

**CITY OF COSTA MESA
CALIFORNIA**



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**



**FISCAL YEAR ENDED
JUNE 30, 2013**

CITY OF COSTA MESA, CALIFORNIA
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2013

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

www.costamesaca.gov

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 For the fiscal year ended June 30, 2013

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CITY OF COSTA MESA CALIFORNIA



RESTAURANT WEEK



**INTRODUCTORY
SECTION**



CITY OF COSTA MESA

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

FROM THE OFFICE OF THE FINANCE AND INFORMATION TECHNOLOGY DIRECTOR —CITY TREASURER

December 30, 2013

Honorable Mayor, Councilmembers, and Chief Executive Officer:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa (City) for the fiscal year ended June 30, 2013, 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 the finances of the City. Responsibility for both the accuracy of the data, and the completeness and fairness of the 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 the 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 the 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, 2013, 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, 2013, and that the statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 110,757 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 new world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

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

The City is a “full service city” and provides a wide range of services. These services include: police and fire protection; animal control; emergency medical aid; building safety regulation and inspection; street lighting; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety, maintenance, and improvement; and a full range of recreational and cultural programs.

A “full-service city” is defined as a city that is financially responsible for the full set of basic tax-dependent municipal services within its jurisdiction including police, fire, parks and recreation, streets, and land-use planning.

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

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

ECONOMIC CONDITION

The City, like other municipalities has continually been burdened by the financial pressures and impacts imposed by Federal, State, and County governments. Since the early 1980's, these governmental units have passed on to municipalities a myriad of unfunded mandates or service/regulatory requirements and also, have eliminated or redistributed significant sources of revenue. Most recently, the State of California dissolved all redevelopment agencies during fiscal year 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 has continued to benefit 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. The South Coast Plaza Shopping Center is the single largest commercial activity center in the City. The volume of sales generated by South Coast Plaza, secures its place as the highest volume regional shopping center in the nation. Sales tax and property tax revenues generated from this shopping center comprise a significant portion of the City's total tax revenues.

In fiscal year 2013, the City continued to address the level of operating expenditures while its strong economic base produced solid increases in sales, property, and transient occupancy tax revenues over the prior year resulting in a General Fund operating surplus of \$15.9 million before net other financing uses of \$6.2 million and an extraordinary loss of \$11.9 million. The extraordinary loss was due to the State of California's disallowance of the long-term advance from the City to the prior Redevelopment Agency and a demand payment required by the State of California. This is the third surplus for the City's General Fund in the last six fiscal years and is a welcome result of an enormous amount of hard work and commitment from the community, City Council, and City employees and the ongoing economic recovery. This surplus also helped to increase the overall cash position of the General Fund compared to fiscal year ended June 30, 2012. This increase will provide the City a greater amount of cash flexibility in the future.

The largest increase in revenues was from sales taxes in the amount of \$3.6 million or 8.5%. Sales taxes decreased significantly during the recession, so ongoing increases during the last few years have been a welcome recovery. General Fund revenues also included one-time payments totaling \$4 million for settlements and funds from the dissolution of the City's interest in the Airborne Law Enforcement joint venture. While overall General Fund expenditures increased a modest 2%, several City departments and divisions continued to reduce expenditures.

MAJOR (AND FUTURE) DEVELOPMENT INITIATIVES

Major Developments:

Villa Venetia Apartments (1555 Mesa Verde Drive E.) - Major renovations included 8,200 square feet of interior and exterior apartment unit improvements, landscape and amenity improvements (landscaping, new pools, etc.), and the construction of a new 13,944 square-foot, two-story community building. This renovation project was completed in September 2013.

Azulon Senior Residential Development (1500 Mesa Verde E.) - Construction began for this 224 unit senior residential rental development with on-site amenities. This project will include perimeter and gate walls, an 11,000 square foot recreation building, a 1,300 square foot fitness/yoga building, a 1,100 square foot pool, a 120 square foot spa, a 700 square foot pool restroom accessory building and 6 residential apartment buildings housing the 224 units. The Recreation building will incorporate common areas, a community club room with kitchen, dining and activity areas, a theater, a game and multi-purpose areas, and a leasing office and restrooms. The project is expected to be completed in 2014.

El Corazon and The Saddle Ranch Chop House Restaurants (Triangle Square - 1870 Harbor Boulevard) – These two new restaurants opened in April of 2013. Construction began in 2012 and the restaurants opened in early 2013. El Corazon occupies 5,600 square feet of indoor space and 5,000 square feet of outdoor dining area. The Saddle Ranch Chop House occupies 7,900 square feet of indoor space and 3,500 square feet of outdoor dining area. The Saddle Ranch Chop House is a destination restaurant, where guests can come for a meal, to experience the mechanical bull, and to enjoy outdoor fire pits.

