	<u>6,493,424</u>	<u>12,809,260</u>
Net position:		
Net investment in capital assets	219,280,752	216,195,466
Restricted for:		
Protection of persons and property	217,303	1,022,546
Community programs	9,588,998	12,793,475
Public services	20,253,747	15,495,090
Unrestricted	<u>(161,805,274)</u>	<u>(159,357,224)</u>
Total net position	<u>\$ 87,535,526</u>	<u>\$ 86,149,353</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>	
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Changes in Net Position</u>	
			<u>and Grants</u>	<u>and Grants</u>	<u>2017</u>	<u>2016</u>
Governmental activities:						
General government	\$ 28,474,037	\$ -	\$ -	\$ -	\$ (28,474,037)	\$ (24,631,010)
Protection of persons and property	70,786,483	2,819,809	664,906	-	(67,301,768)	(60,488,774)
Community programs	12,069,675	7,577,878	1,561,750	-	(2,930,047)	5,235,938
Public services	21,415,061	3,232,506	2,260,433	7,114,471	(8,807,651)	(11,674,519)
Interest on long-term debt	<u>974,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(974,233)</u>	<u>(1,081,605)</u>
Total governmental activities	<u>\$ 133,719,489</u>	<u>\$ 13,630,193</u>	<u>\$ 4,487,089</u>	<u>\$ 7,114,471</u>	<u>(108,487,736)</u>	<u>(92,639,970)</u>
General revenues:						
Taxes:						
					37,925,385	36,105,783
					57,591,889	58,524,162
					8,924,854	8,622,505
					4,593,631	5,060,402
					918,928	973,521
					51,340	45,777
					496,650	1,871,216
					<u>1,333,610</u>	<u>913,351</u>
					<u>111,836,287</u>	<u>112,116,717</u>
					3,348,551	19,476,747
					<u>86,149,353</u>	<u>66,672,606</u>
					<u>(1,962,378)</u>	<u>-</u>
					<u>\$ 87,535,526</u>	<u>\$ 86,149,353</u>

See accompanying notes to basic financial statements.



CITY OF COSTA MESA CALIFORNIA



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

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

Housing Authority Fund

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

HOME Program Fund

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

CAPITAL PROJECTS FUNDS

Park Development Fund

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

Capital Improvements Fund

Established to account for the construction of capital facilities financed 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.

Nonmajor Governmental Funds

Nonmajor governmental funds constitute all other governmental funds which include nine Special Revenue Funds, one Debt Service Fund and seven Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Balance Sheet
June 30, 2017
(With Comparative Data for Prior Year)

	General	Special Revenue	
		Housing Authority	HOME Program
<u>Assets</u>			
Cash and investments (note 2)	\$ 50,939,289	\$ 1,733,902	\$ 111,563
Cash and investments with fiscal agent (note 2)	-	-	-
Due from other governments	12,178,652	-	4,919
Accounts receivable (net)	527,650	28,654	-
Interest receivable	154,966	4,652	299
Loans receivable	-	3,334,742	2,996,362
Rent receivable	225,816	19,335	-
Due from other funds (note 3)	333,155	-	-
Advances to other funds (note 4)	2,161,909	-	-
Inventories	43,956	-	-
Prepaid items	47,978	-	-
Total assets	<u>\$ 66,613,371</u>	<u>\$ 5,121,285</u>	<u>\$ 3,113,143</u>
<u>Liabilities</u>			
Accounts payable	\$ 2,178,792	\$ 29,520	\$ 325
Accrued liabilities	66,862	-	-
Retentions payable	-	-	-
Deposits payable	783,667	22,998	-
Due to other funds (note 3)	-	-	-
Due to other governments	-	-	2,996,362
Advances from other funds (note 4)	-	-	-
Total liabilities	<u>3,029,321</u>	<u>52,518</u>	<u>2,996,687</u>
<u>Deferred Inflows of Resources</u>			
Unavailable revenues	<u>518,921</u>	<u>4,000</u>	<u>-</u>
<u>Fund Balances (Note 11)</u>			
Nonspendable:			
Prepaid items	47,978	-	-
Inventories	43,956	-	-
Advances to other funds	2,161,909	-	-
Restricted for:			
Protection of persons and property	-	-	-
Community programs	-	5,064,767	116,456
Public services	-	-	-
Debt service	-	-	-
Committed	16,125,000	-	-
Assigned	13,819,088	-	-
Unassigned	30,867,198	-	-
Total fund balances	<u>63,065,129</u>	<u>5,064,767</u>	<u>116,456</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 66,613,371</u>	<u>\$ 5,121,285</u>	<u>\$ 3,113,143</u>

See accompanying notes to the basic financial statements.

Capital Projects					
Park Development	Capital Improvements	Measure "M2"	Nonmajor Governmental Funds	Totals	
				2017	2016
\$ 5,266,969	\$ 23,791,317	\$ 5,382,881	\$ 17,075,096	\$ 104,301,017	\$ 91,647,681
-	-	-	4,386,549	4,386,549	4,356,813
-	40,000	1,512,842	280,174	14,016,587	21,827,516
-	44,130	-	10,253	610,687	572,014
14,465	65,305	15,782	44,652	300,121	184,163
-	-	-	491,050	6,822,154	7,062,595
-	-	-	-	245,151	234,805
-	-	-	-	333,155	279,539
-	-	-	-	2,161,909	2,375,720
-	-	-	-	43,956	45,480
-	-	-	-	47,978	64,885
<u>\$ 5,281,434</u>	<u>\$ 23,940,752</u>	<u>\$ 6,911,505</u>	<u>\$ 22,287,774</u>	<u>\$ 133,269,264</u>	<u>\$ 128,651,211</u>
\$ 163	\$ 2,347,661	\$ 303,057	\$ 538,272	\$ 5,397,790	\$ 5,027,705
-	18,750	-	395,273	480,885	1,760,316
-	190,996	200,535	88,752	480,283	584,544
-	-	-	-	806,665	765,925
-	-	-	333,155	333,155	279,539
-	-	-	491,050	3,487,412	-
2,161,909	-	-	-	2,161,909	2,375,720
<u>2,162,072</u>	<u>2,557,407</u>	<u>503,592</u>	<u>1,846,502</u>	<u>13,148,099</u>	<u>10,793,749</u>
-	84,130	974,670	46,916	1,628,637	10,476,602
-	-	-	-	47,978	64,885
-	-	-	-	43,956	45,480
-	-	-	-	2,161,909	2,375,720
-	-	-	89,505	89,505	791,187
3,119,362	-	-	189,122	8,489,707	2,949,623
-	-	5,433,243	8,857,894	14,291,137	28,381,864
-	-	-	5,186,549	5,186,549	5,321,813
-	-	-	-	16,125,000	16,125,000
-	21,299,215	-	6,320,265	41,438,568	19,423,639
-	-	-	(248,979)	30,618,219	31,901,649
<u>3,119,362</u>	<u>21,299,215</u>	<u>5,433,243</u>	<u>20,394,356</u>	<u>118,492,528</u>	<u>107,380,860</u>
<u>\$ 5,281,434</u>	<u>\$ 23,940,752</u>	<u>\$ 6,911,505</u>	<u>\$ 22,287,774</u>	<u>\$ 133,269,264</u>	<u>\$ 128,651,211</u>



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

Fund balances of governmental funds \$ 118,492,528

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

Capital Related Items

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

Cost of capital assets	572,267,981
Accumulated depreciation	(344,415,515)

Long-Term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position:

Bonds payable	(21,620,000)
Employee benefits leave payable	(4,010,752)
OPEB	(4,280,610)

Accrued Interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on outstanding debt payable. (250,338)

Internal Service Funds

Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position because they primarily service governmental activities of the City. 1,052,528

Deferred Inflows of Resources

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. 1,628,637

Pensions

Amounts regarding the pension plans are as follows:

Deferred outflows of resources	48,070,496
Deferred inflows of resources	(6,493,424)
CalPERS pension liability	(270,378,279)
Police 1% Supplemental Retirement	(2,527,726)
	\$ 87,535,526
Net position of governmental activities	\$ 87,535,526

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2017
(With Comparative Data for Prior Year)

	Special Revenue		
	General	Housing Authority	HOME Program
Revenues:			
Taxes	\$ 98,280,401	\$ 139,212	\$ -
Licenses and permits	2,933,305	-	-
Fines and forfeitures	1,352,205	-	-
Intergovernmental	11,078,463	-	232,746
Charges for services	3,718,787	-	-
Rental	2,791,744	400,671	-
Investment income	(161,368)	31,035	488
Miscellaneous	1,475,498	352,076	41,000
Total revenues	<u>121,469,035</u>	<u>922,994</u>	<u>274,234</u>
Expenditures:			
Current:			
General government	26,518,266	-	-
Protection of persons and property	63,774,617	-	-
Community programs	8,153,377	471,127	255,032
Public services	6,099,958	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>104,546,218</u>	<u>471,127</u>	<u>255,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,922,817</u>	<u>451,867</u>	<u>19,202</u>
Other financing sources (uses):			
Transfers in (note 5)	935	-	-
Transfers out (note 5)	(18,331,084)	-	-
Total other financing sources (uses)	<u>(18,330,149)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,407,332)</u>	<u>451,867</u>	<u>19,202</u>
Fund balances at beginning of year as restated (note 24)	<u>64,472,461</u>	<u>4,612,900</u>	<u>97,254</u>
Fund balances at end of year	<u>\$ 63,065,129</u>	<u>\$ 5,064,767</u>	<u>\$ 116,456</u>

See accompanying notes to the basic financial statements.

Capital Projects

Park Development	Capital Improvements	Measure "M2"	Nonmajor Governmental Funds	Totals	
				2017	2016
\$ -	\$ -	\$ -	\$ 1,045,116	\$ 99,464,729	\$ 99,349,202
-	-	-	-	2,933,305	2,983,081
-	-	-	477	1,352,682	1,609,134
-	3,046,662	5,620,539	3,226,855	23,205,265	17,612,288
1,541,038	-	-	649,287	5,909,112	6,668,445
-	-	-	96,807	3,289,222	3,336,053
47,040	220,057	50,620	232,689	420,561	1,775,765
-	-	15,931	285,710	2,170,215	1,679,917
<u>1,588,078</u>	<u>3,266,719</u>	<u>5,687,090</u>	<u>5,536,941</u>	<u>138,745,091</u>	<u>135,013,885</u>
-	-	-	-	26,518,266	25,102,067
-	-	-	2,367,086	66,141,703	64,426,376
13,612	-	-	517,020	9,410,168	8,019,356
-	11,198,303	1,256,272	3,125,962	21,680,495	19,836,633
-	-	-	2,755,000	2,755,000	2,650,000
11,879	-	-	980,504	992,383	1,109,037
<u>25,491</u>	<u>11,198,303</u>	<u>1,256,272</u>	<u>9,745,572</u>	<u>127,498,015</u>	<u>121,143,469</u>
1,562,587	(7,931,584)	4,430,818	(4,208,631)	11,247,076	13,870,416
-	12,421,395	-	3,635,689	16,058,019	12,852,940
-	(1,326,000)	-	(935)	(19,658,019)	(12,852,940)
-	11,095,395	-	3,634,754	(3,600,000)	-
<u>1,562,587</u>	<u>3,163,811</u>	<u>4,430,818</u>	<u>(573,877)</u>	<u>7,647,076</u>	<u>13,870,416</u>
<u>1,556,775</u>	<u>18,135,404</u>	<u>1,002,425</u>	<u>20,968,233</u>	<u>110,845,452</u>	<u>93,510,444</u>
<u>\$ 3,119,362</u>	<u>\$ 21,299,215</u>	<u>\$ 5,433,243</u>	<u>\$ 20,394,356</u>	<u>\$ 118,492,528</u>	<u>\$ 107,380,860</u>



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

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

For the fiscal year ended June 30, 2017

Net changes in fund balances - total governmental funds	\$ 7,647,076
Amounts reported for governmental activities in the Statement of Activities are different because:	
<u>Capital Related Items</u>	
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net position decrease by the amount of depreciation expense charged for the year.	
Capital outlay	9,658,734
Depreciation expense	(11,184,975)
<u>Long-Term Debt Transactions</u>	
Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.	
Net changes in employee benefits leave payable	96,676
Principal payments - bonds	2,755,000
OPEB	(334,047)
Police Retirement 1% Supplemental	238,946
<u>Pension</u>	
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expenses includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.	
	(1,682,061)
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	18,150
<u>Internal Service Funds</u>	
Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds “close” those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds’ costs for the year.	
	(2,079,577)
<u>Deferred Inflows of Resources</u>	
Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	
	(1,785,371)
Change in net position of governmental activities	<u>\$ 3,348,551</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Net Position

June 30, 2017

(With Comparative Data for Prior Year)

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and investments (note 2)	\$ 9,973,387	\$ 7,496,829
Accounts receivable	2,034	895
Interest receivable	27,342	13,856
Prepaid expenses	-	4,612
Inventories	93,297	108,705
	<u>10,096,060</u>	<u>7,624,897</u>
Capital assets:		
Motorized equipment	12,815,959	12,518,827
Other equipment	2,332,987	1,895,810
Accumulated depreciation	<u>(8,087,209)</u>	<u>(7,924,282)</u>
	<u>7,061,737</u>	<u>6,490,355</u>
Total capital assets		
Total assets	<u>17,157,797</u>	<u>14,115,252</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	397,123	377,529
Accrued liabilities	-	11,878
Claims payable (note 8)	<u>1,120,815</u>	<u>1,154,274</u>
	<u>1,517,938</u>	<u>1,543,681</u>
Total current liabilities		
Long-term liabilities:		
Claims payable (note 8)	<u>14,587,331</u>	<u>9,439,466</u>
	<u>14,587,331</u>	<u>9,439,466</u>
Total long-term liabilities		
Total liabilities	<u>16,105,269</u>	<u>10,983,147</u>
<u>Net Position</u>		
Net investment in capital assets	7,061,737	6,490,355
Unrestricted	<u>(6,009,209)</u>	<u>(3,358,250)</u>
Total net position	<u>\$ 1,052,528</u>	<u>\$ 3,132,105</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2017	2016
Operating revenues:		
Charges for services	\$ 7,426,740	\$ 6,372,792
Total operating revenues	<u>7,426,740</u>	<u>6,372,792</u>
Operating expenses:		
Allocated administrative costs	1,241,402	1,425,942
Depreciation	847,266	616,963
Consulting costs	27,713	-
Fuel and repair parts	962,611	1,002,713
Claims and premiums	10,104,413	4,002,807
Total operating expenses	<u>13,183,405</u>	<u>7,048,425</u>
Operating loss	<u>(5,756,665)</u>	<u>(675,633)</u>
Nonoperating revenues (expenses):		
Investment income	76,088	95,452
Contributions	32,232	-
Gain/(loss) on sale of equipment	(31,232)	13,100
Total nonoperating revenues (expenses)	<u>77,088</u>	<u>108,552</u>
Change in net position, before transfers	<u>(5,679,577)</u>	<u>(567,081)</u>
Transfers in	4,926,000	-
Transfers out	(1,326,000)	-
Total Transfers	<u>3,600,000</u>	<u>-</u>
Change in net position	<u>(2,079,577)</u>	<u>(567,081)</u>
Net position at beginning of year	<u>3,132,105</u>	<u>3,699,186</u>
Net position at end of year	<u>\$ 1,052,528</u>	<u>\$ 3,132,105</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Cash Flows

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2017	2016
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 7,425,601	\$ 6,390,125
Cash payments to suppliers for goods and services	(6,506,923)	(5,793,218)
Cash payments to employees for services	(687,074)	(675,151)
Net cash provided by (used for) operating activities	<u>231,604</u>	<u>(78,244)</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	4,926,000	-
Cash paid to other funds	(1,326,000)	-
Net cash provided by noncapital financing activities	<u>3,600,000</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	106,344	42,633
Acquisition of capital assets	(1,523,992)	(2,556,060)
Net cash used for capital and related financing activities	<u>(1,417,648)</u>	<u>(2,513,427)</u>
Cash flows from investing activities:		
Investment income received	<u>62,602</u>	<u>96,117</u>
Net cash provided by investing activities	<u>62,602</u>	<u>96,117</u>
Net increase (decrease) in cash and cash equivalents	2,476,558	(2,495,554)
Cash and cash equivalents at beginning of year	<u>7,496,829</u>	<u>9,992,383</u>
Cash and cash equivalents at end of year	<u>\$ 9,973,387</u>	<u>\$ 7,496,829</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	\$ (5,756,665)	\$ (675,633)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation	847,266	616,963
(Increase) decrease in inventories	15,408	(10,729)
(Increase) decrease in accounts receivable	(1,139)	17,333
(Increase) decrease in prepaid items	4,612	(4,612)
Increase (decrease) in accounts payable	19,594	264,310
Increase (decrease) in accrued liabilities	(11,878)	(132)
Increase (decrease) in claims payable	5,114,406	(285,744)
Net cash provided by (used for) operating activities	<u>\$ 231,604</u>	<u>\$ (78,244)</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Fiduciary Funds

Statement of Changes in Net Position

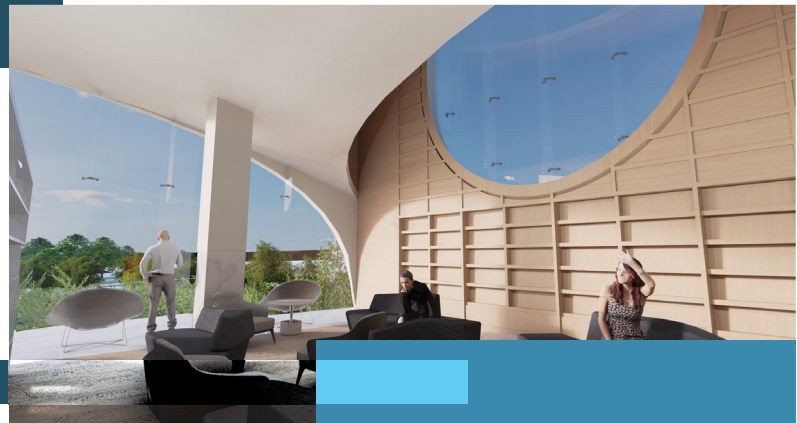
For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	
	2017	2016
Additions:		
Property taxes	\$ 817,350	\$ 1,535,081
Investment earnings	298	85
Total revenues	<u>817,648</u>	<u>1,535,166</u>
Deductions:		
Program expenses of former redevelopment agency	26,623	102,155
Administrative expenses	231,746	223,879
Interest and fiscal agent expenses of former redevelopment agency	54,121	79,432
Repayment of advance to the City	<u>649,100</u>	<u>287,740</u>
Total expenses	<u>961,590</u>	<u>693,206</u>
Change in net position	(143,942)	841,960
Net position at beginning of year	<u>844,754</u>	<u>2,794</u>
Net position at end of year	<u>\$ 700,812</u>	<u>\$ 844,754</u>

See accompanying notes to the financial statements

CITY OF COSTA MESA CALIFORNIA



NOTES TO THE FINANCIAL STATEMENTS

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(1) Summary of Significant Accounting Policies

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

(a) Description of Reporting Entity

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

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

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

Costa Mesa Public Financing Authority

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

Costa Mesa Community Facilities District No. 91-1

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

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

(a) Description of Reporting Entity, (Continued)

Costa Mesa Housing Authority

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

(b) Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

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

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives us essentially equal values. Nonoperating revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than being reported as expenses. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than being reported as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenses.