Pacifica (421 Bernard Street) - This project is under construction and encompasses an approximately 161,500 square-foot, four-story, 113-unit multi-family residential development with 5,656 square feet of common areas. The common areas will consist of a 1,900 square-foot leasing area, a 760 square-foot business center, a 1,250 square-foot club area, a 1,245 square-foot fitness area, about 300 square feet of restroom area, and a 180 square-foot pool equipment area.

Walgreens (1726 Superior Avenue) –The former Tower Records site on Bristol was screened by City Council on February 7, 2012 for development of a 14,310 square foot Walgreens retail store and pharmacy. Square-footage will be divided into a 9,990 square-foot retail area on the first floor and a 4,320 square-foot basement. The site has been cleared in preparation for construction.

Future Developments:

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

Theodore Robins Ford Dealership (2054 Harbor Boulevard) - This update will add 5,000 square feet of space to the showroom and improve the interior and exterior of its showroom/office, service, and parts buildings. The improvements will also include a major façade renovation of the entire facility.

Live-Work Development (1695 Superior Avenue) - On July 16, 2013, the City Council screened an Urban Master Plan project for development of 29 live/work units. The developer, IntraCorp, returned on September 17, 2013 for screening of a second Urban Master Plan project for development of an additional 20 live/work units at the corner of 17th Street and Superior Avenue. These projects have been combined into a single development with 49-unit live/work units, due to be reviewed by the Planning Commission on November 12, 2013.

Baker Street Apartment Project (125 East Baker Street) - This proposed development is to be located on a 4.17-acre, triangular-shaped parcel at the southwest corner of Baker Street and Pullman Street. The developer is proposing to replace the existing office building and surface parking areas with a five-story, 240-unit apartment building and parking structure. The apartment unit breakdown is proposed as follows; 26 studio and studio plus loft units, 117 one-bedroom and one-bedroom plus loft units, 85 two-bedroom and two-bedroom plus loft units, and 12 three-bedroom plus three-bedroom plus loft units. On-site amenities will include common open space and recreation areas, a pool, and a clubhouse.

City Common (Southwest corner of Harbor Boulevard and Hamilton Street) – A 1.53 acre site at the southwest corner of Harbor Boulevard and Hamilton Street with primary frontage on Charle Street 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.

DEBT ADMINISTRATION

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

In May 2013, Standard and Poor's Rating Services affirmed its "AA" rating and gave a stable outlook on the City's Public Financing Authority's outstanding certificates of participation for the police facilities expansion project. In March 2010, Standard and Poor's Rating Services affirmed its 2008 "AA" rating and gave a stable outlook on the City's Public Financing Authority's outstanding certificates of participation.

The City continuously reviews existing debt for refunding possibilities to lower total debt service requirements. The City also has 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. These policies are reviewed annually and updated as appropriate.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2013 report continues to conform to the Certificate of Achievement program requirements and it will be submitted it 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 the 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 the 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 the team effort 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 the consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Costa Mesa has been able to maintain a sound financial base from which to operate.