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(c) 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 Funds

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

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

Capital Projects Funds

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

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.

Measure “M2” Fund – This capital projects fund was established to account for the receipt and disbursement of funds for construction 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 City’s fund structure also includes the following fund types:

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(c) Fund Classifications, (Continued)

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

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

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

(d) Cash and Investments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(e) Cash Equivalents

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

(f) Advances to Other Funds

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

(g) Inventories

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

(h) Prepays

The City uses the consumption method to record prepaid items.

(i) New Accounting Pronouncements

Current Year Standards

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and was early implemented in the prior year.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - Tax Abatement Disclosure, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 79 - Certain External Investment Pools and Pool Participants, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

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

(i) New Accounting Pronouncements, (Continued)

Current Year Standards (Continued)

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards

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

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016.
- GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

(j) Capital Assets

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(j) Capital Assets (Continued)

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

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

(k) Deferred Outflows/Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(k) Deferred Outflows/Inflows of Resources (Continued)

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Unavailable revenues, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Governmental fund balance sheets report unavailable revenues from three sources: long-term loans receivable, grants not collected within the availability period, and accumulated interest on a long-term receivable. These amounts are deferred and will be recognized as inflows of resources in periods that the amounts become available.
- Deferred inflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

(l) Fund Balances

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(l) Fund Balances, (Continued)

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

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

Unassigned Fund Balance – this includes 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.

(m) Employee Leave Benefits

Eligible employees accumulate up to 26.5 days of vacation each year, depending on the employee's bargaining unit and length of service, but may not carry over from one year to the next more than the equivalent of one to two (depends on Memorandum of Understanding or Salary Resolution) year's vacation without prior approval of the respective department head and/or City Manager.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(m) Employee Leave Benefits, (Continued)

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

A liability is recorded for unused sick leave balances except for miscellaneous and confidential and Costa Mesa Police Association (CMPA) employee groups. The liability is recorded only to the extent that it is probable that the unused balances will result in termination payments. Unused sick leave is converted to CalPERS service credit at the time of retirement. The ability to liquidate leave balances is available to all employee groups with the exception of miscellaneous and confidential and CMPA employee groups. All other separations result in the forfeiture of the accrued leave benefit. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

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

(n) Claims and Judgments

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

(o) Prior Year Data

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

(p) Pensions

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

(q) Estimations

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and investments	\$ 114,274,404
Cash and investments with fiscal agent	4,386,549
Statement of Fiduciary Net Position:	
Cash and investments	<u>3,699,994</u>
Total cash and investments	<u>\$ 122,360,947</u>

Cash and investments at June 30, 2017 consisted of the following:

Cash and deposits:	
Petty cash on hand	\$ 10,100
Demand deposits	<u>5,190,315</u>
Total cash and deposits	<u>5,200,415</u>

Investments:	
Costa Mesa Community Facilities District Bonds	800,000
Commercial paper	2,982,380
Medium-term corporate notes	14,212,130
Federal agency securities	27,829,023
Money market mutual funds	4,563,257
Local Agency Investment Fund	47,072,884
U.S. Treasury securities	19,369,608
Lehman Brothers Holdings, Inc.-bankruptcy	<u>331,250</u>
Total investments	<u>117,160,532</u>
Total cash and investments	<u>\$ 122,360,947</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Percentage of Portfolio*</u>	<u>Investment In One Issuer*</u>
U.S. Treasury Securities	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	35%
Municipal Securities	Yes	5 years	None	5%
Banker's Acceptances	Yes	180 days	40%	5%
Commercial Paper	Yes	270 days	25%	5%
Federally Insured Time Deposit	Yes	5 Years	None	None
Non-Negotiable Certificates of Deposit	Yes	5 years	20%	None
Certificate of Deposit Placement Service	Yes	5 years	30%	None
Negotiable Certificates of Deposit	Yes	5 years	30%	5%
Repurchase Agreements	Yes	1 year	30%	None
Medium-Term Corporate Notes	Yes	5 years	30%	5%
Money Market Mutual Funds	Yes	N/A	20%	None
Mortgage Backed Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	35%	None
Local Agency Investment Fund	Yes	N/A	\$65 Million	\$65 Million

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal Agency Securities	\$27,829,023	10,987,742	3,245,414	13,595,867	-
State Investment Pool (LAIF)	47,072,884	47,072,884	-	-	-
U.S. Treasury Securities	19,369,608	-	2,000,469	17,369,139	-
Commercial Paper	2,982,380	2,982,380	-	-	-
Medium-Term Corporate Notes	14,212,130	2,302,253	2,011,051	9,898,826	-
Money Market Mutual Funds	176,708	176,708	-	-	-
Held by Trustee:					
Costa Mesa Community Facilities District Bonds	800,000	175,000	400,000	225,000	-
Money Market Mutual Funds	4,386,549	4,386,549	-	-	-
Lehman Brothers Holdings, Inc., Bankruptcy	<u>331,250</u>	<u>331,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$117,160,532</u>	<u>68,414,766</u>	<u>7,656,934</u>	<u>41,088,832</u>	<u>-</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Legal Rating</u>	<u>Ratings at 6/30/17</u>	
			<u>Moody's</u>	<u>Standard & Poors</u>
Federal Agency Securities	\$27,829,023	N/A	Aaa	AA+
U.S. Treasury Securities	19,369,608	N/A	Not Required to be Rated	Not Required to be Rated
Commercial Paper	2,982,380	A	P-1	A-1
Medium-Term Corporate Notes:				
ACE INA Holdings Incorporate	1,005,703	A	A3	A
American Honda Finance	1,008,491	A	A1	A+
Apple Incorporate	976,974	A	Aa1	AA+
Bank of New York	1,009,855	A	A1	A
Chevron Corporation	1,000,366	A	Aa2	AA-
Eli Lilly & Company	652,878	A	Aa2	AA-
Exxon Mobil Corporation	702,762	A	Aaa	AA+
General Electric Capital	1,000,611	A	A1	AA-
HSBC USA	650,218	A	A2	A
John Deere Capital Corporation	1,008,969	A	A2	A
JP Morgan Chase	501,551	A	A3	A-
Microsoft	684,900	A	Aaa	AAA
PepsiCo Incorporate	649,587	A	A1	A+
Qualcomm Incorporate	656,165	A	A1	A
State Street Bank	691,160	A	A1	A
Toyota Motor Credit Corporation	704,858	A	Aa3	AA-
US Bancorp	655,411	A	A1	A+
Wells Fargo Corporation	651,671	A	A2	A
State Investment Pool (LAIF)	47,072,884	N/A	Not Rated	Not Rated
Money Market Mutual Funds	176,708	AAA	Aaa	AAA
Held by Trustee:				
Costa Mesa Community Facilities District Bond	800,000	N/A	Not Rated	Not Rated
Money Market Mutual Funds	4,386,549	AAA	Aaa	AAA
Lehman Brothers Holdings Inc., Bankruptcy	331,250	N/A	Not Rated	Not Rated
Total	<u>\$117,160,532</u>			

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk, (Continued)

Governmental Accounting, Auditing and Financial Reporting (GAAFR) requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2017, the City's investment in the following single issuers that exceeded 5%:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
FHLB	Federal Agency Securities	\$ 9,235,702	8%
FNMA	Federal Agency Securities	7,726,435	7%
FHLMC	Federal Agency Securities	9,870,249	8%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(2) Cash and Investments, (Continued)

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

For a large portion of the City's portfolio, the City's asset manager applies their leveling methodology across all securities in a specific sector (i.e. Federal Agency Securities). Inputs to their pricing models are based on observable market inputs in active markets.

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

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 27,829,023	\$ -	\$ 27,829,023
U.S. Treasury Securities	-	19,369,608	-	19,369,608
Commercial Paper	-	2,982,380	-	2,982,380
Medium Term Corporate Notes	-	14,212,130	-	14,212,130
Held by Trustee:				
Costa Mesa Community				
Facilities District Bonds	-	-	800,000	800,000
Lehman Brothers				
Holdings, Inc. Bankruptcy	-	-	331,250	331,250
Total Leveled Investments	<u>\$ -</u>	<u>\$ 64,393,141</u>	<u>\$ 1,131,250</u>	<u>65,524,391</u>
State Investment Pool (LAIF)*				47,072,884
Money Market Mutual Funds*				176,708
Held by Trustee:				
Money Market Mutual Funds*				<u>4,386,549</u>
Total Investment Portfolio				<u>\$ 117,160,532</u>

* Not subject to fair value measurements.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 333,155

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

(4) Advances To and From Other Funds

Advances to and from other funds at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Development Capital Projects Fund	\$2,161,909

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

The outstanding advance from the General Fund to the Park Development Capital Projects Fund was for the purchase of park land. In June 2014, the City Council approved a restructuring of the original terms of the advance, which included an interest rate of 0.50% with an annual payment of \$225,690. The advance is expected to be repaid by 2034 with future park development fees.

(5) Transfers In and Out

Transfers in and out for the year ended June 30, 2017 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>	
General Fund	Major Capital Projects Fund	\$ 11,095,395	(a1)
General Fund	Nonmajor Governmental Funds	3,635,689	(a2 to a3)
General Fund	Internal Service Funds	3,600,000	(a4)
Internal Service Funds	Major Capital Projects Fund	1,326,000	(d)
Major Capital Projects Fund	Internal Service Funds	1,326,000	(d)
Nonmajor Governmental Funds	General Fund	935	(b)(c)
		<u>\$ 18,322,019</u>	

- (a) The General Fund transferred the following to:
- \$11,095,395 to the Capital Improvements Capital Projects Fund for capital improvement projects.
 - \$117,635 to the Supplemental Law Enforcement Services Special Revenue Fund for public safety expenditures;
 - \$3,518,054 to the Financing Authority Debt Service Fund for debt service payments;
 - \$3,600,000 to the Internal Service Fund for self-insurance costs (\$1,000,000) and for equipment replacement (\$2,600,000).
- (b) The Parking Districts Capital Projects Fund transferred \$471 in investment earnings back to the General Fund.
- (c) The Office of Traffic Safety Special Revenue Fund transferred \$464 to the General Fund for reimbursement of overtime costs.
- (d) \$1,326,000 from the Equipment Replacement Internal Service Fund to the Capital Projects Fund for 800 Mhz project and subsequent repayment.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(6) Capital Asset

A summary of changes in capital assets follows:

	Balance at July 1, 2016 <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2017
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	<u>5,174,949</u>	<u>8,333,750</u>	<u>(247,841)</u>	<u>13,260,858</u>
Total capital assets not being depreciated	<u>69,575,479</u>	<u>8,333,750</u>	<u>(247,841)</u>	<u>77,661,388</u>
Capital assets being depreciated/amortized:				
Building improvements and structures	64,698,930	194,595	-	64,893,525
Landscaping and sprinklers	10,298,694	257,367	-	10,556,061
Automotive equipment	13,111,395	1,086,815	(789,683)	13,408,527
Office furniture	845,170	164,012	-	1,009,182
Office machines	9,427,550	208,421	-	9,635,971
Other equipment	9,806,765	884,060	-	10,690,825
Intangible assets	1,477,101	62,229	-	1,539,330
Park system and facilities	16,949,431	-	-	16,949,431
Infrastructure – roads	286,174,713	239,316	-	286,414,029
Infrastructure – storm drains	<u>94,658,655</u>	<u>-</u>	<u>-</u>	<u>94,658,655</u>
Total capital assets being depreciated/amortized	<u>507,448,404</u>	<u>3,096,815</u>	<u>(789,683)</u>	<u>509,755,536</u>
Less accumulated depreciation/amortization for:				
Building improvements and structures	(38,075,749)	(2,079,196)	-	(40,154,945)
Landscaping and sprinklers	(9,667,543)	(40,178)	-	(9,707,721)
Automotive equipment	(8,240,957)	(697,757)	684,340	(8,254,374)
Office furniture	(461,482)	(47,087)	-	(508,569)
Office machines	(6,437,881)	(620,564)	-	(7,058,445)
Other equipment	(5,248,051)	(841,098)	-	(6,089,149)
Park system and facilities	(8,295,654)	(776,406)	-	(9,075,060)
Intangible assets	(303,172)	(149,565)	-	(452,737)
Infrastructure – roads	(183,409,100)	(5,736,467)	-	(189,145,567)
Infrastructure – storm drain	<u>(81,015,232)</u>	<u>(1,043,922)</u>	<u>-</u>	<u>(82,059,154)</u>
Total accumulated depreciation/amortization	<u>(341,154,821)</u>	<u>(12,032,240)</u>	<u>684,340</u>	<u>(352,502,721)</u>
Total capital assets being depreciated/amortized, net	<u>166,293,583</u>	<u>(8,935,425)</u>	<u>(105,343)</u>	<u>157,252,815</u>
Capital assets, net	<u>\$235,869,062</u>	<u>(601,675)</u>	<u>(353,184)</u>	<u>234,914,203</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(6) Capital Assets, (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2017:

Governmental activities:

General government	\$ 1,586,770
Protection of persons and property	2,368,327
Community programs	1,242,810
Public services	<u>6,834,333</u>
 Total depreciation expense-governmental activities	 <u>\$12,032,240</u>

The City has active construction projects as of June 30, 2017. The significant projects include the following:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Red Hill Medians-McCormick to Bristol	300156	\$ 1,064,700	\$ 104,900	\$ 959,800
Fire Station #1 Demo and New Construction	200076	1,676,201	2,366,621	(690,420)
Lion's Park Projects	800015	6,362,301	2,555,656	3,806,645
Bristol/Bear Street Rehabilitation	300159	1,974,493	1,013,564	960,929
East 19 th Street Safe Route to School	370036	1,451,038	832,271	618,767
Jack Hammet Field Upgrade	700115	<u>2,775,000</u>	<u>200,078</u>	<u>2,574,922</u>
 Total		 <u>\$ 15,303,733</u>	 <u>\$ 7,073,090</u>	 <u>\$ 8,230,643</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2017</u>	Portion Due Within One Year	Portion Due Beyond One Year
Bonds payable (Note 8):						
Public Financing Authority						
2003 Refunding						
Certificates of Participation	\$3,475,000	-	(1,110,000)	2,365,000	1,155,000	1,210,000
Public Financing Authority						
2006 Revenue						
Refunding Bonds	1,125,000	-	(165,000)	960,000	175,000	785,000
Public Financing Authority						
2007 Certificates of						
Participation	<u>19,775,000</u>	<u>-</u>	<u>(1,480,000)</u>	<u>18,295,000</u>	<u>1,530,000</u>	<u>16,765,000</u>
Total bonds payable	<u>24,375,000</u>	<u>-</u>	<u>(2,755,000)</u>	<u>21,620,000</u>	<u>2,860,000</u>	<u>18,760,000</u>
Other liabilities (Note 9):						
Claims payable	10,593,740	10,718,819	(5,604,413)	15,708,146	1,120,815	14,587,331
Employee leave						
benefits payable	4,107,428	3,257,684	(3,354,360)	4,010,752	3,000,000	1,010,752
Net OPEB obligation	3,946,563	2,735,755	(2,401,708)	4,280,610	-	4,280,610
Police Retirement						
1% Supplemental	<u>2,766,672</u>	<u>77,214</u>	<u>(316,160)</u>	<u>2,527,726</u>	<u>-</u>	<u>2,527,726</u>
Total other liabilities	<u>21,414,403</u>	<u>12,289,472</u>	<u>(11,676,641)</u>	<u>22,027,234</u>	<u>4,120,815</u>	<u>17,906,419</u>
Total	<u>\$45,789,403</u>	<u>16,789,472</u>	<u>(14,431,641)</u>	<u>48,147,234</u>	<u>6,980,815</u>	<u>41,166,419</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(8) Bonds Payable

Costa Mesa Public Financing Authority Bonds

2007 Certificates of Participation

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

There is a reserve requirement of \$2,297,204 on the 2007 Certificate of Participation. The City has \$2,298,646 on reserve with the fiscal agent at June 30, 2017. The principal balance outstanding at June 30, 2017 is \$18,295,000.

2006 Revenue Refunding Bonds

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

There is a reserve requirement of \$224,755 on the 2006 Revenue Refunding Bonds. The City has \$224,854 on reserve with the fiscal agent at June 30, 2017. The principal balance outstanding at June 30, 2017 is \$960,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten business days of receipt. The County remitted taxes on December 22, 2016 and April 21, 2017; the City remitted payments 10 and 5 days later, respectively.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

2003 Refunding Certificates of Participation

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

The amount required for the bond reserve for the 2003 Refunding Certificate of Participation is \$1,273,442. The City has \$1,274,050 on reserve with the fiscal agent at June 30, 2017. The principal balance outstanding at June 30, 2017 is \$2,365,000.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

The annual debt service requirements for the Public Financing Authority Bonds as of June 30, 2017 are as follows:

Year Ending June 30	<u>2006</u>		<u>2003</u>		<u>2007</u>	
	<u>Refunding Revenue</u>		<u>Refunding Certificates Of Participation</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 175,000	44,086	1,155,000	89,375	1,530,000	727,404
2019	185,000	35,130	1,210,000	30,250	1,590,000	665,004
2020	190,000	25,708	-	-	1,640,000	600,404
2021	200,000	15,810	-	-	1,710,000	533,404
2022	210,000	5,355	-	-	1,775,000	462,594
2023	-	-	-	-	1,850,000	387,829
2024	-	-	-	-	1,925,000	309,248
2025	-	-	-	-	2,005,000	226,216
2026	-	-	-	-	2,090,000	138,675
2027	-	-	-	-	2,180,000	46,870
Total	<u>\$ 960,000</u>	<u>126,089</u>	<u>2,365,000</u>	<u>119,625</u>	<u>18,295,000</u>	<u>4,097,648</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(9) Other Liabilities

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note 19. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2017, is dependent on future developments, based upon information from the City's attorneys, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2017 for general liability amounted to \$5,605,804 and workers' compensation was \$10,102,342. \$ 15,708,146

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2017 is expected to be paid primarily by the general fund in future years, consistent with prior year treatment. 4,010,752

OPEB

The City administers a single-employer defined benefit plan, which provides medical insurance benefits to eligible retirees and their spouses as described in note 16. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The net OPEB obligation at June 30, 2017 was \$4,280,610. This amount is expected to be paid primarily by the general fund in future years, consistent with prior year treatment. 4,280,610

Police Retirement 1% Supplemental

The City of Costa Mesa joined the CalPERS 3%@age 50 plan for police employees on December 31, 2000. Prior to that date, the City sponsored the retirement plan providing a 2%@age 50 benefit and the Police Officer Separation Incentive Plan providing an additional 1%@age 50 benefit as described in note 14. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@age 50 plan. The net pension obligation at June 30, 2017 for the 1% enhancement was \$2,527,726. This amount is expected to be paid primarily by the general fund in future years consistent with prior year treatment. 2,527,726

Total other liabilities \$ 26,527,234

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(10) Debt Without Government Commitment

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

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol intersection, street improvements to Anton Boulevard and repay certain costs incurred by third parties with respect to the construction of the Metro Fire Station and the I-405 Access Study. The City is not liable for repayment of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. The outstanding balance at June 30, 2017 was \$800,000.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(11) Fund Balances

Fund balance consisted of the following at June 30, 2017:

	Major Special Revenue Funds			Major Capital Projects Funds			Non- Major Funds
	General	Housing Authority	HOME Program	Park Development	Capital Improvements	Measure "M2"	
Nonspendable:							
Prepaid items	\$ 47,978	-	-	-	-	-	-
Inventories	43,956	-	-	-	-	-	-
Advance to other funds	2,161,909	-	-	-	-	-	-
Restricted for:							
Protection of persons and property	-	-	-	-	-	-	89,505
Community programs	-	5,064,767	116,456	3,119,362	-	-	189,122
Public services (1)	-	-	-	-	-	5,433,243	8,857,894
Debt service	-	-	-	-	-	-	5,186,549
Committed for:							
Declared disasters (2)	14,125,000	-	-	-	-	-	-
Self insurance (3)	2,000,000	-	-	-	-	-	-
Assigned for:							
Compensated absences	4,010,752	-	-	-	-	-	-
Police Retirement 1% Supplemental	2,527,726	-	-	-	-	-	-
OPEB	4,280,610	-	-	-	-	-	-
Economics reserves	3,000,000	-	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	-	357,655
Public services	-	-	-	-	21,299,215	-	5,962,610
Unassigned	30,867,198	-	-	-	-	-	(248,979)
Total Fund Balance	\$63,065,129	5,064,767	116,456	3,119,362	21,299,215	5,433,243	20,394,356

1. Restricted fund balances in the Public Services category consist of fund balances in the Special Gas Tax, Air Quality Improvement, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation related capital projects.
2. The fund balance committed for declared disasters was approved through Ordinance No. 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 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 governmental fund had a deficit at June 30, 2017:

Nonmajor Fund:

Special Revenue Fund:

Proposition 172 Fund

\$(248,979)

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(12) Property Tax Calendar

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

(13) Defined Benefit Pension Plans

(a) General Information about the Pension Plans

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

Benefits Provided, (Continued)

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous (Agent Multiple-Employer)</u>		
	<u>Prior to</u>	<u>On or After</u>	<u>On or After</u>
	<u>March 11, 2012</u>	<u>March 11, 2012</u>	<u>January 1, 2013</u>
Hire date			
Benefit formula	2.5%@55	2.0%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates	32.762%	32.762%	5.75%
	<u>Police Safety (Agent Multiple-Employer)</u>		
	<u>Prior to</u>	<u>On or After</u>	
	<u>January 1, 2013</u>	<u>January 1, 2013</u>	
Hire date			
Benefit formula	3%@50	2.7%@57	
Benefit vesting schedule	5 years of service	5 years of service	
Benefit payments	monthly for life	monthly for life	
Retirement age	50	50 - 57	
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	
Required employee contribution rates	9%	11.50%	
Required employer contribution rates	55.611%	11.66%	
	<u>Fire Safety (Cost Sharing Multiple-Employer)</u>		
	<u>Prior to</u>	<u>On or After</u>	<u>On or After</u>
	<u>December 30, 2012</u>	<u>December 30, 2012</u>	<u>January 1, 2013</u>
Hire date			
Benefit formula	3.0%@50	2.0%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.50%
Required employer contribution rates:			
Normal cost rate	21.230%	14.785%	11.50%
Payment of unfunded liability	\$ 3,598,366	\$ 416	\$ 416

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the agent multiple-employer Plans:

	<u>Miscellaneous</u>	<u>Police Safety</u>
Inactive employees or beneficiaries currently receiving benefits	475	178
Inactive employees entitled to but not yet receiving benefits	628	72
Active employees	316	112
Total	<u>1,419</u>	<u>362</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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

(b) Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Police & Fire Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Income	(3)	(3)

(1) Varies by age, service and type of employment.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

Discount Rate, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

(c) Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (Measurement Date)	<u>\$ 251,837,852</u>	<u>\$ 171,902,350</u>	<u>\$ 79,935,502</u>
Changes in the Year:			
Service cost	3,269,125	-	3,269,125
Interest on the total pension liability	18,633,944	-	18,633,944
Differences between actual and expected experience	(2,818,846)	-	(2,818,846)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Plan to Pan resource movement	-	3,064	(3,064)
Contributions - employer	-	6,226,072	(6,226,072)
Contributions - employees	-	1,966,557	(1,966,557)
Net investment income	-	897,287	(897,287)
Administrative expenses	-	(104,766)	104,766
Benefit payments, including refunds of employee contributions	(14,145,202)	(14,145,202)	-
Net Changes	<u>4,939,021</u>	<u>(5,156,988)</u>	<u>10,096,009</u>
Balance at June 30, 2016 (Measurement Date)	<u>\$ 256,776,873</u>	<u>\$ 166,745,362</u>	<u>\$ 90,031,511</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

The changes in the net pension liability for the Police Safety (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (Measurement Date)	<u>\$ 255,373,714</u>	<u>\$ 162,430,581</u>	<u>\$ 92,943,133</u>
Changes in the Year:			
Service cost	4,011,055	-	4,011,055
Interest on the total pension liability	19,519,447	-	19,519,447
Differences between actual and expected experience	4,436,634	-	4,436,634
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Plan to Plan resource movement	-	72	(72)
Contributions - employer	-	5,992,098	(5,992,098)
Contributions - employees	-	1,988,684	(1,988,684)
Net investment income	-	825,770	(825,770)
Administrative expenses	-	(98,993)	98,993
Benefit payments, including refunds of employee contributions	(13,319,431)	(13,319,431)	-
Net Changes	<u>14,647,705</u>	<u>(4,611,800)</u>	<u>19,259,505</u>
Balance at June 30, 2016 (Measurement Date)	<u>\$ 270,021,419</u>	<u>\$ 157,818,781</u>	<u>\$ 112,202,638</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Fire Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Fire Safety	\$ 68,144,130

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement dates of June 30, 2015 and 2016 was as follows:

	Fire Safety
Proportion - June 30, 2015	1.43234%
Proportion - June 30, 2016	1.31572%
Change - Increase (Decrease)	-0.11662%

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

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

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

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
1% Decrease	6.65%	6.65%	6.65%
Net Pension Liability	\$ 123,053,521	\$ 150,077,752	\$ 93,450,444
Current Discount Rate	7.65%	7.65%	7.65%
Net Pension Liability	\$ 90,031,511	\$ 112,202,638	\$ 68,144,130
1% Increase	8.65%	8.65%	8.65%
Net Pension Liability	\$ 62,816,506	\$ 81,359,864	\$ 47,370,239

Pension Plans Fiduciary Net Position

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$4,182,004, \$11,016,683 and \$4,365,609 for the Miscellaneous, Police Safety, and Fire Safety Plans, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,522,784	\$ -
Differences between expected and actual experience	-	(1,689,267)
Change in assumptions	-	(209,516)
Net differences between projected and actual earnings on plan investments	<u>8,949,423</u>	<u>-</u>
Total	<u>\$ 15,472,207</u>	<u>\$ (1,898,783)</u>

	<u>Police Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 7,592,899	\$ -
Differences between expected and actual experience	3,818,972	-
Change in assumptions	-	(1,869,173)
Net differences between projected and actual earnings on plan investments	<u>8,606,524</u>	<u>-</u>
Total	<u>\$ 20,018,395</u>	<u>\$ (1,869,173)</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(13) Defined Benefit Pension Plans, (Continued)

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

	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,598,782	\$ -
Differences between expected and actual experience	-	(369,127)
Change in assumptions	-	(1,609,425)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,074,082	(746,916)
Net differences between projected and actual earnings on plan investments	7,907,030	-
Total	<u>\$ 12,579,894</u>	<u>\$ (2,725,468)</u>

\$6,522,784, \$7,592,899, and \$3,598,782 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the Miscellaneous, Police Safety and Fire Safety Plans, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Miscellaenous	Police Safety	Fire Safety
2018	\$ (335,017)	\$ 1,558,501	\$ 392,100
2019	828,412	2,194,932	387,752
2020	4,182,401	4,531,531	3,417,360
2021	2,374,844	2,271,359	2,058,432
2022	-	-	-
Thereafter	-	-	-

(e) Payable to the Pension Plans

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

(14) 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%@age 50 benefit plan. The number of participants at June 30, 2017 was 19. The average monthly benefit being paid is \$929.75. The retirement benefit is 1% of the highest 12-month earnings for credited services up to 25 years. Maximum benefit is 75% of the highest 12-month earnings for service retirement including all public plan pension benefits but not including Social Security. The 75% is proportionately reduced for less than 25 years of Costa Mesa Police Department service.

Contributions

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

(b) Net Pension Liability

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

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

(b) Net Pension Liability (Continued)

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2017			
Actuarial Assumptions:				
Discount Rate	3.4% per annum. This discount rate is the average, rounded to 5 basis points, of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, fidelity GO AA 20 Year Bond Index.			
Payroll Growth	N/A; all participants have retired			
Inflation Rate	2.75% per year			
Cost Method	Entry Age Normal as a level percentage of payroll			
Employer Funding Policy	Pay-as-you-go			
Census Data	Census information was provided by the Plan Sponsor as of June 2016.			
Mortality	Rates are based on CalPERS Safety Police Plan of the City of Costa Mesa annual valuation report as of June 30, 2014. Annual sample rates are as shown below:			
	<u>Healthy Retirees</u>		<u>Non-Duty Disabled Retirees</u>	
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50	0.50%	0.47%	1.68%	1.16%
60	0.71%	0.44%	2.29%	1.24%
70	1.31%	0.99%	2.88%	2.21%
80	3.90%	2.90%	6.08%	4.73%
90	12.97%	9.88%	14.80%	9.89%
100	32.54%	30.02%	32.54%	30.02%
110	100.00%	100.00%	100.00%	100.00%
Retirement				
Disability/Turnover Rate	N/A; all participants have retired			

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

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

(b) Net Pension Liability, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the fiscal year.

(c) Changes in the Net Pension Liability

Balance at June 30, 2016	<u>\$ 2,766,672</u>
Changes in the Year:	
Service cost	-
Interest on the total pension liability	77,214
Differences between actual and expected experience	-
Changes in assumptions	(107,900)
Changes in benefit terms	-
Plan to Plan resource movement	-
Contributions - employer	-
Contributions - employees	-
Net investment income	-
Administrative expenses	-
Benefit payments, including refunds of employee contributions	(208,260)
Net Changes	<u>(238,946)</u>
Balance at June 30, 2017	<u><u>\$ 2,527,726</u></u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2017

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

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

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

The following presents the net pension liability, calculated using the discount rate of 3.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	2.40%
Net Pension Liability	\$ 2,751,492
Current Discount Rate	3.40%
Net Pension Liability	\$ 2,527,726
1% Increase	4.40%
Net Pension Liability	\$ 2,333,153

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

For the year ended June 30, 2017, the City recognized pension income of \$30,686. At June 30, 2017, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

(15) Defined Contribution Plan

On January 1, 2000, the City adopted a Defined Contribution Plan (Plan) for part-time employees that work under 1,000 hours during the fiscal year and do not meet the eligibility requirements to be enrolled in the California Public Employee Retirement System (CalPERS). The Plan is administered by the Public Agency Retirement Services (PARS). As of June 30, 2017, there were 98 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, 2017 was \$54,423.

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

Plan Description: The City administers a single-employer defined benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. For employees hired on or after January 1, 2004, the City will only pay for the PEMHCA subsidy once they meet the definition of a retiree under CalPERS. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse. As of June 30, 2017, the plan covered 324 active participants and 382 retiree participants.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year ended June 30, 2017, the City contributed \$2,401,708 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. There are no trust financial statements applicable to this plan.

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

Annual required contribution	\$2,712,574
Interest on Net OPEB Obligation (NOO)	177,595
NOO amortization adjustment to ARC	<u>(154,414)</u>
Annual OPEB cost (expense)	2,735,755
Annual contributions (including premiums paid)	<u>(2,401,708)</u>
Increase in net OPEB cost (expense)	334,047
Net OPEB obligation, beginning of year	<u>3,946,563</u>
Net OPEB obligation, end of year	<u>\$4,280,610</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Schedule of Employer Postemployment Benefit Contributions

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2015	\$ 2,134,522	\$ 1,828,896	85.7%
6/30/2016	2,712,574	2,397,397	88.4%
6/30/2017	2,712,574	2,401,708	88.5%

Annual OPEB Cost

Fiscal Year	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,141,410	85.4%	\$ 3,622,775
6/30/2016	2,721,185	88.1%	3,946,563
6/30/2017	2,735,755	87.8%	4,280,610

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$45,889,693
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$45,889,693</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll (active plan members)	\$30,578,088
UAAL as a percentage of covered payroll	150.1%

Actuarial valuations for the OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning July 1, 2015. The City, with guidance from Actuary, has selected the discount rate (4.5%) and future medical benefit cost increase (various ranging from 5.0% to 10.10%), with a 2.75% inflation rate. It is assumed the City's payroll will increase 3.0% per year. The Actuarial Valuation report can be obtained from the City's Finance department upon request.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution. The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended starting November 7, 2010. For the Costa Mesa Police Association, 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, 2017 was \$0.

(18) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) are as follows at June 30, 2017:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	General Government	\$26,518,266	25,261,447	1,256,819
Nonmajor Special Revenue Funds:				
Supplemental Law Enforcement Services	Protection of Persons and Property	338,071	264,944	73,127
Proposition 172	Protection of Persons and Property	1,144,937	1,141,341	3,596

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(19) Risk Management

For the fiscal year ended June 30, 2017, the City participated in the California Municipal Excess Liability (“CAMEL”) Program. The membership of CAMEL consists of approximately 21 cities with similar interests and needs regarding liability insurance. Premiums are based upon the losses incurred. The Board of Directors sets the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers’ Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$15,708,146 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$25,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$10,102,342 for workers’ compensation and \$5,605,804 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, 2017 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>
2015-16	\$10,879,484	\$ 868,530	\$ (1,154,274)	\$ 10,593,740
2016-17	10,593,740	10,718,819	(5,604,413)	15,708,146

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(20) Pledged Revenue

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Mello-Roos CFD 91-1	\$ 250,135	\$ 217,439	86.91 %

(21) Golf Course Lease Agreement

The City has entered into an agreement with Mesa Verde Partners (MVP) under which MVP will operate and collect user fees from the Costa Mesa Country Club through August 31, 2029. The agreement requires MVP to pay a percentage of gross receipts that MVP receives from green fees, driving range, cart rental, sale from proshop, food beverages, and the rental of banquet and meeting rooms, or a flat minimum monthly rate, whichever is greater. The percentage of gross receipts varies from 6 percent to 35 percent depending on the revenue type, and the minimum rent is adjusted every two years. The minimum rent for the period of September 1, 2016 to August 31, 2017 is \$147,000 per month. In fiscal year 2017, the City received a total of \$2,205,239 from the golf course operations, \$2,108,432 of which is reported in the General Fund and the remaining \$96,807 in the Golf Course Improvements Capital Projects Fund. The City reports the golf course and related equipment under capital assets in the government-wide financial statements.

(22) Legislation and Litigation Affecting the Successor Agency

In fiscal year 2011-12, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted to dissolve all redevelopment agencies in the State of California. The Legislature subsequently passed and the Governor signed AB 1484 making technical and substantive amendments to the Dissolution Act based on experience at the state and local level in implementing the Dissolution Act. In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

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

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

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

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

On April 17, 2014, the oversight board approved the finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. On May 6, 2014, the DOF sent a letter affirming the Oversight Board's decision that the loan was for legitimate redevelopment purpose and reestablishing the loan under certain Amended and Restated Agreement. Subsequent to the write-off of the loan, the City has adjusted the loan for principal additions, interest additions and principal received after the loan was recognized as an enforceable obligation. At June 30, 2017, the loan balance is estimated to be \$9,112,290. The loan balance continues to be excluded from the fiscal year 2016-17 financial statements as certain assurances from the DOF need to occur before the City will formally reinstate the loan.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(23) Successor Agency Bonds Payable Reporting in Fiduciary Funds

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

On October 1, 2003, the Costa Mesa Redevelopment Agency issued \$7,470,000 Tax Allocation Refunding Bonds to refund the \$9,955,000 Downtown Redevelopment Project 1993 Tax Allocation Refunding Bonds. The original bonds were issued to finance a portion of costs associated with implementing the Redevelopment Plan, which included the refurbishment of the Downtown Redevelopment Project Area.

The remaining principal balance of \$1,305,000 was paid off during the year ended June 30, 2017.

(24) Restatement of Prior Year Financial Statements

Restatement of the Governmental Activities net position as of July 1, 2016 is as follows:

	Government-Wide <u>Financials</u> Governmental <u>Activities</u>
Net position at beginning of the year as previously reported	\$ 86,149,353
Increase in net position for capital assets not reported previously	1,585,409
Decrease in net position for adjusting amounts reported as available revenue to liabilities	<u>(3,547,787)</u>
Net position at beginning of the year as restated	<u>\$ 84,186,975</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2017

(24) Restatement of Prior Year Financial Statements (Continued)

Restatement of the Housing Authority Special Revenue Fund (governmental fund) fund balance as of July 1, 2016 is as follows:

	<u>Governmental Fund Balance Sheet</u>
Housing Authority Special Revenue Fund - fund balance at beginning of the year as previously reported	\$ 1,148,308
Increase in fund balance for incorrectly reporting notes receivable as deferred inflows in the prior year	<u>3,464,592</u>
Fund balance beginning of the year as restated	<u>\$ 4,612,900</u>

(25) Subsequent Events

In October 2017, the City of Costa Mesa through the Costa Mesa Financing Authority issued the 2017 Lease Revenue Bonds in the amount of \$29,735,000. The 2017 Bonds were issued to provide funds to finance certain capital improvements, refund all of the outstanding 2007 Certificates of Participation and pay the costs of issuing the bonds. Interest on the bonds is payable semi-annually on April 1 and October 1 of each year commencing April 1, 2018 with principal payments due annually on October 1 commencing October 1, 2018.