Respectfully submitted,



STEPHEN DUNIVENT
Interim Finance Director

CITY OF COSTA MESA CALIFORNIA



CONCERTS IN THE PARK



FINANCIAL SECTION



City of Costa Mesa List of Principal Officials

June 30, 2013

Mayor

James M. Righeimer

City Council

Sandra L. Genis

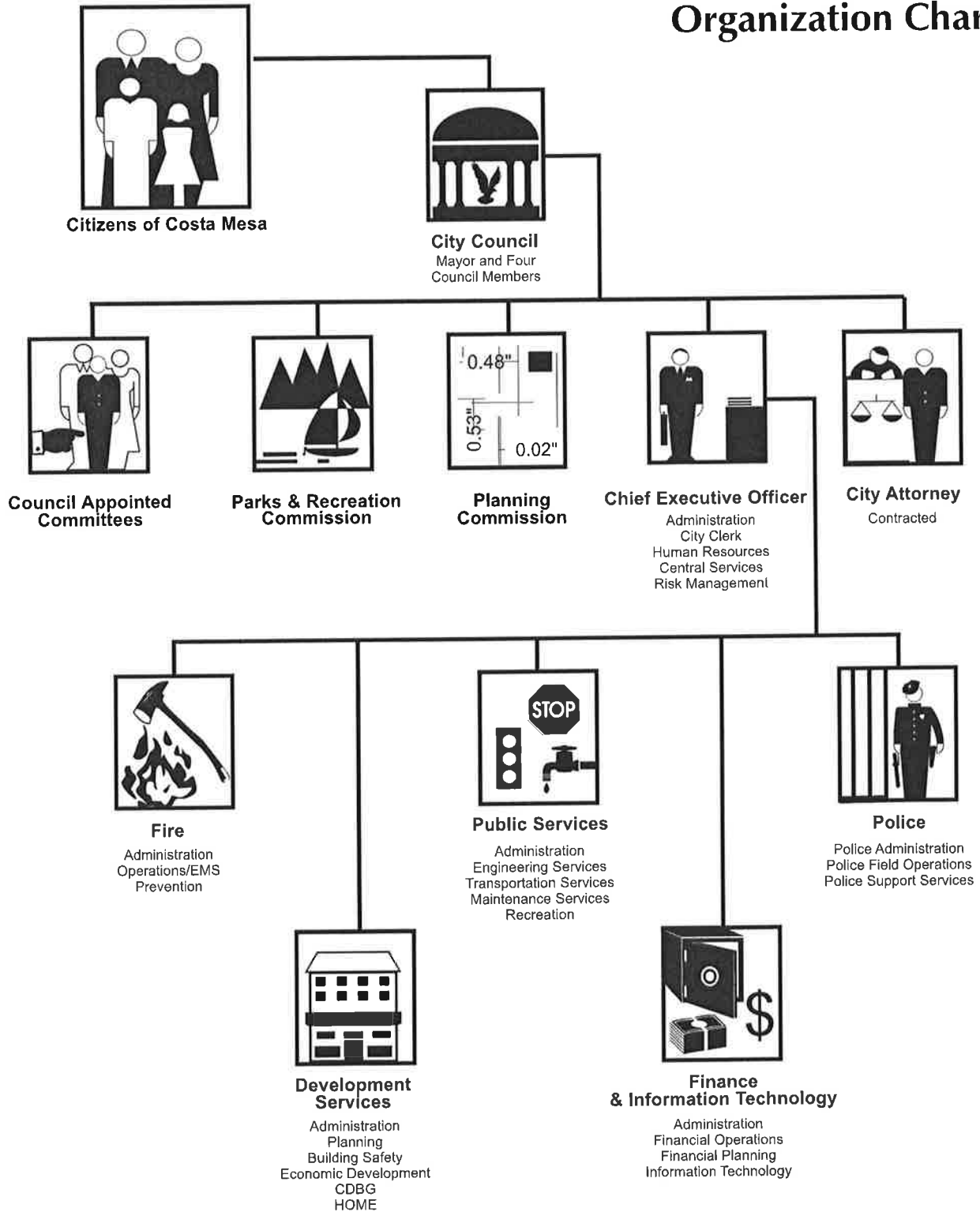
Wendy B. Leece

Stephen M. Mensinger

Gary Monahan

Chief Executive Officer-----	Thomas R. Hatch
Assistant Chief Executive Officer-----	Rick Francis
City Attorney (Contract)-----	Thomas P. Duarte
Development Services Director-----	Gary Armstrong
Interim Finance & I.T. Director-----	Stephen Dunivent
Public Services Director-----	Ernesto Munoz
Interim Fire Chief-----	Fred Seguin
Police Chief-----	Thomas E. Gazsi

City of Costa Mesa, California Organization Chart



Visit our Web site 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, 2012

Executive Director/CEO



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, 2013, 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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 basic 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, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1d to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1d to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Our opinion is not modified with respect to this matter.

Other Matters:

Partial Comparative Information

The financial statements include partial 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 statement for the year ended June 30, 2012 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 funding progress and budgetary comparison schedules, as listed in the 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 management's discussion and analysis and the schedule of funding progress 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 management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Matters (Continued):

Required Supplementary Information (Continued)

The budgetary comparison schedules have 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 of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, 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 December 26, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 26, 2013