Other events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosure as of January 26, 2018, the date the financial statements were available to be issued.



CITY OF COSTA MESA CALIFORNIA

REQUIRED SUPPLEMENTARY
INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSTA MESA

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

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement period	June 30, 2014	June 30, 2015	June 30, 2016
Plan's proportion of the net pension liability	0.86630%	0.85980%	0.78750%
Plan's proportionate share of the net pension liability	\$ 53,906,245	\$ 59,018,969	\$ 68,144,130
Plan's covered - employee payroll	\$ 9,348,967	\$ 8,616,507	\$ 9,235,056
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	576.60%	684.95%	737.89%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	70.20%	78.40%	74.06%
Plan's proportionate share of aggregate employer contributions	\$ 4,567,080	\$ 4,600,229	\$ 4,087,020

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF COSTA MESA

SCHEDULE OF CONTRIBUTIONS
FIRE SAFETY PLAN

Last Ten Fiscal Years*

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

Notes to Schedule:

Valuation Date	6/30/2012	6/30/2013	6/30/2014
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years for 3.00%@50, 2.0%50 and 2.7%@57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF COSTA MESA

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

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Period	June 30, 2014	June 30, 2015	June 30, 2016
Total Pension Liability:			
Service cost	\$ 3,366,560	\$ 3,187,235	\$ 3,269,125
Interest on total pension liability	17,792,384	18,262,096	18,633,944
Differences between expected and actual experience	-	(2,016,112)	(2,818,846)
Changes in assumptions	-	(4,399,842)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(12,853,585)</u>	<u>(13,476,175)</u>	<u>(14,145,202)</u>
Net Change in Total Pension Liability	8,305,359	1,557,202	4,939,021
Total Pension Liability - Beginning of Year	<u>241,975,291</u>	<u>250,280,650</u>	<u>251,837,852</u>
Total Pension Liability - End of Year (a)	<u>\$ 250,280,650</u>	<u>\$ 251,837,852</u>	<u>\$ 256,776,873</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 4,903,142	\$ 5,768,827	\$ 6,226,072
Contributions - employee	2,137,933	1,978,052	1,966,557
Net investment income	26,075,603	3,881,685	897,287
Benefit payments	(12,853,585)	(13,476,175)	(14,145,202)
Plan to plan resource movement	-	13,634	3,064
Administrative Expense	-	(193,607)	(104,766)
Net Change in Plan Fiduciary Net Position	<u>20,263,093</u>	<u>(2,027,584)</u>	<u>(5,156,988)</u>
Plan Fiduciary Net Position - Beginning of Year	<u>153,666,841</u>	<u>173,929,934</u>	<u>171,902,350</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 173,929,934</u>	<u>\$ 171,902,350</u>	<u>\$ 166,745,362</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 76,350,716</u>	<u>\$ 79,935,502</u>	<u>\$ 90,031,511</u>
Plan fiduciary net position as a percentage of the total pension liability	69.49%	68.26%	64.94%
Covered - employee payroll	\$ 18,366,435	\$ 17,928,997	\$ 19,890,931
Net pension liability as percentage of covered- employee payroll	415.71%	445.84%	452.63%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF COSTA MESA

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

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

Notes to Schedule:

Valuation Date	6/30/2012	6/30/2013	6/30/2014
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	2.5%@55, 2.0%@60, 2%@62**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF COSTA MESA

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

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Period	June 30, 2014	June 30, 2015	June 30, 2016
Total Pension Liability:			
Service cost	\$ 4,675,505	\$ 4,048,034	\$ 4,011,055
Interest on total pension liability	17,563,332	18,452,568	19,519,447
Differences between expected and actual experience	-	1,744,508	4,436,634
Changes in assumptions	-	(4,744,823)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(11,159,179)</u>	<u>(12,625,831)</u>	<u>(13,319,431)</u>
Net Change in Total Pension Liability	11,079,658	6,874,456	14,647,705
Total Pension Liability - Beginning of Year	<u>237,419,600</u>	<u>248,499,258</u>	<u>255,373,714</u>
Total Pension Liability - End of Year (a)	<u>\$ 248,499,258</u>	<u>\$ 255,373,714</u>	<u>\$ 270,021,419</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 5,066,147	\$ 5,228,944	\$ 5,992,098
Contributions - employee	2,204,590	2,191,295	1,988,684
Net investment income	24,794,991	3,618,253	825,770
Benefit payments	(11,159,179)	(12,625,831)	(13,319,431)
Plan to plan resource movement	-	-	72
Administrative Expense	-	(182,933)	(98,993)
Net Change in Plan Fiduciary Net Position	20,906,549	(1,770,272)	(4,611,800)
Plan Fiduciary Net Position - Beginning of Year	<u>143,294,304</u>	<u>164,200,853</u>	<u>162,430,581</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 164,200,853</u>	<u>\$ 162,430,581</u>	<u>\$ 157,818,781</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 84,298,405</u>	<u>\$ 92,943,133</u>	<u>\$ 112,202,638</u>
Plan fiduciary net position as a percentage of the total pension liability	66.08%	63.61%	58.45%
Covered - employee payroll	\$ 14,884,359	\$ 13,714,558	\$ 14,161,162
Net pension liability as percentage of covered- employee payroll	566.36%	677.70%	792.33%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF COSTA MESA

SCHEDULE OF CONTRIBUTIONS
POLICE SAFETY PLAN

Last Ten Fiscal Years*

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

Notes to Schedule:

Valuation Date	6/30/2012	6/30/2013	6/30/2014
----------------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	3%@50 and 2.7%@57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF COSTA MESA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE 1% SUPPLEMENTAL RETIREMENT PLAN

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Period	June 30, 2016	June 30, 2017
Total Pension Liability:		
Service cost	\$ -	\$ -
Interest on total pension liability	80,950	77,214
Differences between expected and actual experience	(19)	-
Changes in assumptions	-	(107,900)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	<u>(211,287)</u>	<u>(208,260)</u>
Net Change in Total Pension Liability	(130,356)	(238,946)
Total Pension Liability - Beginning of Year	<u>2,897,028</u>	<u>2,766,672</u>
Total Pension Liability - End of Year (a)	<u>\$ 2,766,672</u>	<u>\$ 2,527,726</u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 211,287	\$ 208,260
Contributions - employee	-	-
Net investment income	-	-
Benefit payments	(211,287)	(208,260)
Plan to plan resource movement	-	-
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning of Year	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 2,766,672</u>	<u>\$ 2,527,726</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered - employee payroll	N/A	N/A
Net pension liability as percentage of covered- employee payroll	N/A	N/A

* - Fiscal year 2016 was the 1st year of implementation, therefore only two years are shown.

CITY OF COSTA MESA
 SCHEDULE OF CONTRIBUTIONS
 POLICE 1% SUPPLEMENTAL RETIREMENT PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	N/A	N/A
Contributions as a percentage of covered - employee payroll	N/A	N/A

Notes to Schedule:

Measurement Date 6/30/2017

Actuarial Assumptions:

Discount Rate 3.4% per annum. This discount rate is the average, rounded to 5 basis points, of 30-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA20 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 2016.

Mortality Rates are based on CalPERS Safety Police Plan of the City of Costa Mesa annual valuation report as of June 30, 2014. Annual sample rate are as shown below:

Age	Healthy Retirees		Non-Duty Disabled Retirees	
	Male	Female	Male	Female
50	0.50%	0.47%	1.68%	1.16%
60	0.71%	0.44%	2.29%	1.24%
70	1.31%	0.99%	2.88%	2.21%
80	3.90%	2.90%	6.08%	4.73%
90	12.97%	9.88%	14.80%	9.89%
100	32.54%	30.02%	32.54%	30.02%
110	100.00%	100.00%	100.00%	100.00%

Retirement Disability/Turnover Rate N/A; all participants have retired

* - Fiscal year 2016 was the 1st year of implementation, therefore only two years are shown.

CITY OF COSTA MESA, CALIFORNIA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFIT PLAN

For the fiscal year ended June 30, 2017

(dollar amounts in thousands)

Actuarial Valuation <u>Date</u>	Entry Age Normal Accrued <u>Liability</u>	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL* As a % of Payroll
7/1/12	\$36,429	\$ -	\$36,429	00.0%	\$38,315	95.1%
7/1/13	35,828	-	35,828	00.0%	35,330	101.4%
7/1/15	45,890	-	45,890	00.0%	30,578	150.1%

*UAAL refers to unfunded actuarial accrued liability.



GENERAL FUND

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

MAJOR SPECIAL REVENUE FUNDS

Housing Authority Fund

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

HOME Program Fund

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

CITY OF COSTA MESA, CALIFORNIA

General Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes:					
Sales tax	\$ 54,600,000	\$ 54,600,000	\$ 56,556,867	\$ 1,956,867	\$ 57,593,561
Property tax	25,925,102	25,925,102	27,286,121	1,361,019	25,998,070
Transient occupancy tax	8,531,000	8,531,000	8,924,854	393,854	8,622,505
Franchise tax	4,961,156	4,961,156	4,593,631	(367,525)	5,060,402
Business license tax	953,052	953,052	918,928	(34,124)	973,521
Total taxes	94,970,310	94,970,310	98,280,401	3,310,091	98,248,059
Licenses and permits	2,583,973	2,583,973	2,933,305	349,332	2,983,081
Fines and forfeitures	1,475,000	1,475,000	1,352,205	(122,795)	1,530,046
Intergovernmental:					
Motor vehicle in-lieu	9,954,688	9,954,688	10,541,299	586,611	9,982,948
Grants and other reimbursements	740,730	800,629	537,164	(263,465)	465,881
Total intergovernmental	10,695,418	10,755,317	11,078,463	323,146	10,448,829
Charges for services	3,513,268	3,513,268	3,718,787	205,519	3,634,255
Rental	2,983,221	2,983,221	2,791,744	(191,477)	2,890,731
Investment income	180,800	180,800	(161,368)	(342,168)	1,199,813
Miscellaneous	999,107	1,049,107	1,475,498	426,391	1,067,367
Total revenues	117,401,097	117,510,996	121,469,035	3,958,039	122,002,181
Expenditures:					
Current:					
General government:					
City council	369,993	419,993	373,305	46,688	364,710
City manager:					
Administration	3,700,378	3,972,617	3,976,241	(3,624)	3,482,382
City clerk	1,085,855	1,217,714	1,107,754	109,960	696,121
Personnel services	1,388,164	1,437,914	1,495,274	(57,360)	1,425,178
Risk management services	2,421,217	2,421,217	2,519,532	(98,315)	2,457,798
City attorney	1,000,000	1,000,000	1,281,304	(281,304)	1,223,132
Financial services	2,966,946	2,989,946	2,640,724	349,222	2,608,271
Information technology	3,397,359	3,923,847	2,941,696	982,151	2,684,491
Development services					
administration	747,856	594,142	695,094	(100,952)	641,663
Facilities and equipment					
maintenance	10,710,656	10,709,870	9,307,174	1,402,696	9,339,858
Non-departmental	(2,921,857)	(3,425,813)	180,168	(3,605,981)	178,463
Total general government	24,866,567	25,261,447	26,518,266	(1,256,819)	25,102,067

(Continued)

CITY OF COSTA MESA, CALIFORNIA

(Continued)

General Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Protection of persons and property:					
Police protection	\$ 42,808,280	\$ 43,449,381	\$ 39,789,936	\$ 3,659,445	\$ 36,750,805
Fire protection	21,152,202	21,312,029	22,109,184	(797,155)	22,493,950
Building and safety	2,161,653	2,266,297	1,875,497	390,800	2,454,178
Total protection of persons and property	66,122,135	67,027,707	63,774,617	3,253,090	61,698,933
Community programs:					
Community recreation	5,444,331	5,483,630	5,124,464	359,166	4,700,459
Planning	1,586,338	1,860,833	1,604,503	256,330	1,749,481
Community improvement	1,473,163	1,723,224	1,424,410	298,814	505,532
Total community programs	8,503,832	9,067,687	8,153,377	914,310	6,955,472
Public services:					
Administration	1,534,734	1,573,564	1,459,129	114,435	1,509,074
Engineering	2,085,444	2,829,672	2,295,948	533,724	1,556,832
Transportation	2,747,906	2,758,189	2,344,881	413,308	2,471,363
Total public services	6,368,084	7,161,425	6,099,958	1,061,467	5,537,269
Total expenditures	105,860,618	108,518,266	104,546,218	3,972,048	99,293,741
Excess (deficiency) of revenues over (under) expenditures	11,540,479	8,992,730	16,922,817	7,930,087	22,708,440
Other financing sources (uses):					
Transfers in	-	-	935	935	400,505
Transfers out	(11,532,279)	(18,475,432)	(18,331,084)	144,348	(12,452,435)
Total other financing sources (uses)	(11,532,279)	(18,475,432)	(18,330,149)	145,283	(12,051,930)
Net change in fund balance	8,200	(9,482,702)	(1,407,332)	8,075,370	10,656,510
Fund balance at beginning of year	64,472,461	64,472,461	64,472,461	-	53,815,951
Fund balance at end of year	\$ 64,480,661	\$ 54,989,759	\$ 63,065,129	\$ 8,075,370	\$ 64,472,461

CITY OF COSTA MESA, CALIFORNIA

Housing Authority Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	\$ 162,275	\$ 139,212	\$ (23,063)	\$ 162,275
Rental	-	383,000	400,671	17,671	343,791
Investment income	-	4,450	31,035	26,585	10,479
Miscellaneous	-	15,000	352,076	337,076	405,715
Total revenues	-	564,725	922,994	358,269	922,260
Expenditures:					
Current:					
Community programs	568,725	570,885	471,127	99,758	686,192
Total expenditures	568,725	570,885	471,127	99,758	686,192
Excess (deficiency) of revenues over (under) expenditures	(568,725)	(6,160)	451,867	458,027	236,068
Net change in fund balance	(568,725)	(6,160)	451,867	458,027	236,068
Fund balance at beginning of year (Restated)	4,612,900	4,612,900	4,612,900	-	912,240
Fund balance at end of year	\$ 4,044,175	\$ 4,606,740	\$ 5,064,767	\$ 458,027	\$ 1,148,308

CITY OF COSTA MESA, CALIFORNIA

HOME Program Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 480,017	\$ 480,017	\$ 232,746	\$ (247,271)	\$ 158,765
Investment income	1,000	1,000	488	(512)	1,123
Miscellaneous	-	-	41,000	41,000	160,205
Total revenues	<u>481,017</u>	<u>481,017</u>	<u>274,234</u>	<u>(206,783)</u>	<u>320,093</u>
Expenditures:					
Current:					
Community programs	<u>480,018</u>	<u>483,078</u>	<u>255,032</u>	<u>228,046</u>	<u>294,729</u>
Total expenditures	<u>480,018</u>	<u>483,078</u>	<u>255,032</u>	<u>228,046</u>	<u>294,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>999</u>	<u>(2,061)</u>	<u>19,202</u>	<u>21,263</u>	<u>25,364</u>
Net change in fund balance	999	(2,061)	19,202	21,263	25,364
Fund balance at beginning of year	<u>97,254</u>	<u>97,254</u>	<u>97,254</u>	<u>-</u>	<u>71,890</u>
Fund balance at end of year	<u>\$ 98,253</u>	<u>\$ 95,193</u>	<u>\$ 116,456</u>	<u>\$ 21,263</u>	<u>\$ 97,254</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
For the fiscal year ended June 30, 2017

(1) Budgetary Data

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

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

The City Council adopts an annual budget submitted by the Chief Executive Officer prior to the beginning of each new fiscal year. Public hearings are conducted prior to budget adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the City Council. Interfunctional budget adjustments are approved by the Chief Executive Officer. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2017, supplementary appropriations were made totaling \$36,197,298. At fiscal year-end all operating budget appropriations lapse.

CITY OF COSTA MESA CALIFORNIA

SUPPLEMENTARY
SCHEDULES



SUPPLEMENTARY SCHEDULES

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2017

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2017	2016
<u>Assets</u>					
Cash and investments	\$ 9,899,219	\$ 800,000	\$ 6,375,877	\$ 17,075,096	\$ 17,573,047
Cash and investments with fiscal agent	-	4,386,549	-	4,386,549	4,356,813
Due from other governments	280,165	-	9	280,174	416,272
Accounts receivable	-	-	10,253	10,253	21,789
Interest receivable	27,109	-	17,543	44,652	30,649
Loans receivable	491,050	-	-	491,050	541,521
	<u>\$ 10,697,543</u>	<u>\$ 5,186,549</u>	<u>\$ 6,403,682</u>	<u>\$ 22,287,774</u>	<u>\$ 22,940,091</u>
Total assets					
<u>Liabilities</u>					
Accounts payable	\$ 457,596	\$ -	\$ 80,676	\$ 538,272	\$ 646,664
Accrued liabilities	395,273	-	-	395,273	396,417
Retentions payable	86,011	-	2,741	88,752	67,573
Due to other governments	491,050	-	-	491,050	-
Due to other funds	333,155	-	-	333,155	279,539
	<u>1,763,085</u>	<u>-</u>	<u>83,417</u>	<u>1,846,502</u>	<u>1,390,193</u>
Total liabilities					
<u>Deferred Inflows of Resources</u>					
Unavailable revenues	46,916	-	-	46,916	581,665
	<u>46,916</u>	<u>-</u>	<u>-</u>	<u>46,916</u>	<u>581,665</u>
<u>Fund Balances</u>					
Restricted for:					
Protection of persons and property	89,505	-	-	89,505	791,187
Community programs	189,122	-	-	189,122	147,286
Public services	8,857,894	-	-	8,857,894	9,244,035
Debt service	-	5,186,549	-	5,186,549	5,321,813
Assigned for:					
Protection of persons and property	-	-	357,655	357,655	354,346
Public services	-	-	5,962,610	5,962,610	5,248,630
Unassigned	(248,979)	-	-	(248,979)	(139,064)
	<u>8,887,542</u>	<u>5,186,549</u>	<u>6,320,265</u>	<u>20,394,356</u>	<u>20,968,233</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,697,543</u>	<u>\$ 5,186,549</u>	<u>\$ 6,403,682</u>	<u>\$ 22,287,774</u>	<u>\$ 22,940,091</u>

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2017	2016
Revenues:					
Taxes	\$ 1,035,022	\$ -	\$ 10,094	\$ 1,045,116	\$ 938,868
Fines and forfeitures	477	-	-	477	79,088
Intergovernmental	3,226,855	-	-	3,226,855	3,700,051
Charges for services	-	-	649,287	649,287	1,082,176
Rental	-	-	96,807	96,807	101,531
Investment income	93,101	82,186	57,402	232,689	277,277
Miscellaneous	168,337	-	117,373	285,710	46,630
Total revenues	4,523,792	82,186	930,963	5,536,941	6,225,621
Expenditures:					
Current:					
Protection of persons and property	2,367,086	-	-	2,367,086	2,727,443
Community programs	517,020	-	-	517,020	697,087
Public services	2,912,759	-	213,203	3,125,962	2,742,421
Debt service:					
Principal	-	2,755,000	-	2,755,000	2,650,000
Interest and fiscal charges	-	980,504	-	980,504	1,088,632
Total expenditures	5,796,865	3,735,504	213,203	9,745,572	9,905,583
Excess (deficiency) of revenues over (under) expenditures	(1,273,073)	(3,653,318)	717,760	(4,208,631)	(3,679,962)
Other financing sources (uses):					
Transfers in	117,635	3,518,054	-	3,635,689	3,624,899
Transfers out	(464)	-	(471)	(935)	(400,505)
Total other financing sources (uses)	117,171	3,518,054	(471)	3,634,754	3,224,394
Net change in fund balances	(1,155,902)	(135,264)	717,289	(573,877)	(455,568)
Fund balances at beginning of year	10,043,444	5,321,813	5,602,976	20,968,233	21,423,801
Fund balances at end of year	\$ 8,887,542	\$ 5,186,549	\$ 6,320,265	\$ 20,394,356	\$ 20,968,233

NONMAJOR SPECIAL REVENUE FUNDS

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

Special Gas Tax Fund

Established to account for 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.

Proposition 172 Fund

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

Air Quality Improvement Fund

Established to account for the 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 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 of benefit to low and moderate income persons, or to meet certain urgent community development needs.

Supplemental Law Enforcement Services Fund (SLESF)

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

Rental Rehabilitation Program Fund

Established to account for 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.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

(With Comparative Data for Prior Year)

	Special Gas Tax	Proposition 172	Air Quality Improvement	Community Development
<u>Assets</u>				
Cash and investments	\$ 9,032,923	\$ -	\$ 235,530	\$ 62,664
Due from other governments	-	88,218	37,202	83,934
Accounts receivable	-	-	-	-
Interest receivable	24,769	-	647	132
Loans receivable	-	-	-	251,052
	<u>\$ 9,057,692</u>	<u>\$ 88,218</u>	<u>\$ 273,379</u>	<u>\$ 397,782</u>
<u>Liabilities</u>				
Accounts payable	\$ 350,931	\$ 41,899	\$ 8,441	\$ 56,325
Accrued liabilities	-	-	-	-
Retentions payable	85,415	-	596	-
Due to other governments	-	-	-	251,052
Due to other funds	-	295,298	-	-
	<u>436,346</u>	<u>337,197</u>	<u>9,037</u>	<u>307,377</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues	<u>27,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Restricted for:				
Protection of persons or property	-	-	-	-
Community programs	-	-	-	90,405
Public services	8,593,552	-	264,342	-
Unassigned	-	(248,979)	-	-
	<u>8,593,552</u>	<u>(248,979)</u>	<u>264,342</u>	<u>90,405</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,057,692</u>	<u>\$ 88,218</u>	<u>\$ 273,379</u>	<u>\$ 397,782</u>

Supplemental Law Enforcement Services	Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Totals	
					2017	2016
\$ -	\$ 98,446	\$ 469,656	\$ -	\$ -	\$ 9,899,219	\$ 10,975,619
-	-	-	34,465	36,346	280,165	416,265
-	-	-	-	-	-	12,000
-	271	1,290	-	-	27,109	20,255
-	239,998	-	-	-	491,050	541,521
<u>\$ -</u>	<u>\$ 338,715</u>	<u>\$ 470,946</u>	<u>\$ 34,465</u>	<u>\$ 36,346</u>	<u>\$ 10,697,543</u>	<u>\$ 11,965,660</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457,596	\$ 609,533
-	-	394,132	-	1,141	395,273	396,417
-	-	-	-	-	86,011	55,062
-	239,998	-	-	-	491,050	-
-	-	-	2,652	35,205	333,155	279,539
-	239,998	394,132	2,652	36,346	1,763,085	1,340,551
-	-	19,122	-	-	46,916	581,665
-	-	57,692	31,813	-	89,505	791,187
-	98,717	-	-	-	189,122	147,286
-	-	-	-	-	8,857,894	9,244,035
-	-	-	-	-	(248,979)	(139,064)
-	98,717	57,692	31,813	-	8,887,542	10,043,444
<u>\$ -</u>	<u>\$ 338,715</u>	<u>\$ 470,946</u>	<u>\$ 34,465</u>	<u>\$ 36,346</u>	<u>\$ 10,697,543</u>	<u>\$ 11,965,660</u>

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Special Gas Tax	Proposition 172	Air Quality Improvement	Community Development
Revenues:				
Taxes	\$ -	\$ 1,035,022	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	2,194,782	-	146,347	488,435
Investment income	84,427	-	1,725	463
Miscellaneous	99,337	-	-	29,000
Total revenues	<u>2,378,546</u>	<u>1,035,022</u>	<u>148,072</u>	<u>517,898</u>
Expenditures:				
Current:				
Protection of persons and property	-	1,144,937	-	-
Community programs	-	-	-	517,020
Public services	2,877,643	-	35,116	-
Total expenditures	<u>2,877,643</u>	<u>1,144,937</u>	<u>35,116</u>	<u>517,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(499,097)</u>	<u>(109,915)</u>	<u>112,956</u>	<u>878</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(499,097)	(109,915)	112,956	878
Fund balances (deficit) at beginning of year	<u>9,092,649</u>	<u>(139,064)</u>	<u>151,386</u>	<u>89,527</u>
Fund balances (deficit) at end of year	<u>\$ 8,593,552</u>	<u>\$ (248,979)</u>	<u>\$ 264,342</u>	<u>\$ 90,405</u>

Supplemental Law Enforcement Services	Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Totals	
					2017	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,035,022	\$ 930,601
-	-	477	-	-	477	79,088
220,436	-	-	34,465	142,390	3,226,855	3,700,051
-	958	5,418	110	-	93,101	125,409
-	40,000	-	-	-	168,337	46,630
<u>220,436</u>	<u>40,958</u>	<u>5,895</u>	<u>34,575</u>	<u>142,390</u>	<u>4,523,792</u>	<u>4,881,779</u>
338,071	-	706,307	34,464	143,307	2,367,086	2,727,443
-	-	-	-	-	517,020	697,087
-	-	-	-	-	2,912,759	2,266,141
<u>338,071</u>	<u>-</u>	<u>706,307</u>	<u>34,464</u>	<u>143,307</u>	<u>5,796,865</u>	<u>5,690,671</u>
<u>(117,635)</u>	<u>40,958</u>	<u>(700,412)</u>	<u>111</u>	<u>(917)</u>	<u>(1,273,073)</u>	<u>(808,892)</u>
117,635	-	-	-	-	117,635	106,583
-	-	-	-	(464)	(464)	-
<u>117,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(464)</u>	<u>117,171</u>	<u>106,583</u>
-	40,958	(700,412)	111	(1,381)	(1,155,902)	(702,309)
-	57,759	758,104	31,702	1,381	10,043,444	10,745,753
<u>\$ -</u>	<u>\$ 98,717</u>	<u>\$ 57,692</u>	<u>\$ 31,813</u>	<u>\$ -</u>	<u>\$ 8,887,542</u>	<u>\$ 10,043,444</u>

CITY OF COSTA MESA, CALIFORNIA

Special Gas Tax Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 2,340,881	\$ 2,340,881	\$ 2,194,782	\$ (146,099)	\$ 2,534,697
Investment income	20,000	20,000	84,427	64,427	103,192
Miscellaneous	-	-	99,337	99,337	-
Total revenues	<u>2,360,881</u>	<u>2,360,881</u>	<u>2,378,546</u>	<u>17,665</u>	<u>2,637,889</u>
Expenditures:					
Current:					
Public services	<u>2,888,439</u>	<u>5,839,051</u>	<u>2,877,643</u>	<u>2,961,408</u>	<u>1,891,737</u>
Total expenditures	<u>2,888,439</u>	<u>5,839,051</u>	<u>2,877,643</u>	<u>2,961,408</u>	<u>1,891,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(527,558)</u>	<u>(3,478,170)</u>	<u>(499,097)</u>	<u>2,979,073</u>	<u>746,152</u>
Net change in fund balance	<u>(527,558)</u>	<u>(3,478,170)</u>	<u>(499,097)</u>	<u>2,979,073</u>	<u>746,152</u>
Fund balance at beginning of year	<u>9,092,649</u>	<u>9,092,649</u>	<u>9,092,649</u>	<u>-</u>	<u>8,346,497</u>
Fund balance at end of year	<u>\$ 8,565,091</u>	<u>\$ 5,614,479</u>	<u>\$ 8,593,552</u>	<u>\$ 2,979,073</u>	<u>\$ 9,092,649</u>

CITY OF COSTA MESA, CALIFORNIA

Proposition 172 Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 1,086,253	\$ 1,086,253	\$ 1,035,022	\$ (51,231)	\$ 930,601
Total revenues	<u>1,086,253</u>	<u>1,086,253</u>	<u>1,035,022</u>	<u>(51,231)</u>	<u>930,601</u>
Expenditures:					
Current:					
Protection of persons and property	<u>1,106,269</u>	<u>1,141,341</u>	<u>1,144,937</u>	<u>(3,596)</u>	<u>1,210,435</u>
Total expenditures	<u>1,106,269</u>	<u>1,141,341</u>	<u>1,144,937</u>	<u>(3,596)</u>	<u>1,210,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,016)</u>	<u>(55,088)</u>	<u>(109,915)</u>	<u>(54,827)</u>	<u>(279,834)</u>
Net change in fund balance	(20,016)	(55,088)	(109,915)	(54,827)	(279,834)
Fund balance (deficit) at beginning of year	<u>(139,064)</u>	<u>(139,064)</u>	<u>(139,064)</u>	-	<u>140,770</u>
Fund balance (deficit) at end of year	<u>\$ (159,080)</u>	<u>\$ (194,152)</u>	<u>\$ (248,979)</u>	<u>\$ (54,827)</u>	<u>\$ (139,064)</u>

CITY OF COSTA MESA, CALIFORNIA

Air Quality Improvement Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 125,000	\$ 125,000	\$ 146,347	\$ 21,347	\$ 144,554
Investment income	2,500	2,500	1,725	(775)	3,829
Total revenues	<u>127,500</u>	<u>127,500</u>	<u>148,072</u>	<u>20,572</u>	<u>148,383</u>
Expenditures:					
Current:					
Public services	<u>319,990</u>	<u>516,141</u>	<u>35,116</u>	<u>481,025</u>	<u>374,404</u>
Total expenditures	<u>319,990</u>	<u>516,141</u>	<u>35,116</u>	<u>481,025</u>	<u>374,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,490)</u>	<u>(388,641)</u>	<u>112,956</u>	<u>501,597</u>	<u>(226,021)</u>
Net change in fund balance	(192,490)	(388,641)	112,956	501,597	(226,021)
Fund balance at beginning of year	<u>151,386</u>	<u>151,386</u>	<u>151,386</u>	<u>-</u>	<u>377,407</u>
Fund balance (deficit) at end of year	<u>\$ (41,104)</u>	<u>\$ (237,255)</u>	<u>\$ 264,342</u>	<u>\$ 501,597</u>	<u>\$ 151,386</u>

CITY OF COSTA MESA, CALIFORNIA

Community Development Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 1,220,347	\$ 1,220,347	\$ 488,435	\$ (731,912)	\$ 690,451
Investment income	-	-	463	463	33
Miscellaneous	-	-	29,000	29,000	6,630
Total revenues	<u>1,220,347</u>	<u>1,220,347</u>	<u>517,898</u>	<u>(702,449)</u>	<u>697,114</u>
Expenditures:					
Current:					
Community programs	<u>1,220,347</u>	<u>1,863,099</u>	<u>517,020</u>	<u>1,346,079</u>	<u>697,087</u>
Total expenditures	<u>1,220,347</u>	<u>1,863,099</u>	<u>517,020</u>	<u>1,346,079</u>	<u>697,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(642,752)</u>	<u>878</u>	<u>643,630</u>	<u>27</u>
Net change in fund balance	-	(642,752)	878	643,630	27
Fund balance at beginning of year	<u>89,527</u>	<u>89,527</u>	<u>89,527</u>	<u>-</u>	<u>89,500</u>
Fund balance (deficit) at end of year	<u>\$ 89,527</u>	<u>\$ (553,225)</u>	<u>\$ 90,405</u>	<u>\$ 643,630</u>	<u>\$ 89,527</u>

CITY OF COSTA MESA, CALIFORNIA

Supplemental Law Enforcement Services Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 203,404	\$ 203,404	\$ 220,436	\$ 17,032	\$ 186,555
Total revenues	203,404	203,404	220,436	17,032	186,555
Expenditures:					
Current:					
Protection of persons and property	264,944	264,944	338,071	(73,127)	310,134
Total expenditures	264,944	264,944	338,071	(73,127)	310,134
Excess (deficiency) of revenues over (under) expenditures	(61,540)	(61,540)	(117,635)	(56,095)	(123,579)
Other financing sources (uses):					
Transfers in	44,544	44,544	117,635	73,091	106,583
Total other financing sources (uses)	44,544	44,544	117,635	73,091	106,583
Net change in fund balance	(16,996)	(16,996)	-	16,996	(16,996)
Fund balance at beginning of year	-	-	-	-	16,996
Fund balance (deficit) at end of year	\$ (16,996)	\$ (16,996)	\$ -	\$ 16,996	\$ -

CITY OF COSTA MESA, CALIFORNIA

Narcotics Forfeiture Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Fines and forfeitures	\$ -	\$ -	\$ 477	\$ 477	\$ 79,088
Investment income	12,000	12,000	5,418	(6,582)	17,516
Total revenues	12,000	12,000	5,895	(6,105)	96,604
Expenditures:					
Current:					
Protection of persons and property	-	1,100,574	706,307	394,267	1,111,488
Total expenditures	-	1,100,574	706,307	394,267	1,111,488
Excess (deficiency) of revenues over (under) expenditures	12,000	(1,088,574)	(700,412)	388,162	(1,014,884)
Net change in fund balance	12,000	(1,088,574)	(700,412)	388,162	(1,014,884)
Fund balance at beginning of year	758,104	758,104	758,104	-	1,772,988
Fund balance (deficit) at end of year	\$ 770,104	\$ (330,470)	\$ 57,692	\$ 388,162	\$ 758,104

CITY OF COSTA MESA, CALIFORNIA

Local Law Enforcement Block Grant Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ -	\$ 20,004	\$ 34,465	\$ 14,461	\$ 15,529
Investment income	-	-	110	110	285
Total revenues	-	20,004	34,575	14,571	15,814
Expenditures:					
Current:					
Protection of persons and property	-	37,294	34,464	2,830	601
Total expenditures	-	37,294	34,464	2,830	601
Excess (deficiency) of revenues over (under) expenditures	-	(17,290)	111	17,401	15,213
Net change in fund balance	-	(17,290)	111	17,401	15,213
Fund balance at beginning of year	31,072	31,072	31,702	630	16,489
Fund balance at end of year	\$ 31,072	\$ 13,782	\$ 31,813	\$ 18,031	\$ 31,702

CITY OF COSTA MESA, CALIFORNIA

Office of Traffic Safety Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ -	\$ 165,000	\$ 142,390	\$ (22,610)	\$ 128,265
Total revenues	-	165,000	142,390	(22,610)	128,265
Expenditures:					
Current:					
Protection of persons and property	-	165,000	143,307	21,693	94,785
Total expenditures	-	165,000	143,307	21,693	94,785
Excess (deficiency) of revenues over (under) expenditures	-	-	(917)	(917)	33,480
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(464)	(464)	-
Total other financing sources (uses)	-	-	(464)	(464)	-
Net change in fund balance	-	-	(1,381)	(1,381)	33,480
Fund balance (deficit) at beginning of year	1,381	1,381	1,381	-	(32,099)
Fund balance (deficit) at end of year	\$ 1,381	\$ 1,381	\$ -	\$ (1,381)	\$ 1,381



NONMAJOR DEBT SERVICE FUND

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

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

Financing Authority Debt Service Fund

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

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Debt Service Funds
 Balance Sheet
 June 30, 2017
 (With Comparative Data for Prior Year)

	Financing Authority Debt Service	Totals	
<u>Assets</u>		2017	2016
Cash and investments	\$ 800,000	\$ 800,000	\$ 965,000
Cash and investments with fiscal agent	4,386,549	4,386,549	4,356,813
Total assets	\$ 5,186,549	\$ 5,186,549	\$ 5,321,813
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accrued liabilities	\$ -	\$ -	\$ -
Advances from other funds	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	5,186,549	5,186,549	5,321,813
Total fund balances	5,186,549	5,186,549	5,321,813
Total liabilities and fund balances	\$ 5,186,549	\$ 5,186,549	\$ 5,321,813

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Debt Service Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the fiscal year ended June 30, 2017
 (With Comparative Data for Prior Year)

	Financing Authority Debt Service	Totals	
		2017	2016
Revenues:			
Investment income	\$ 82,186	\$ 82,186	\$ 92,919
Total revenues	<u>82,186</u>	<u>82,186</u>	<u>92,919</u>
Expenditures:			
Debt service:			
Principal	2,755,000	2,755,000	2,650,000
Interest and fiscal charges	980,504	980,504	1,088,632
Total expenditures	<u>3,735,504</u>	<u>3,735,504</u>	<u>3,738,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,653,318)</u>	<u>(3,653,318)</u>	<u>(3,645,713)</u>
Other financing sources (uses):			
Transfers in	3,518,054	3,518,054	3,518,316
Transfers out	-	-	-
Total other financing sources (uses)	<u>3,518,054</u>	<u>3,518,054</u>	<u>3,518,316</u>
Net change in fund balances	(135,264)	(135,264)	(127,397)
Fund balances at beginning of year	<u>5,321,813</u>	<u>5,321,813</u>	<u>5,449,210</u>
Fund balances at end of year	<u>\$ 5,186,549</u>	<u>\$ 5,186,549</u>	<u>\$ 5,321,813</u>



MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS

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

The following have been classified as major funds in the accompanying government-wide financial statements:

Park Development Fund

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

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 to provide vehicle facilities in the downtown area. Funding is provided through specific property tax levies.