CITY OF COSTA MESA CALIFORNIA



CIVIL WAR REENACTMENT



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 of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–vi of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Assets of the City's primary government exceeded its liabilities at the close of fiscal year 2013 by \$286.2 million (*net assets*). Of this amount, \$43.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$7.8 million from the prior fiscal year total of \$294 million.
- As of the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$81.2 million, a decrease of \$1.5 million in comparison with the prior year.
- At the end of fiscal year 2013, unassigned fund balance for the general fund was \$16.2 million or 18% of total general fund expenditures of \$90.1 million.
- The City's total long-term debt had a net decrease of \$1.7 million or 3% during fiscal year 2013. This decrease was primarily attributable to principal payments on outstanding bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's 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 of the City's assets and liabilities, with the difference between the two 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the 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*). The governmental activities of the City include general government, public safety, 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 funds of the City 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 the 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 the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Housing Authority, Special Gas Tax, Home Program, and the Park Development funds, all of which are considered to be major funds. Data from the other seventeen 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 Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds 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 the City's various functions. The City uses internal service funds to account for its equipment replacement, workers' compensation, and general liability 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 the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Equipment Replacement and the Self Insurance – Worker's Compensation/General Liability/Unemployment funds, each of which are considered to be nonmajor funds of the City. 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 benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of those 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 the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-77 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Required supplementary information can be found on pages 79-86 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following required supplementary information. Combining and individual fund statements and schedules can be found on pages 87-125 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$286.2 million at the close of the fiscal year ended June 30, 2013.

Seventy-two percent of the City’s total net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. 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 the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$114,669,504	\$118,624,964
Capital assets	<u>233,229,152</u>	<u>238,271,226</u>
Total Assets	<u>347,898,656</u>	<u>356,896,190</u>
Long-term debt outstanding	55,159,883	56,826,118
Other liabilities	<u>6,526,607</u>	<u>6,023,544</u>
Total Liabilities	<u>61,686,490</u>	<u>62,849,662</u>
Net position:		
Net investment in capital assets	204,884,524	207,954,876
Restricted	37,529,022	41,349,812
Unrestricted	<u>43,798,620</u>	<u>44,741,840</u>
Total Net Position	<u>\$286,212,166</u>	<u>\$294,046,528</u>

At the end of fiscal year 2013, the City was again able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental activities. During fiscal year 2013, the City’s total net position decreased by \$7.8 million from prior fiscal year net assets of \$294 million.

Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for services	\$11,242,599	\$10,766,690
Operating contributions and grants	8,443,327	8,832,089
Capital contributions and grants	5,140,960	4,555,065
General revenues:		
Taxes:		
Property taxes	23,192,755	21,564,340
Sales and use taxes	46,743,795	43,077,849
Transient occupancy tax	7,257,695	6,524,510
Franchise taxes	4,818,972	4,471,326
Business license tax	917,633	888,967
Other intergovernmental, unrestricted	8,814,644	8,594,277
Investment income	640,159	1,377,209
Settlements	1,452,623	-
Miscellaneous	<u>181,943</u>	<u>978,394</u>
Total revenues	<u>118,847,105</u>	<u>111,630,716</u>
Expenses:		
General government	22,655,452	19,977,655
Protection of persons and property	63,383,715	61,788,930
Community Programs	6,519,916	4,310,750
Public Services	20,508,217	18,873,545
Redevelopment	-	911,704
Interest on long-term debt	<u>1,726,008</u>	<u>2,683,598</u>
Total expenses	<u>114,793,308</u>	<u>108,546,182</u>
Change in net position before extraordinary gain (loss)	4,053,797	3,084,534
Extraordinary gain (loss)	<u>(11,888,159)</u>	<u>9,260,371</u>
Change in net position	(7,834,362)	12,344,905
Net position at beginning of year	<u>294,046,528</u>	<u>281,701,623</u>
Net position at end of year	<u>\$286,212,166</u>	<u>\$294,046,528</u>

Governmental Activities

Governmental activities increased the City's net position by \$4 million, while the overall decrease in the net position was \$7.8 million. This overall decrease was primarily due to an extraordinary loss related to the State of California's disallowance of the City's loan to the previous Redevelopment Agency during the fiscal year.

Key elements of the \$4 million increase attributable to governmental activities are as follows:

- Overall tax revenues increased by \$6.4 million or 8% from fiscal year 2012. Sales, transient occupancy, and franchise taxes continued to rise as the local economy rebounded from the previous recession. In addition, property taxes increased by \$1.6 million or 7%, with \$1.3 million being one-time in nature due to reallocations to taxing agencies of taxes previously received by the Redevelopment Agency prior to dissolution.
- Capital contributions and grants increased by \$0.6 million or almost 13% from fiscal year 2012. Capital contributions and grants vary based on available funding and the timing of grant projects.
- Investment income decreased by \$0.7 million or 53% from fiscal year 2012. This decrease reflects the continuation of historically low interest rates set by the Federal Reserve Bank which resulted in lower returns on fixed income investments.
- Settlement revenues increased by \$1.4 million or 100% from fiscal year 2012 due to two one-time large settlements that were received during the fiscal year. The first was \$0.9 million from the County of Orange to reimburse the City for excess property tax collection charges from prior years pursuant to an ongoing lawsuit filed by various cities. The second was \$0.5 million related to the termination of an affordable housing agreement with a developer.
- Miscellaneous revenues decreased by almost \$0.8 million or 81% from fiscal year 2012. This decrease was primarily attributable to a variety of prior year transactions with two notable receipts. The first was related was a reimbursement from the school district for the School Resource Officer Program and the second was pursuant to the termination of a retiree health savings plan
- Overall expenses increased by \$6.2 million or 6% from fiscal year 2012. Within this category, larger fluctuations occurred in several expenditure areas. General governmental expenses rose by \$2.7 million or 13%. Principal parts of this increase included filling certain vacant positions, increased consulting costs, purchases of information technology equipment, additional funding for the cable television program, grant funding provided to a non-profit to improve sports facilities at high schools, and a variety of other costs. Community program costs increased by \$2.2 million or 51% as a result of higher levels of grant funded park improvement projects versus operating programs in the prior year. Redevelopment expenses decreased by \$0.9 million or 100%, due to dissolution of the redevelopment agency by the State of California during the prior year. Interest costs for long-term debt decreased by \$1 million or 36% primarily due to the payoff of the 1998 Refunding Revenue Bonds out of reserve funds during the year.

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 the City's 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 2013, the City's governmental funds reported combined ending fund balances of \$81.2 million, a decrease of \$1.5 million in comparison with the prior fiscal year. Of this total amount:

- \$3.1 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.
- \$29.3 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external resource provides 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 (Council action) that can only be overturned by new legislation requiring the same voting consensus.
- \$19.3 million represents *assigned fund balance* which includes amounts that are designated or expressed by Council but does not require formal action like a resolution or ordinance.
- The remaining \$13.4 million constitutes *unassigned fund balance*.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2013, fund balance of the City's General Fund decreased by \$2.2 million. While total fund balance amounted to \$45.6 million, unassigned fund balance was \$16.2 million. Key factors in this change are as follows:

- Tax revenues increased by \$7.3 million or almost 10% over the prior fiscal year. This increase was primarily a result of the continuing local economic recovery. Notable contributors to this increase were sales taxes (\$3.6 million or 8%), property taxes (\$2.6 million or 12%), and transient occupancy taxes (\$0.7 million or 11%). Part of the property tax increase was related to a one-time transaction totaling \$1.3 million related to a redistribution of taxes from the prior redevelopment agency that was dissolved in the prior fiscal year.
- Revenues from investment income decreased by \$0.5 million or 81% over the prior fiscal year. As was noted previously, this decrease reflects the continuation of historically low interest rates set by the Federal Reserve Bank which resulted in lower returns on fixed income investments.
- Variances in other revenues including return on equity (increase of \$2.5 million) and settlements (increase of \$1.4 million) were primarily related to several one-time receipts. The first was due to proceeds received from the dissolution of Airborne Law Enforcement Services, a joint venture. The second was from two settlements: \$0.9 million from the County of Orange to reimburse the City for excess property tax collection charges from prior years pursuant to an ongoing lawsuit filed by various cities and \$0.5 million related to the termination of an affordable housing agreement with a developer.

- Overall, total revenues in the General Fund increased by \$10.4 million or almost 11%.
- General Government expenditures increased by \$1 million or almost 5% from the prior fiscal year. Principal parts of this increase included the following: certain vacant positions were filled, increased consulting costs, purchases of information technology equipment, additional funding for the cable television program, grant funding provided to a non-profit to improve sports facilities at high schools, and a variety of other costs.
- Community program expenditures increased by \$0.5 million or 14% from the prior fiscal year. This increase mostly due to the ongoing update of the City's general plan, various increases in recreation programs including filling of certain vacancies.
- Overall, total expenditures in the General Fund increased modestly by \$1.8 million or 2%.
- Other financing uses increased by \$1.4 million or 28%. This increase was primarily attributable to an interfund transfer of \$2.6 million to the Capital Improvements Fund offset by final debt service costs of \$1.3 million for the 1998 Refunding Revenue Bonds which were disbursed from available reserve funds.
- The \$11.9 million extraordinary loss was related to the State of California's disallowance of the City's loan to the previous Redevelopment Agency (now held by the Successor Agency) during the fiscal year.