Golf Course Improvements Fund

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

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.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2017

(With Comparative Data for Prior Year)

	<u>Parking Districts</u>	<u>Golf Course Improvements</u>	<u>Drainage Fees</u>
<u>Assets</u>			
Cash and investments	\$ 61,979	\$ 405,937	\$ 2,174,896
Due from other governments	9	-	-
Accounts receivable	-	10,253	-
Interest receivable	170	1,115	5,973
	<u>\$ 62,158</u>	<u>\$ 417,305</u>	<u>\$ 2,180,869</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 75,000	\$ -
Accrued liabilities	-	-	-
Retentions payable	-	-	130
	<u>-</u>	<u>75,000</u>	<u>130</u>
<u>Fund Balances</u>			
Assigned for:			
Protection of persons and property	-	-	-
Public services	62,158	342,305	2,180,739
	<u>62,158</u>	<u>342,305</u>	<u>2,180,739</u>
Total fund balances	<u>62,158</u>	<u>342,305</u>	<u>2,180,739</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,158</u>	<u>\$ 417,305</u>	<u>\$ 2,180,869</u>

Traffic Impact Fees	Fire System Development Fees	Totals	
		2017	2016
\$ 3,376,389	\$ 356,676	\$ 6,375,877	\$ 5,632,428
-	-	9	7
-	-	10,253	9,789
9,306	979	17,543	10,394
<u>\$ 3,385,695</u>	<u>\$ 357,655</u>	<u>\$ 6,403,682</u>	<u>\$ 5,652,618</u>
\$ 5,676	\$ -	\$ 80,676	\$ 37,131
-	-	-	-
2,611	-	2,741	12,511
<u>8,287</u>	<u>-</u>	<u>83,417</u>	<u>49,642</u>
-	357,655	357,655	354,346
3,377,408	-	5,962,610	5,248,630
<u>3,377,408</u>	<u>357,655</u>	<u>6,320,265</u>	<u>5,602,976</u>
<u>\$ 3,385,695</u>	<u>\$ 357,655</u>	<u>\$ 6,403,682</u>	<u>\$ 5,652,618</u>

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	<u>Parking Districts</u>	<u>Golf Course Improvements</u>	<u>Drainage Fees</u>
Revenues:			
Taxes	\$ 10,094	\$ -	\$ -
Charges for services	-	-	549,871
Rental	-	96,807	-
Investment income	545	3,616	18,965
Miscellaneous	-	-	117,373
Total revenues	<u>10,639</u>	<u>100,423</u>	<u>686,209</u>
Expenditures:			
Current:			
Public services	<u>-</u>	<u>84,105</u>	<u>66,950</u>
Total expenditures	<u>-</u>	<u>84,105</u>	<u>66,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,639</u>	<u>16,318</u>	<u>619,259</u>
Other financing sources (uses):			
Transfers out	<u>(471)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(471)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	10,168	16,318	619,259
Fund balance at beginning of year	<u>51,990</u>	<u>325,987</u>	<u>1,561,480</u>
Fund balance at end of year	<u><u>\$ 62,158</u></u>	<u><u>\$ 342,305</u></u>	<u><u>\$ 2,180,739</u></u>

Traffic Impact Fees	Fire System Development Fees	Totals	
		2017	2016
\$ -	\$ -	\$ 10,094	\$ 8,267
99,416	-	649,287	1,082,176
-	-	96,807	101,531
30,967	3,309	57,402	58,949
-	-	117,373	-
<u>130,383</u>	<u>3,309</u>	<u>930,963</u>	<u>1,250,923</u>
<u>62,148</u>	<u>-</u>	<u>213,203</u>	<u>476,280</u>
<u>62,148</u>	<u>-</u>	<u>213,203</u>	<u>476,280</u>
<u>68,235</u>	<u>3,309</u>	<u>717,760</u>	<u>774,643</u>
<u>-</u>	<u>-</u>	<u>(471)</u>	<u>(400,505)</u>
<u>-</u>	<u>-</u>	<u>(471)</u>	<u>(400,505)</u>
68,235	3,309	717,289	374,138
<u>3,309,173</u>	<u>354,346</u>	<u>5,602,976</u>	<u>5,228,838</u>
<u>\$ 3,377,408</u>	<u>\$ 357,655</u>	<u>\$ 6,320,265</u>	<u>\$ 5,602,976</u>

CITY OF COSTA MESA, CALIFORNIA

Parking Districts Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 6,223	\$ 6,223	\$ 10,094	\$ 3,871	\$ 8,267
Investment income	355	355	545	190	539
Total revenues	6,578	6,578	10,639	4,061	8,806
Excess (deficiency) of revenues over (under) expenditures	6,578	6,578	10,639	4,061	8,806
Other financing sources (uses):					
Transfers out	-	-	(471)	(471)	(505)
Total other financing sources (uses)	-	-	(471)	(471)	(505)
Net change in fund balance	6,578	6,578	10,168	3,590	8,301
Fund balance at beginning of year	51,990	51,990	51,990	-	43,689
Fund balance at end of year	\$ 58,568	\$ 58,568	\$ 62,158	\$ 3,590	\$ 51,990

CITY OF COSTA MESA, CALIFORNIA

Drainage Fees Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Charges for services	\$ 400,000	\$ 400,000	\$ 549,871	\$ 149,871	\$ 636,820
Investment income	9,000	9,000	18,965	9,965	16,034
Miscellaneous	-	-	117,373	117,373	-
Total revenues	409,000	409,000	686,209	277,209	652,854
Expenditures:					
Current:					
Public services	365,000	1,100,392	66,950	1,033,442	245,701
Total expenditures	365,000	1,100,392	66,950	1,033,442	245,701
Excess (deficiency) of revenues over (under) expenditures	44,000	(691,392)	619,259	1,310,651	407,153
Net change in fund balance	44,000	(691,392)	619,259	1,310,651	407,153
Fund balance at beginning of year	1,561,480	1,561,480	1,561,480	-	1,154,327
Fund balance at end of year	\$ 1,605,480	\$ 870,088	\$ 2,180,739	\$ 1,310,651	\$ 1,561,480

CITY OF COSTA MESA, CALIFORNIA

Traffic Impact Fees Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Charges for services	\$ 150,000	\$ 150,000	\$ 99,416	\$ (50,584)	\$ 445,356
Investment income	20,000	20,000	30,967	10,967	35,481
Total revenues	170,000	170,000	130,383	(39,617)	480,837
Expenditures:					
Current:					
Public services	725,000	1,704,879	62,148	1,642,731	176,372
Total expenditures	725,000	1,704,879	62,148	1,642,731	176,372
Excess (deficiency) of revenues over (under) expenditures	(555,000)	(1,534,879)	68,235	1,603,114	304,465
Net change in fund balance	(555,000)	(1,534,879)	68,235	1,603,114	304,465
Fund balance at beginning of year	3,309,173	3,309,173	3,309,173	-	3,004,708
Fund balance at end of year	\$ 2,754,173	\$ 1,774,294	\$ 3,377,408	\$ 1,603,114	\$ 3,309,173

CITY OF COSTA MESA, CALIFORNIA

Fire System Development Fees Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Investment income	\$ 2,700	\$ 2,700	\$ 3,309	\$ 609	\$ 3,416
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>3,309</u>	<u>609</u>	<u>3,416</u>
Other financing sources (uses):					
Transfers out	-	-		-	(400,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
Net change in fund balance	2,700	2,700	3,309	609	(396,584)
Fund balance at beginning of year	<u>354,346</u>	<u>354,346</u>	<u>354,346</u>	<u>-</u>	<u>750,930</u>
Fund balance at end of year	<u>\$ 357,046</u>	<u>\$ 357,046</u>	<u>\$ 357,655</u>	<u>\$ 609</u>	<u>\$ 354,346</u>

CITY OF COSTA MESA, CALIFORNIA

Park Development Fund - Major Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Charges for services	\$ 1,761,117	\$ 1,761,117	\$ 1,541,038	\$ (220,079)	\$ 1,952,014
Investment income	15,000	15,000	47,040	32,040	33,218
Total revenues	<u>1,776,117</u>	<u>1,776,117</u>	<u>1,588,078</u>	<u>(188,039)</u>	<u>1,985,232</u>
Expenditures:					
Current:					
Community programs	2,370,965	4,497,352	13,612	4,483,740	72,068
Debt service:					
Interest and fiscal charges	225,199	225,199	11,879	213,320	20,405
Total expenditures	<u>2,596,164</u>	<u>4,722,551</u>	<u>25,491</u>	<u>4,697,060</u>	<u>92,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(820,047)</u>	<u>(2,946,434)</u>	<u>1,562,587</u>	<u>4,509,021</u>	<u>1,892,759</u>
Net change in fund balance	(820,047)	(2,946,434)	1,562,587	4,509,021	1,892,759
Fund balance (deficit) at beginning of year	<u>1,556,775</u>	<u>1,556,775</u>	<u>1,556,775</u>	<u>-</u>	<u>(335,984)</u>
Fund balance (deficit) at end of year	<u>\$ 736,728</u>	<u>\$ (1,389,659)</u>	<u>\$ 3,119,362</u>	<u>\$ 4,509,021</u>	<u>\$ 1,556,775</u>

CITY OF COSTA MESA, CALIFORNIA

Capital Improvements Fund - Major Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 63,000	\$ 1,163,000	\$ 3,046,662	\$ 1,883,662	\$ 958,896
Investment income	140,000	140,000	220,057	80,057	203,760
Total revenues	203,000	1,303,000	3,266,719	1,963,719	1,162,656
Expenditures:					
Current:					
Public services	7,815,242	28,581,124	11,198,303	17,382,821	5,773,755
Total expenditures	7,815,242	28,581,124	11,198,303	17,382,821	5,773,755
Excess (deficiency) of revenues over (under) expenditures	(7,612,242)	(27,278,124)	(7,931,584)	19,346,540	(4,611,099)
Other financing sources (uses):					
Transfers in	7,752,242	11,445,395	12,421,395	976,000	8,827,536
Transfers out	-	-	(1,326,000)	(1,326,000)	-
Total other financing sources (uses)	7,752,242	11,445,395	11,095,395	(350,000)	8,827,536
Net change in fund balance	140,000	(15,832,729)	3,163,811	18,996,540	4,216,437
Fund balance at beginning of year	18,135,404	18,135,404	18,135,404	-	13,918,967
Fund balance at end of year	\$ 18,275,404	\$ 2,302,675	\$ 21,299,215	\$ 18,996,540	\$ 18,135,404

CITY OF COSTA MESA, CALIFORNIA

Measure "M2" Fund - Major Fund

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

For the fiscal year ended June 30, 2017

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 2,879,250	\$ 3,450,830	\$ 5,620,539	\$ 2,169,709	\$ 2,345,747
Investment income	12,000	12,000	50,620	38,620	50,095
Miscellaneous income	-	-	15,931	15,931	-
Total revenues	2,891,250	3,462,830	5,687,090	2,224,260	2,395,842
Expenditures:					
Current:					
Public services	1,812,125	5,611,560	1,256,272	4,355,288	5,096,996
Total expenditures	1,812,125	5,611,560	1,256,272	4,355,288	5,096,996
Excess (deficiency) of revenues over (under) expenditures	1,079,125	(2,148,730)	4,430,818	6,579,548	(2,701,154)
Net change in fund balance	1,079,125	(2,148,730)	4,430,818	6,579,548	(2,701,154)
Fund balance at beginning of year	1,002,425	1,002,425	1,002,425	-	3,703,579
Fund balance (deficit) at end of year	<u>\$ 2,081,550</u>	<u>\$ (1,146,305)</u>	<u>\$ 5,433,243</u>	<u>\$ 6,579,548</u>	<u>\$ 1,002,425</u>

INTERNAL SERVICE FUNDS

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

Equipment Replacement Fund

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

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

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

Information Technology Replacement Fund

Established to provide funds for future replacements and upgrades to City computer equipment, systems, and supporting infrastructure.

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Net Position

June 30, 2017

(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2017	2016
<u>Assets</u>					
Current assets:					
Cash and investments	\$ 1,525,945	\$ 5,388,373	\$ 3,059,069	\$ 9,973,387	\$ 7,496,829
Accounts receivable	2,034	-	-	2,034	895
Interest receivable	4,220	14,721	8,401	27,342	13,856
Prepaid expenses	-	-	-	-	4,612
Inventories	93,297	-	-	93,297	108,705
Total current assets	1,625,496	5,403,094	3,067,470	10,096,060	7,624,897
Capital assets:					
Motorized equipment	12,815,959	-	-	12,815,959	12,518,827
Other equipment	2,332,987	-	-	2,332,987	1,895,810
Accumulated depreciation	(8,087,209)	-	-	(8,087,209)	(7,924,282)
Net capital assets	7,061,737	-	-	7,061,737	6,490,355
Total assets	8,687,233	5,403,094	3,067,470	17,157,797	14,115,252
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	33,251	340,184	23,688	397,123	377,529
Accrued liabilities	-	-	-	-	11,878
Claims payable	-	1,120,815	-	1,120,815	1,154,274
Total current liabilities	33,251	1,460,999	23,688	1,517,938	1,543,681
Long-term liabilities:					
Claims payable	-	14,587,331	-	14,587,331	9,439,466
Total long-term liabilities	-	14,587,331	-	14,587,331	9,439,466
Total liabilities	33,251	16,048,330	23,688	16,105,269	10,983,147
<u>Net Position</u>					
Net investment in capital assets	7,061,737	-	-	7,061,737	6,490,355
Unrestricted (deficit)	1,592,245	(10,645,236)	3,043,782	(6,009,209)	(3,358,250)
Total net position (deficit)	\$ 8,653,982	\$ (10,645,236)	\$ 3,043,782	\$ 1,052,528	\$ 3,132,105

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2017
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2017	2016
Operating revenues:					
Charges for services	\$ 1,752,782	\$ 5,473,958	\$ 200,000	\$ 7,426,740	\$ 6,372,792
Total operating revenues	<u>1,752,782</u>	<u>5,473,958</u>	<u>200,000</u>	<u>7,426,740</u>	<u>6,372,792</u>
Operating expenses:					
Allocated administrative costs	675,196	566,206	-	1,241,402	1,425,942
Depreciation	847,266	-	-	847,266	616,963
Consulting costs	-	-	27,713	27,713	-
Fuel and repair parts	962,611	-	-	962,611	1,002,713
Claims and premiums	-	10,104,413	-	10,104,413	4,002,807
Total operating expenses	<u>2,485,073</u>	<u>10,670,619</u>	<u>27,713</u>	<u>13,183,405</u>	<u>7,048,425</u>
Operating income (loss)	<u>(732,291)</u>	<u>(5,196,661)</u>	<u>172,287</u>	<u>(5,756,665)</u>	<u>(675,633)</u>
Nonoperating revenues (expenses):					
Investment income	12,202	44,988	18,898	76,088	95,452
Contributions	32,232	-	-	32,232	-
Loss on sale of equipment	(31,232)	-	-	(31,232)	13,100
Total nonoperating revenues (expenses)	<u>13,202</u>	<u>44,988</u>	<u>18,898</u>	<u>77,088</u>	<u>108,552</u>
Income (loss) before transfers	<u>(719,089)</u>	<u>(5,151,673)</u>	<u>191,185</u>	<u>(5,679,577)</u>	<u>(567,081)</u>
Transfers in	1,326,000	1,000,000	2,600,000	4,926,000	-
Transfers out	(1,326,000)	-	-	(1,326,000)	-
Total transfers	<u>-</u>	<u>1,000,000</u>	<u>2,600,000</u>	<u>3,600,000</u>	<u>-</u>
Change in net position	<u>(719,089)</u>	<u>(4,151,673)</u>	<u>2,791,185</u>	<u>(2,079,577)</u>	<u>(567,081)</u>
Net position (deficit) at beginning of year	<u>9,373,071</u>	<u>(6,493,563)</u>	<u>252,597</u>	<u>3,132,105</u>	<u>3,699,186</u>
Net position (deficit) at end of year	<u>\$ 8,653,982</u>	<u>\$ (10,645,236)</u>	<u>\$ 3,043,782</u>	<u>\$ 1,052,528</u>	<u>\$ 3,132,105</u>

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2017
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	IT Replacement	Totals	
				2017	2016
Cash flows from operating activities:					
Cash received from customers and user departments	\$ 1,750,748	\$ 5,474,853	\$ 200,000	\$ 7,425,601	\$ 6,390,125
Cash payments to suppliers for goods and services	(953,496)	(5,549,402)	(4,025)	(6,506,923)	(5,793,218)
Cash payments to employees for services	(687,074)	-	-	(687,074)	(675,151)
Net cash provided by (used for) operating activities	110,178	(74,549)	195,975	231,604	(78,244)
Cash flows from noncapital financing activities:					
Cash received from other funds	1,326,000	1,000,000	2,600,000	4,926,000	-
Cash paid to other funds	(1,326,000)	-	-	(1,326,000)	-
Net cash provided by (used for) noncapital financing activities	-	1,000,000	2,600,000	3,600,000	-
Cash flows from capital and related financing activities:					
Cash received from disposal of assets	106,344	-	-	106,344	42,633
Acquisition of capital assets	(1,523,992)	-	-	(1,523,992)	(2,556,060)
Net cash provided by (used for) capital and related financing activities	(1,417,648)	-	-	(1,417,648)	(2,513,427)
Cash flows from investing activities:					
Investment income received	13,259	38,381	10,962	62,602	96,117
Net cash provided by (used for) investing activities	13,259	38,381	10,962	62,602	96,117
Net increase (decrease) in cash and cash equivalents	(1,294,211)	963,832	2,806,937	2,476,558	(2,495,554)
Cash and cash equivalents at beginning of year	2,820,156	4,424,541	252,132	7,496,829	9,992,383
Cash and cash equivalents at end of year	\$ 1,525,945	\$ 5,388,373	\$ 3,059,069	\$ 9,973,387	\$ 7,496,829
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (732,291)	\$ (5,196,661)	\$ 172,287	\$ (5,756,665)	\$ (675,633)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	847,266	-	-	847,266	616,963
(Increase) decrease in inventories	15,408	-	-	15,408	(10,729)
(Increase) decrease in accounts receivable	(2,034)	895	-	(1,139)	17,333
(Increase) decrease in prepaid items	-	4,612	-	4,612	(4,612)
Increase (decrease) in accounts payable	(6,293)	2,199	23,688	19,594	264,310
Increase (decrease) in accrued liabilities	(11,878)	-	-	(11,878)	(132)
Increase (decrease) in claims payable	-	5,114,406	-	5,114,406	(285,744)
Net cash provided by (used for) operating activities	\$ 110,178	\$ (74,549)	\$ 195,975	\$ 231,604	\$ (78,244)

AGENCY FUNDS

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

Deposits Fund

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

Community Facilities District Fund

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

Costa Mesa Foundation Fund

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

CITY OF COSTA MESA, CALIFORNIA
 Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2017
 (With Comparative Data for Prior Year)

	Deposits	Community Facilities District	Costa Mesa Foundation	Totals	
				2017	2016
<u>Assets</u>					
Cash and investments	\$ 2,879,233	\$ -	\$ 119,772	\$ 2,999,005	\$ 3,475,707
Accounts receivable	12,671	-	-	12,671	16,238
Interest receivable	-	-	329	329	217
Prepaid items	1,189	-	13,725	14,914	1,471
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,893,093</u>	<u>\$ -</u>	<u>\$ 133,826</u>	<u>\$ 3,026,919</u>	<u>\$ 3,493,633</u>
<u>Liabilities</u>					
Accounts payable	\$ 553,518	\$ -	\$ -	\$ 553,518	\$ 844,745
Deposits payable	2,339,575	-	133,826	2,473,401	2,648,888
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 2,893,093</u>	<u>\$ -</u>	<u>\$ 133,826</u>	<u>\$ 3,026,919</u>	<u>\$ 3,493,633</u>

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2017

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
<u>DEPOSITS</u>				
<u>Assets</u>				
Cash and investments	\$ 3,358,306	\$48,491,037	\$48,970,110	\$ 2,879,233
Accounts receivable	16,238	48,254	51,821	12,671
Prepaid items	1,471	1,565	1,847	1,189
Total assets	<u>\$ 3,376,015</u>	<u>\$48,540,856</u>	<u>\$49,023,778</u>	<u>\$ 2,893,093</u>
<u>Liabilities</u>				
Accounts payable	\$ 840,691	\$ 5,620,567	\$ 5,907,740	\$ 553,518
Deposits payable	2,535,324	44,799,615	44,995,364	2,339,575
Total liabilities	<u>\$ 3,376,015</u>	<u>\$50,420,182</u>	<u>\$50,903,104</u>	<u>\$ 2,893,093</u>
<u>COMMUNITY FACILITIES DISTRICT</u>				
<u>Assets</u>				
Cash and investments	\$ -	\$ 250,135	\$ 250,135	\$ -
Total assets	<u>\$ -</u>	<u>\$ 250,135</u>	<u>\$ 250,135</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 245,095	\$ 245,095	\$ -
Held for bondholders	-	250,135	250,135	-
Total liabilities	<u>\$ -</u>	<u>\$ 495,230</u>	<u>\$ 495,230</u>	<u>\$ -</u>
<u>COSTA MESA FOUNDATION</u>				
<u>Assets</u>				
Cash and investments	\$ 117,401	\$ 57,403	\$ 55,032	\$ 119,772
Interest receivable	217	329	217	329
Prepaid Items	-	13,725	-	13,725
Total assets	<u>\$ 117,618</u>	<u>\$ 71,457</u>	<u>\$ 55,249</u>	<u>\$ 133,826</u>
<u>Liabilities</u>				
Accounts payable	\$ 4,054	\$ 48,578	\$ 52,632	\$ -
Deposits payable	113,564	70,453	50,191	133,826
Total liabilities	<u>\$ 117,618</u>	<u>\$ 119,031</u>	<u>\$ 102,823</u>	<u>\$ 133,826</u>

(Continued)

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2017

TOTALS - ALL AGENCY FUNDS

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
<u>Assets</u>				
Cash and investments	\$ 3,475,707	\$48,798,575	\$49,275,277	\$ 2,999,005
Accounts receivable	16,238	48,254	51,821	12,671
Interest receivable	217	329	217	329
Prepaid items	1,471	15,290	1,847	14,914
Total assets	<u>\$ 3,493,633</u>	<u>\$48,862,448</u>	<u>\$49,329,162</u>	<u>\$ 3,026,919</u>
<u>Liabilities</u>				
Accounts payable	\$ 844,745	\$ 5,914,240	\$ 6,205,467	\$ 553,518
Deposits payable	2,648,888	44,870,068	45,045,555	2,473,401
Held for bondholders	-	245,095	245,095	-
Total liabilities	<u>\$ 3,493,633</u>	<u>\$51,029,403</u>	<u>\$51,496,117</u>	<u>\$ 3,026,919</u>

CITY OF COSTA MESA CALIFORNIA

STATISTICAL SECTION



STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's comprehensive annual 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)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 231,078,900	\$ 238,167,532	\$ 232,204,195	\$ 209,554,571	\$ 207,954,876	\$ 204,884,524	\$ 211,291,261	\$ 211,133,458	\$ 216,195,466	\$ 219,280,752
Restricted										
Protection of Persons and Property	431,303	407,718	1,040,371	1,303,260	2,519,015	2,329,840	1,441,906	552,573	1,022,546	217,303
Community programs	10,601,709	5,909,972	6,475,370	2,292,260	10,262,006	8,713,244	9,622,339	8,892,751	12,793,475	9,588,998
Public services	18,781,762	18,531,911	18,083,105	26,299,602	28,568,791	26,485,938	21,642,345	17,660,289	15,495,090	20,253,747
Redevelopment	-	-	-	-	-	-	-	-	-	-
Unrestricted	67,546,727	50,034,265	40,025,930	42,251,930	44,741,840	43,798,620	51,403,839	(170,836,260)	(159,357,224)	(161,805,274)
Total governmental activities net position	\$ 328,440,401	\$ 313,051,398	\$ 297,828,971	\$ 281,701,623	\$ 294,046,528	\$ 286,212,166	\$ 295,401,690	\$ 67,402,811	\$ 86,149,353	\$ 87,535,526

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General government	\$ 29,508,603	\$ 29,708,604	\$ 24,640,217	\$ 22,942,186	\$ 19,977,655	\$ 22,655,452	\$ 23,396,581	\$ 25,225,607	\$ 24,631,010	\$ 28,474,037
Protection of persons and property	57,655,181	64,718,615	65,999,456	58,600,881	61,788,930	63,383,715	62,634,432	64,184,047	63,956,413	70,786,483
Community programs	7,704,374	10,953,425	6,957,413	5,585,317	4,310,750	6,519,916	6,784,867	10,189,480	4,639,743	12,069,675
Public services	28,707,820	22,068,699	20,338,489	18,051,024	18,873,545	20,508,217	22,768,197	21,549,681	22,498,495	21,415,061
Redevelopment	1,168,763	375,499	1,225,993	862,541	911,704	-	-	-	-	-
Interest on long-term debt	3,651,584	3,426,155	3,243,198	3,043,559	2,683,598	1,726,008	1,273,152	1,210,723	1,081,605	974,233
Total primary government expenses	128,396,325	131,250,997	122,404,766	109,085,508	108,546,182	114,793,308	116,857,229	122,359,538	116,807,266	133,719,489
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	3,553,680	3,236,412	3,266,143	2,660,989	2,635,880	2,739,881	2,338,910	2,299,476	2,707,819	2,819,809
Community programs	5,554,124	6,075,951	5,617,827	5,290,235	5,268,839	5,856,107	6,229,677	7,498,348	8,232,995	7,577,878
Public services	2,822,877	1,839,433	1,974,779	2,626,032	2,861,971	2,646,611	2,680,625	3,089,801	3,721,366	3,232,506
Redevelopment	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	8,948,635	10,276,030	5,699,857	6,717,009	8,832,089	8,443,327	8,534,673	8,562,955	4,907,815	4,487,089
Capital grants and contributions	10,594,837	8,938,881	6,441,397	6,233,234	4,555,065	5,140,960	6,148,876	5,143,592	3,370,260	7,114,471
Total primary government revenues	31,474,153	30,366,707	23,000,003	23,527,499	24,153,844	24,826,886	25,932,761	26,594,172	22,940,255	25,231,753
Total primary government net expense	\$ (96,922,172)	\$ (100,884,290)	\$ (99,404,763)	\$ (85,558,009)	\$ (84,392,338)	\$ (89,966,422)	\$ (90,924,468)	\$ (95,765,366)	\$ (93,867,011)	\$ (108,487,736)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 24,715,336	\$ 25,327,904	\$ 23,885,560	\$ 24,626,634	\$ 21,564,340	\$ 23,192,755	\$ 22,984,093	\$ 24,139,297	\$ 26,168,612	\$ 37,925,385
Sales and use taxes	46,917,845	39,488,414	35,267,341	40,953,224	43,077,849	46,743,795	50,329,310	52,117,128	58,524,162	57,591,889
Transient occupancy tax	5,791,004	4,719,158	4,268,984	5,344,968	6,524,510	7,257,695	7,676,090	7,995,154	8,622,505	8,924,854
Franchise taxes	4,046,517	4,174,172	3,945,159	4,240,255	4,471,326	4,818,972	4,891,465	4,885,925	5,060,402	4,593,631
Business license tax	932,278	860,491	858,567	866,442	888,967	917,633	916,285	954,408	973,521	918,928
Other intergovernmental, unrestricted	9,155,864	9,215,927	9,117,466	9,112,000	8,594,277	8,814,644	9,229,059	5,660,305	11,209,989	51,340
Investment income	6,659,736	1,649,319	4,016,384	2,499,790	1,377,209	640,159	1,772,900	1,692,528	1,871,216	496,650
Miscellaneous	862,648	850,080	1,784,618	860,972	978,394	181,943	495,154	949,533	913,351	1,333,610
Settlements	-	-	-	-	-	1,452,623	121,971	-	-	-
Extraordinary items:										
Gain on transfer of assets to Successor Agency	-	-	-	-	9,260,371	-	-	-	-	-
(Loss) on advance to Successor Agency	-	-	-	-	-	(11,888,159)	-	-	-	-
Total primary government Change in Net Position	\$ 99,081,228	\$ 86,285,465	\$ 83,144,079	\$ 88,504,285	\$ 96,737,243	\$ 82,132,060	\$ 98,416,327	\$ 98,394,278	\$ 113,343,758	\$ 111,836,287
	\$ 2,159,056	\$ (14,598,825)	\$ (16,260,684)	\$ 2,946,276	\$ 12,344,905	\$ (7,834,362)	\$ 7,491,859	\$ 2,628,912	\$ 19,476,747	\$ 3,348,551

Source: Government-Wide Financial Statements

TABLE 3

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

	Fiscal Years									
	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 15,768,661	\$ 15,140,564	\$ 14,421,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	50,467,786	33,716,155	27,098,389	-	-	-	-	-	-	-
Nonspendable	-	-	-	13,334,328	13,917,262	3,137,794	3,430,104	4,165,795	2,486,085	2,253,843
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000
Assigned	-	-	-	9,900,467	10,347,804	10,131,615	10,016,092	11,325,819	13,820,663	13,819,088
Unassigned	-	-	-	5,915,735	7,419,860	16,252,032	20,629,130	22,199,337	32,040,713	30,867,198
Total general fund	\$ 66,236,447	\$ 48,856,719	\$ 41,520,065	\$ 45,275,530	\$ 47,809,926	\$ 45,646,441	\$ 50,200,326	\$ 53,815,951	\$ 64,472,461	\$ 63,065,129
All other governmental funds										
Reserved	\$ 23,661,322	\$ 10,576,691	\$ 9,357,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	7,904,617	13,042,672	14,952,556	-	-	-	-	-	-	-
Capital projects funds	18,759,882	15,658,912	10,780,360	-	-	-	-	-	-	-
Debt services funds	(10,400,263)	(9,579,072)	(10,136,674)	-	-	-	-	-	-	-
Nonspendable	-	-	-	12,849	-	-	-	-	-	-
Restricted	-	-	-	34,165,657	31,441,902	29,302,059	25,097,114	20,914,771	19,309,083	28,056,898
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	7,146,775	7,095,166	9,162,682	11,741,220	19,147,805	23,738,380	27,619,480
Unassigned	-	-	-	(12,177,382)	(2,572,973)	(2,892,237)	(2,288,538)	(368,083)	(139,064)	(248,979)
Total primary government net expense	\$ 39,925,558	\$ 29,699,203	\$ 24,953,672	\$ 29,147,899	\$ 35,964,095	\$ 35,572,504	\$ 34,549,796	\$ 39,694,493	\$ 42,908,399	\$ 55,427,399

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

Source: Fund Financial Statements

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

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 82,402,980	\$ 74,570,140	\$ 68,225,614	\$ 76,031,925	\$ 76,526,993	\$ 82,930,849	\$ 86,797,242	\$ 90,091,915	\$ 99,349,202	\$ 99,464,729
Licenses and permits	1,876,959	1,168,026	1,289,600	1,557,797	1,903,361	1,997,057	2,085,348	2,313,296	2,983,081	2,933,305
Fines and forfeits	3,066,355	2,965,960	2,868,066	2,104,816	3,508,181	4,483,240	3,614,144	1,367,190	1,609,134	1,352,682
Intergovernmental	27,088,736	26,359,128	21,137,881	21,681,418	19,838,941	19,213,168	21,769,293	22,010,125	17,612,288	23,205,265
Charges for services	4,355,738	4,179,547	4,156,944	4,478,711	4,167,896	4,320,932	4,721,191	6,117,030	6,668,445	5,909,112
Rental	3,128,271	3,189,975	2,838,744	2,900,049	3,054,100	2,987,055	3,021,585	3,113,662	3,336,053	3,289,222
Investment income	5,869,106	1,627,547	3,537,379	2,284,183	1,189,168	533,469	1,712,058	1,771,527	1,775,765	420,561
Return on equity	-	-	-	-	-	2,551,815	-	-	-	-
Settlements	-	-	-	-	-	1,452,623	121,971	-	-	-
Miscellaneous	1,182,749	2,342,611	2,566,138	1,069,225	1,376,946	892,970	1,177,245	2,206,428	1,679,917	2,170,215
Total revenues	<u>128,970,894</u>	<u>116,402,934</u>	<u>106,620,366</u>	<u>112,108,124</u>	<u>111,565,586</u>	<u>121,363,178</u>	<u>125,020,077</u>	<u>128,991,173</u>	<u>135,013,885</u>	<u>138,745,091</u>
Expenditures										
General government	28,723,990	29,619,695	25,276,998	21,739,252	20,974,387	21,982,783	23,893,450	24,699,226	25,102,067	26,518,266
Protection of persons and property	66,889,007	68,691,164	61,884,416	56,207,290	59,993,364	60,468,091	64,047,209	61,096,404	64,426,376	66,141,703
Community programs	9,622,552	11,550,616	6,296,711	6,259,971	6,125,337	6,166,791	6,442,241	8,821,298	8,019,356	9,410,168
Public services	33,343,249	27,954,239	17,216,338	11,849,471	13,613,312	16,781,751	22,863,385	21,860,252	19,836,633	21,680,495
Redevelopment	1,168,763	375,499	1,225,993	862,541	911,704	-	-	-	-	-
Debt service:										
Principal	5,486,427	4,393,687	4,064,842	4,395,904	4,525,739	3,872,050	2,450,000	2,540,000	2,650,000	2,755,000
Interest	3,683,198	3,460,555	3,244,528	3,082,508	2,734,050	1,741,101	1,296,111	1,213,671	1,109,037	992,383
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>148,917,186</u>	<u>146,045,455</u>	<u>119,209,826</u>	<u>104,396,937</u>	<u>108,877,893</u>	<u>111,012,567</u>	<u>120,992,396</u>	<u>120,230,851</u>	<u>121,143,469</u>	<u>127,498,015</u>
Excess of revenues over (under) expenditures	<u>(19,946,292)</u>	<u>(29,642,521)</u>	<u>(12,589,460)</u>	<u>7,711,187</u>	<u>2,687,693</u>	<u>10,350,611</u>	<u>4,027,681</u>	<u>8,760,322</u>	<u>13,870,416</u>	<u>11,247,076</u>
Other financing sources (uses)										
Transfers in	9,014,877	7,123,168	9,160,286	8,460,300	5,099,168	6,212,460	8,597,756	14,253,945	12,852,940	16,058,019
Transfers out	(8,195,611)	(7,158,081)	(8,653,011)	(8,221,795)	(5,099,168)	(6,212,460)	(9,094,260)	(14,253,945)	(12,852,940)	(19,658,019)
Extraordinary Gain (loss)	-	-	-	-	5,645,371	(11,888,159)	-	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-
Premium on debt issue	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>819,266</u>	<u>(34,913)</u>	<u>507,275</u>	<u>238,505</u>	<u>5,645,371</u>	<u>(11,888,159)</u>	<u>(496,504)</u>	<u>-</u>	<u>-</u>	<u>(3,600,000)</u>
Net change in fund balances	<u>\$ (19,127,026)</u>	<u>\$ (29,677,434)</u>	<u>\$ (12,082,185)</u>	<u>\$ 7,949,692</u>	<u>\$ 8,333,064</u>	<u>\$ (1,537,548)</u>	<u>\$ 3,531,177</u>	<u>\$ 8,760,322</u>	<u>\$ 13,870,416</u>	<u>\$ 7,647,076</u>
Debt service as a percentage of noncapital expenditures	7.73%	6.25%	6.43%	7.45%	7.03%	5.40%	3.44%	3.37%	3.38%	3.37%

Source: Fund Financial Statements

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

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

Source: Required Supplementary Information

TABLE 6

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

	Fiscal Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Apparel stores	\$ 482,249	\$ 432,965	\$ 383,716	\$ 436,980	\$ 484,036	\$ 604,936	\$ 681,348	\$ 715,097	\$ 727,073	\$ 754,197
General merchandise	639,878	582,091	534,936	540,920	568,293	591,832	599,163	615,702	618,702	582,500
Food stores	101,762	102,519	96,251	92,575	93,721	94,377	87,225	88,872	103,225	90,941
Eating and drinking establishments	379,604	358,069	325,087	337,684	371,523	387,667	421,830	443,384	469,465	496,041
Building materials	222,523	192,021	143,602	145,342	142,575	150,604	180,198	193,248	205,343	224,225
Auto dealers and supplies	659,095	560,317	488,122	536,390	577,755	613,669	670,976	753,804	858,187	924,641
Service stations	183,362	203,309	157,149	196,497	240,892	269,067	263,352	245,432	215,707	190,969
Other retail stores	1,030,546	918,095	797,163	853,264	924,979	961,488	972,383	1,025,424	1,047,009	1,050,063
All other outlets	928,733	822,086	697,731	758,854	778,329	839,005	914,501	1,015,134	1,112,851	1,206,829
	<u>\$ 4,627,752</u>	<u>\$ 4,171,472</u>	<u>\$ 3,623,757</u>	<u>\$ 3,898,506</u>	<u>\$ 4,182,103</u>	<u>\$ 4,512,645</u>	<u>\$ 4,790,976</u>	<u>\$ 5,096,097</u>	<u>\$ 5,357,562</u>	<u>\$ 5,520,406</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 and The HdL Companies