Major Funds

The Housing Authority Fund had a \$42,706 fund balance as of the end of the fiscal year which represents a net increase of \$0.2 million or 126% from the prior fiscal year. This fund was created as of February 1, 2012 pursuant to dissolution of the Redevelopment Agency by the State of California as of January 31, 2012. The City approved the creation of a Housing Authority and it currently monitors housing rehabilitation loans previously reported in the Low and Moderate Income Housing Fund.

The Special Gas Tax Fund had \$10.4 million in fund balance as of the end of the fiscal year which represents a net decrease of \$2.7 million or 21% from the prior fiscal year. The decrease was primarily a result of the progression of budgeted street maintenance projects.

The HOME Program Fund had \$0.1 million in fund balance at the end of the fiscal year which represents a net increase of \$39,363 or 65% from the prior fiscal year. The increased fund balance resulted from grant funding and the timing of the drawdown requests.

The Park Development Fund had a \$2.9 million fund balance deficit at the end of the fiscal year which represents an increase of \$0.3 million from the deficit in the prior fiscal year. The increased deficit resulted from a continued lower level of collection of park development fees since the previous recession.

Proprietary Funds

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

The City utilizes internal service funds which are a propriety fund type. Unrestricted net position of the Internal Service Funds at the end of the year amounted to \$1.2 million. The decrease in total net position for the fiscal year amounted to \$2.9 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2013, actual revenues were \$4.9 million more than originally estimated and \$4 million more than adjusted during the City’s mid-year budget review. 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 the City Council. Revenue estimates are typically not changed for any 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 \$4.8 million less than originally estimated and \$6.5 million less than the final adjusted budget. Significant contributing factors of this difference were vacant positions compared to budgeted levels and projects in progress but not completed, such as the general plan update. 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, 2013, amounted to \$233.2 million net of accumulated depreciation. This investment in capital assets includes land, building improvements and structures, machinery and equipment, park systems and facilities, median improvements, roads, highways, storm drains, and bridges. The City’s investment in capital assets for the current fiscal year decreased by 2% or \$5 million from the prior fiscal year. Major capital asset events during fiscal year 2013 included a variety of street construction and park projects citywide. Some of the major projects this fiscal year included:

- Maintenance, construction, and rehabilitation of streets, walkways, curbs, gutters, and alleys
- Various traffic mitigation improvement projects
- Various park improvement projects
- Deleted assets pursuant to a physical inventory

During the fiscal year, capital assets not being depreciated decreased by \$1.4 million and capital assets being depreciated decreased by \$3.6 million. Construction in progress as of the fiscal year end totaled \$3.2 million and included some of the following projects:

<u>Construction Project</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fairview Park Improvements	\$ 2,753,834	1,307,541	1,446,293
Fairview Traffic Signal Synchronization	658,440	576,389	82,051
Brentwood Park Expansion	854,193	358,530	495,663
Smallwood Park Improvements	<u>380,000</u>	<u>107,969</u>	<u>272,031</u>
Total	<u>\$4,646,467</u>	<u>2,350,429</u>	<u>2,296,038</u>

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$32,515,441	\$32,515,441
Land rights related to streets	29,821,224	29,291,575
Construction in progress	3,204,970	5,127,008
Building improvements and structures	27,388,054	29,394,749
Machinery and equipment	8,875,924	9,038,409
Park System	12,680,131	9,908,447
Infrastructure- roads	105,022,314	107,967,375
Infrastructure- storm drains	<u>13,721,094</u>	<u>15,028,222</u>
Totals	<u>\$233,229,152</u>	<u>\$238,271,226</u>

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

Long-Term Debt

At year-end, the City had a number of Public Financing Authority bond issues outstanding, including 2003 Refunding Certificates of Participation (\$6.5 million outstanding), 2006 Revenue Refunding Bonds (\$1.6 million outstanding), and 2007 Certificates of Participation (\$23.9 million outstanding). In addition, the City had \$0.6 million of capitalized lease obligations and \$22.5 million of other liabilities (primarily related to claims and employee benefits) outstanding.

Long-term liabilities had a net decrease of \$1.7 million primarily due to payment of normally scheduled principal maturities on bonds and lease obligations.

Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Bonds payable	\$ 32,015,000	\$ 35,630,000
Other liabilities	22,533,154	20,138,209
Capitalized lease obligations	<u>611,729</u>	<u>1,057,909</u>
Totals	<u>\$55,159,883</u>	<u>\$56,826,118</u>

Additional information on the City of Costa Mesa's long-term debt can be found in notes 7 through 11 on pages 57-63 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2013, the local economy continued to improve after the previous recession that significantly affected the City's revenue base. While this recovery is welcome and needed, the City will continue to remain cautious about future economic conditions. Given the volatility of the City's sales tax base, economic declines may affect the City sooner than other surrounding cities. While adopting the fiscal year 2014 budget, the City remained conservative with revenue estimates and maintained control over budgeted appropriations. Should economic conditions continue to improve, this philosophy will allow the City to more completely rebound from the previous recessionary period.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Finance Director, City of Costa Mesa, P.O. Box 1200, Costa Mesa, California, 92628-1200.



CITY OF COSTA MESA CALIFORNIA



FIRST FRIDAYS CAR SHOW



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, 2013

(With Comparative Data for Prior Year)

	Governmental Activities	
	2013	2012
Assets:		
Cash and investments (note 2)	\$ 87,705,171	\$ 77,718,689
Cash and investments with fiscal agent (note 2)	4,282,101	5,570,697
Due from other governments	10,153,375	10,293,119
Accounts receivable	552,730	502,512
Interest receivable	126,054	250,522
Loans receivable	11,269,460	11,720,148
Rent receivable	232,097	234,570
Advances to Successor Agency (note 23)	-	9,794,676
Inventories	177,180	191,520
Prepaid items	171,336	39,292
Investment in joint venture (note 21)	-	2,309,219
Capital assets (note 6):		
Land	32,515,441	32,515,441
Land rights related to streets	29,821,224	29,291,575
Construction in progress	3,204,970	5,127,008
Other capital assets, net of accumulated depreciation	167,687,517	171,337,202
Total assets	<u>347,898,656</u>	<u>356,896,190</u>
Liabilities:		
Accounts payable	3,499,679	2,396,135
Accrued liabilities	1,796,371	2,039,869
Accrued interest payable	369,023	414,629
Retentions payable	129,401	173,691
Deposits payable	732,133	999,220
Long-term liabilities:		
Portion due within one year:		
Claims payable (notes 7, 9 and 19)	3,525,000	3,005,239
Bonds payable (notes 7 and 8)	2,450,000	3,615,000
Capital leases payable (notes 7 and 10)	196,334	446,180
Employee leave benefits payable (notes 7 and 9)	3,600,000	3,550,000
Portion due beyond one year:		
Claims payable (notes 7, 9 and 19)	8,876,539	6,785,166
Bonds payable (notes 7 and 8)	29,565,000	32,015,000
Capital leases payable (notes 7 and 10)	415,395	611,729
Employee leave benefits payable (notes 7 and 9)	1,271,727	1,885,878
Net OPEB obligation (notes 7, 9 and 16)	2,897,591	2,470,935
Police retirement 1% supplemental (notes 7, 9 and 15)	2,362,297	2,440,991
Total liabilities	<u>61,686,490</u>	<u>62,849,662</u>
Net position:		
Net investment in capital assets	204,884,524	207,954,876
Restricted for:		
Protection of persons and property	2,329,840	2,519,015
Community programs	8,713,244	10,262,006
Public services	26,485,938	28,568,791
Unrestricted	43,798,620	44,741,840
Total net position	<u>\$ 286,212,166</u>	<u>294,046,528</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2013	2012
Governmental activities:						
General government	\$ 22,655,452	-	-	-	(22,655,452)	(19,977,655)
Protection of persons and property	63,383,715	2,739,881	4,022,966	-	(56,620,868)	(56,117,720)
Community programs	6,519,916	5,856,107	1,658,799	-	994,990	3,358,208
Public services	20,508,217	2,646,611	2,761,562	5,140,960	(9,959,084)	(8,059,869)
Redevelopment	-	-	-	-	-	(911,704)
Interest on long-term debt	1,726,008	-	-	-	(1,726,008)	(2,683,598)
Total governmental activities	\$ 114,793,308	11,242,599	8,443,327	5,140,960	(89,966,422)	(84,392,338)
General revenues:						
Taxes:						
					23,192,755	21,564,340
					46,743,795	43,077,849
					7,257,695	6,524,510
					4,818,972	4,471,326
					917,633	888,967
					8,814,644	8,594,277
					640,159	1,377,209
					1,452,623	-
					181,943	978,394
					<u>94,020,219</u>	<u>87,476,872</u>
					4,053,797	3,084,534
Extraordinary items:						
					(11,888,159)	-
					-	9,260,371
					<u>(7,834,362)</u>	<u>12,344,905</u>
					<u>294,046,528</u>	<u>281,701,623</u>
					<u>\$ 286,212,166</u>	<u>294,046,528</u>

See accompanying notes to basic financial statements.