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

Category	2016			2007		
	Taxable Sales	Rank	Percentage of Total City Taxable Sales	Taxable Sales	Rank	Percentage of Total City Taxable Sales
All other outlets	\$ 1,206,829	1	21.86%	\$ 928,733	2	20.07%
Other retail stores	1,050,063	2	19.02%	1,030,546	1	22.27%
Auto dealers and supplies	924,641	3	16.75%	659,095	3	14.24%
Apparel stores	754,197	4	13.66%	482,249	5	10.42%
General merchandise	582,500	5	10.55%	639,878	4	13.83%
Eating and drinking establishments	496,041	6	8.99%	379,604	6	8.20%
Building materials	224,225	7	4.06%	222,523	7	4.81%
Service stations	190,969	8	3.46%	183,362	8	3.96%
Food stores	90,941	9	1.65%	101,762	9	2.20%

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

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

Fiscal Years	City Local Rate	Orange County Rate	State of California Rate	Total Sales Tax Rate
2008	1.00	0.50	6.25	7.75
2009	1.00	0.50	7.25	8.75
2010	1.00	0.50	7.25	8.75
2011	1.00	0.50	7.25	8.75
2012	1.00	0.50	6.25	7.75
2013	1.00	0.50	6.50	8.00
2014	1.00	0.50	6.50	8.00
2015	1.00	0.50	6.50	8.00
2016	1.00	0.50	6.50	8.00
2017	1.25	0.50	6.00	7.75

Source: State of California Board of Equalization

**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		Collected for Subsequent Years (2)	Total Collections to Date	
		Fiscal Year of the Levy	Percentage of Levy		Amount	Percentage of Levy (1)
2008	\$ 20,888,474	\$ 19,998,097	95.74%	\$ 532,478	\$ 20,530,575	98.29%
2009	21,276,710	20,363,004	95.71%	920,531	21,283,534	100.03%
2010	21,092,684	17,122,170	81.18%	911,902	18,034,072	85.50%
2011	20,670,091	20,059,681	97.05%	594,003	20,653,684	99.92%
2012	20,574,309	19,958,891	97.01%	408,220	20,367,111	98.99%
2013	21,112,082	20,599,679	97.57%	382,281	20,981,960	99.38%
2014	22,178,464	21,732,926	97.99%	285,325	22,018,251	99.28%
2015	23,405,838	22,897,171	97.83%	242,634	23,139,805	98.86%
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%

(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 2016/2017 Combined Tax Rolls

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

Fiscal Years	Residential Property		Commercial Property		Industrial Property		Miscellaneous Property		Less: Tax-Exempt Property		Total Taxable Assessed Value		Total Direct Tax Rate		Estimated Actual Taxable Value ⁽¹⁾		Taxable Assessed Value as a Percentage of Actual Taxable Value	
2008	\$ 8,012,690,802	\$ 2,358,236,884	\$ 1,049,297,119	\$ 2,404,008,712	\$ -	\$ -	\$ 13,824,233,517	0.17276%	\$ 13,824,233,517	100.00%								
2009	8,164,306,671	2,553,080,097	1,129,832,358	2,518,888,713	-	-	14,366,107,839	0.17342%	14,366,107,839	100.00%								
2010	8,171,208,423	3,383,235,481	1,196,215,357	1,682,015,788	-	-	14,432,675,049	0.17241%	14,432,675,049	100.00%								
2011	8,347,650,226	3,466,364,532	1,138,864,468	1,163,583,656	-	-	14,116,462,882	0.17154%	14,116,462,882	100.00%								
2012	8,557,101,277	3,394,223,104	1,100,996,492	1,065,596,839	-	-	14,117,917,712	0.17226%	14,117,917,712	100.00%								
2013	8,704,306,093	3,479,681,880	1,122,815,201	1,070,250,329	-	-	14,377,053,503	0.17288%	14,377,053,503	100.00%								
2014	9,101,889,466	3,566,114,710	1,117,794,289	1,140,508,581	-	-	14,926,307,046	0.15040%	14,926,307,046	100.00%								
2015	9,745,389,688	3,633,678,888	1,126,437,386	1,206,217,946	-	-	15,711,723,908	0.15035%	15,711,723,908	100.00%								
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%								

⁽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 2007/2008- 2016/2017 Combined Tax Rolls.

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

Fiscal Year	City Direct Rates						Overlapping Rates		
	General		Redevelopment Debt Service ⁽²⁾	Redevelopment Program	Total Direct Rate ⁽¹⁾	County of Orange		School District	Special Districts
	Basic Rate	Obligation Debt Service				Debt	Debt		
2008	0.14879	-	0.00450	1.00000	0.17276	0.36657	0.51452	0.00615	
2009	0.14879	-	0.00430	1.00000	0.17342	0.36649	0.67550	0.00615	
2010	0.14879	-	0.00430	1.00000	0.17241	0.36649	0.48300	0.00595	
2011	0.14879	-	0.00370	1.00000	0.17154	0.36649	0.48300	0.00535	
2012	0.14879	-	0.00370	1.00000	0.17226	0.36649	0.48300	0.00535	
2013	0.14879	-	-	-	0.17288	0.36649	0.48300	0.00535	
2014	0.14879	-	-	-	0.15040	0.36649	0.48300	0.00535	
2015	0.14879	-	-	-	0.15035	0.36649	0.48300	0.00515	
2016	0.14879	-	-	-	0.15038	0.36649	0.48300	0.00515	
2017	0.14879	-	-	-	0.15014	0.36649	0.48300	0.00515	

(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.

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

Source: HdL Coren & Cone, Orange County Assessor 2007/2008 - 2016/2017 Combined Tax Rolls.

TABLE 12

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

<u>Taxpayer</u>	2016-2017			2007-2008		
	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue
Trust Costa Mesa Courtyards LLC	\$ 427,397	1	1.42%	\$ -	-	0.00%
South Coast Plaza	420,470	2	1.40%	377,017	4	1.59%
Irvine Company LLC	355,857	3	1.18%	-	-	0.00%
PR II of MCC South Coast Properties Owner	349,281	4	1.16%	-	-	0.00%
1901 Newport LLC Royal Street	341,895	5	1.14%	382,622	3	1.61%
United Dominion Realty LP	289,640	6	0.96%	-	-	0.00%
Behringer Harvard Pacifica Proj Owner	276,333	7	0.92%	-	-	0.00%
WWG TSQ Owner LLC	275,583	8	0.92%	-	-	0.00%
BRE LLC	267,193	9	0.89%	-	-	0.00%
Marjack LLC Irvine Company LLC	230,343	10	0.77%	-	-	0.00%
CFRI Greenlaw Triangle Square LLC	-	-	0.00%	445,246	1	1.88%
RREEF America Reit II Corp. CCCC2	-	-	0.00%	399,912	2	1.69%
Maguire Properties Pacific Arts Plaza LLP	-	-	0.00%	376,662	5	1.59%
Teachers Retirement System	-	-	0.00%	283,810	6	1.20%
Automobile Club of Southern California	-	-	0.00%	204,684	7	0.86%
Casden Lakes LP	-	-	0.00%	166,827	8	0.70%
Center Tower Associates	-	-	0.00%	161,014	9	0.68%
JKS-CMFV LLC Experian Information	-	-	0.00%	158,368	10	0.67%
Total	\$ 3,233,991		10.76%	\$ 2,956,161		12.46%

Source: HdL Coren & Cone, Orange County Assessor 2016/2017 & 2007/2008 Combined Tax Rolls.

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

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General bonded debt outstanding										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment bonds (1)	5,630,000	5,145,000	4,650,000	4,140,000	3,615,000	-	-	-	-	\$ -
Total	<u>\$ 5,630,000</u>	<u>\$ 5,145,000</u>	<u>\$ 4,650,000</u>	<u>\$ 4,140,000</u>	<u>\$ 3,615,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percentage of taxable assessed value	0.0392%	0.0356%	0.0329%	0.0293%	0.0256%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Per capita	\$ 7.18	\$ 6.53	\$ 9.90	\$ 8.85	\$ 8.43	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amounts set aside to repay general debt	706,045	704,300	704,300	704,300	704,300	-	-	-	-	-
Total net debt applicable to debt limit	4,923,955	4,440,700	3,945,700	3,435,700	2,910,700	-	-	-	-	-
Legal debt limit										
(3.75% of Assessed Value)	556,242,642	583,264,697	585,910,407	574,243,802	575,152,015	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516
Legal debt margin	551,318,687	578,823,997	581,964,707	570,808,102	572,241,315	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516
Legal debt margin as a percentage of the debt limit	99.11%	99.24%	99.33%	99.40%	99.49%	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

TABLE 14

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

Fiscal Year Ended June 30,	General Bonded Debt			Other Governmental Activities Debt				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bond ⁽¹⁾	Percentage of Total Taxable Assessed Value	Per Capita	Revenue Bonds	Certificates of Participation	Lease Purchase Financing			
2008	-	\$ 5,630,000	0.0392%	\$ 7.18	19,000,000	29,215,000	\$ 3,037,222	\$ 56,882,222	2.73%	\$ 3,105.81
2009	-	5,145,000	0.0356%	10.72	16,980,000	28,465,000	1,898,535	52,488,535	1.50%	1,745.60
2010	-	4,650,000	0.0329%	9.94	14,890,000	27,525,000	2,341,737	49,406,737	1.40%	1,636.85
2011	-	4,140,000	0.0293%	8.85	12,735,000	26,355,000	1,780,834	45,010,834	1.27%	1,491.22
2012	-	3,615,000	0.0256%	8.43	10,490,000	25,140,000	1,057,907	40,302,907	1.11%	1,224.86
2013	-	-	0.0000%	-	8,140,000	23,875,000	611,729	32,626,729	0.89%	999.53
2014	-	-	0.0000%	-	7,005,000	22,560,000	415,395	29,980,395	0.79%	886.84
2015	-	-	0.0000%	-	5,830,000	21,195,000	-	27,025,000	0.73%	832.10
2016	-	-	0.0000%	-	4,600,000	19,775,000	-	24,375,000	0.64%	732.66
2017	-	-	0.0000%	-	3,325,000	18,295,000	-	21,620,000	0.57%	649.85

⁽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

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 AS OF JUNE 30, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Tax and Assessment debt repaid with property taxes			
City of Costa Mesa Community Facilities District No. 91-1	960,000	100%	\$ 960,000
Newport Mesa Unified School District	217,659,150	26.542%	57,771,092
Coast Community College District	805,844,504	13.280%	107,016,150
Santa Ana Unified School District	265,510,216	3.146%	8,352,951
Rancho Santiago Community College District	258,096,533	1.332%	3,437,846
Rancho Santiago Community College District SFID No. 1	57,025,000	2.546%	1,451,857
Metropolitan Water District	74,905,000	0.678%	507,856
Subtotal overlapping Tax and Assessment debt repaid with property taxes			<u>179,497,752</u>
Overlapping general fund debt repaid with property taxes			
Coast Community College District General Fund Obligations	3,610,000	13.280%	479,408
Santa Ana Unified School District Certificates of Participation	60,937,067	3.146%	1,917,080
Orange County General Fund Obligations	227,516,000	3.336%	7,589,934
Orange County Pension Obligations	386,762,539	3.336%	12,902,398
Orange County Board of Education Certificates of Participation	14,440,000	3.336%	481,718
Subtotal overlapping general fund debt repaid with property taxes			<u>23,370,538</u>
City direct debt			
City of Costa Mesa General Fund Obligations ⁽¹⁾	20,660,000	100%	20,660,000
Total direct and overlapping debt			<u><u>\$ 223,528,290</u></u>

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

Source: California Municipal Statistics, Inc.

**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⁾
2008	113,955	\$ 3,114,221	27,329	32	20,920	5.30%
2009	113,955	2,087,063	18,315	32	21,178	9.30%
2010	116,341	3,498,258	30,069	33	21,353	8.50%
2011	117,178	3,536,901	30,184	33	21,444	9.20%
2012	110,757	3,644,348	32,904	33	21,619	7.90%
2013	111,358	3,711,117	33,326	33	21,944	6.10%
2014	111,846	3,650,877	32,642	34	21,683	5.20%
2015	111,835	3,780,694	33,806	34	21,540	4.30%
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%

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

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

	2016-2017			2007-2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Epl Intermediate, Inc.	3,998	1	5.96%	-	-	0.00%
Experian Information Solutions, Inc.	3,700	2	5.51%	1,000	8	1.53%
Coast Community College District Foundation	2,900	3	4.32%	3,044	1	4.66%
Orange Coast Community College	1,900	4	2.83%	2,500	2	3.83%
California State Hospital- Fairview Develop. Center	1,500	5	2.24%	1,500	5	2.30%
Stearns Lending, LLC	1,500	5	2.24%			
Auto Club Enterprises	1,200	7	1.79%			
Westar Capital Associates II, LLC	1,184	8	1.76%			
Deloitte Consulting LLP	800	9	1.19%			
Dynamic Cooking Systems, Inc.	700	10	1.04%			
Coast Community College				2,500	2	3.83%
Ctc Direct Inc.				2,000	4	3.06%
Interinsurance Exchange				1,200	6	1.84%
First Team Real Estate Inc.				1,025	7	1.57%
Los Angeles Times				1,000	8	1.53%
Macy's Department Stores Inc.				750	10	1.23%

Source: Dunn & Bradstreet, State of California Employment Development Department

TABLE 18

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

Function/Program	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Number of residents served via public services programs	3,250	2,800	3,250	3,000	2,023	1,500	1,000	1,500	785	750
Accounts payable checks issued	12,000	12,500	12,500	10,187	9,634	9,561	9,506	9,764	9,182	9,031
Total printshop photocopies produced	5,250,000	4,965,000	2,260,000	2,528,476	2,746,559	1,554,927	1,691,606	1,806,965	1,619,784	1,749,460
Protection of persons and property										
Police protection										
Emergency calls	1,450	1,350	1,350	1,230	1,128	1,160	1,180	1,330	N/A	1,000
Calls responded to within 5 minutes	80%	82%	82%	82%	76%	80%	82%	77%	N/A	66%
Assigned theft cases	1,000	2,055	2,000	2,055	1,951	1,900	1,000	400	900	1,200
Percentage of theft cases cleared	25%	25%	25%	25%	34%	25%	40%	40%	40%	60%
Assigned burglary cases	1,600	1,425	1,600	1,425	1,452	1,460	800	350	400	200
Percentage of burglary cases cleared	25%	25%	25%	25%	21%	25%	40%	40%	40%	70%
Case and arrest reports processed	24,603	24,603	24,603	19,814	15,324	21,921	18,133	15,128	14,584	19,310
Fire protection										
Number of calls for service	9,400	9,450	9,500	9,500	9,800	10,000	11,300	11,100	12,955	12,721
Fire related responses	188	283	285	238	110	200	218	214	238	271
Emergency medical aid responses	6,700	6,700	6,700	7,200	6,400	7,000	7,818	7,250	9,366	9,374
Community Programs										
Number of program participants at the Downtown Recreation Center	67,134	33,843	33,357	30,903	32,404	42,411	31,018	31,521	33,446	34,939
Over-the-counter plan checks reviewed within five (5) working days	650	600	450	270	319	338	337	225	240	240
Inspection requests with 24 hours	28,000	14,850	14,850	14,250	14,345	14,345	17,460	22,560	29,100	31,040
Complaint response within two (2) working days	95%	95%	95%	90%	90%	90%	90%	90%	90%	90%
Public services										
Number of trees trimmed annually	6,435	8,007	7,980	4,504	7,206	7,882	8,140	7,700	7,750	6,250
Number of catch basins cleaned annually	1,200	1,260	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,115

Source: City of Costa Mesa Finance Department

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

Function/Program	Fiscal Years									
	2008	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017
General Government										
City council	5.5	5.5	5.5	5.0	5.0	6.0	6.0	6.0	6.0	6.0
Chief Executive Officer's Office	16.56	16.56	16.00	13.00	15.75	22.00	29.75	38.41	33.30	37.59
City attorney	-	-	-	-	-	-	-	-	-	-
Financial services	24.42	24.42	24.42	17.75	17.75	27.21	27.21	20.21	21.71	21.50
Information technology	-	-	-	-	-	-	-	10.50	12.50	12.94
Administrative services	124.66	126.21	119.86	103.05	96.47	-	-	-	-	-
Development services	45.00	45.00	44.50	30.00	26.50	27.59	27.00	37.25	43.50	46.23
Park and community services	-	-	-	-	-	-	-	53.43	70.70	74.00
Protection of persons and property										
Police protection	262.73	266.75	254.63	213.88	220.68	235.60	237.68	236.41	232.63	234.46
Fire protection	112.92	112.92	112.92	98.44	96.44	95.44	95.75	84.75	87.25	87.50
Public services	108.90	109	108.96	76.50	79.25	114.99	124.43	83.37	81.77	84.82
	<u>700.69</u>	<u>706.26</u>	<u>686.79</u>	<u>557.62</u>	<u>557.84</u>	<u>528.83</u>	<u>547.82</u>	<u>570.33</u>	<u>589.36</u>	<u>695.95</u>

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

(2) The Information Technology was separated from Financial Service Department and Park & Community Services Department was separated from Public Service Department.

Source: City of Costa Mesa Finance Department

TABLE 20

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

Function/Program	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations/Substations	2	2	2	2	2	2	2	2	2	2
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Other public works										
Streets (lane miles)	525.0	525.0	525.0	525.0	525.0	525.0	529.0	529.0	529.0	529.0
Streetlights	6,669	6,669	6,669	6,669	6,674	6,674	6,674	6,674	6,674	6,674
Traffic signals	122	122	122	124	124	123	123	124	124	124
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957
Park sites	30	30	30	30	30	30	30	31	31	31
Baseball/softball diamonds	6	6	6	6	6	5	5	6	6	6
Soccer/football fields	8	8	8	8	8	10	10	10	10	10
Community centers	3	3	3	3	3	3	3	4	4	3
Wastewater (miles)										
Sanitary sewers	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7
Storm sewers	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5

Source: City of Costa Mesa Finance Department