CITY OF COSTA MESA CALIFORNIA



ARTIST SHOWCASE



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.

Special Gas Tax Fund

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

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 FUND

Park Development Fund

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

Nonmajor Governmental Funds

Nonmajor governmental funds constitute all other governmental funds whose assets, liabilities, revenues, or expenditures do not exceed 10% of the governmental funds total. These funds 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, 2013

(With Comparative Data for Prior Year)

	Special Revenue			
	General	Housing Authority	Special Gas Tax	HOME Program
<u>Assets</u>				
Cash and investments	\$ 37,286,126	195,077	11,423,192	95,847
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	7,787,361	-	-	21,167
Accounts receivable	520,768	-	-	-
Interest receivable	55,402	324	15,644	132
Loans receivable	-	4,772,323	-	5,561,708
Rent receivable	232,097	-	-	-
Due from other funds (note 3)	113,477	-	-	-
Advances to other funds (note 4)	4,285,268	-	-	-
Advances to Successor Agency (note 24)	-	-	-	-
Inventories	41,036	-	-	-
Prepaid items	37,251	-	-	-
Total assets	<u>\$ 50,358,786</u>	<u>4,967,724</u>	<u>11,438,836</u>	<u>5,678,854</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,545,563	1,929	837,245	15,168
Accrued liabilities	1,208,888	-	173,299	2,313
Retentions payable	-	-	-	-
Deposits payable	732,133	-	-	-
Due to other funds (note 3)	-	-	-	-
Advances from other funds (note 4)	-	150,766	-	-
Total liabilities	<u>3,486,584</u>	<u>152,695</u>	<u>1,010,544</u>	<u>17,481</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues	<u>1,225,761</u>	<u>4,772,323</u>	<u>34,454</u>	<u>5,561,708</u>
<u>Fund Balances (Note 12)</u>				
Nonspendable:				
Prepaid items/loan deposits	37,251	-	-	-
Inventories	41,036	-	-	-
Advances to other funds	3,059,507	-	-	-
Advances to Successor Agency	-	-	-	-
Restricted for:				
Protection of persons and property	-	-	-	-
Community programs	-	42,706	-	99,665
Public services	-	-	10,393,838	-
Debt service	-	-	-	-
Committed	16,125,000	-	-	-
Assigned	10,131,615	-	-	-
Unassigned	16,252,032	-	-	-
Total fund balances (deficit)	<u>45,646,441</u>	<u>42,706</u>	<u>10,393,838</u>	<u>99,665</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,358,786</u>	<u>4,967,724</u>	<u>11,438,836</u>	<u>5,678,854</u>

See accompanying notes to the basic financial statements.

Capital Projects

Park Development	Nonmajor Governmental Funds	Totals	
		2013	2012
1,402,860	23,667,704	74,070,806	63,874,195
-	4,282,101	4,282,101	5,570,697
-	2,344,847	10,153,375	10,293,119
-	10,568	531,336	489,447
1,939	32,584	106,025	205,660
-	935,429	11,269,460	11,720,148
-	-	232,097	234,570
-	-	113,477	123,114
-	150,766	4,436,034	4,198,989
-	-	-	9,794,676
-	-	41,036	40,588
-	-	37,251	39,292
<u>1,404,799</u>	<u>31,423,999</u>	<u>105,272,998</u>	<u>106,584,495</u>
11,472	763,230	3,174,607	1,971,625
-	402,118	1,786,618	2,027,193
-	129,401	129,401	173,691
-	-	732,133	999,220
-	113,477	113,477	123,114
4,285,268	-	4,436,034	4,198,989
<u>4,296,740</u>	<u>1,408,226</u>	<u>10,372,270</u>	<u>9,493,832</u>
-	2,087,537	13,681,783	14,334,170
-	-	37,251	39,292
-	-	41,036	40,588
-	-	3,059,507	2,997,657
-	-	-	9,794,676
-	3,940,401	3,940,401	1,905,217
-	42,587	184,958	101,894
-	9,115,761	19,509,599	21,502,440
-	5,667,101	5,667,101	7,075,697
-	-	16,125,000	16,125,000
-	9,162,682	19,294,297	17,442,970
(2,891,941)	(296)	13,359,795	5,731,062
<u>(2,891,941)</u>	<u>27,928,236</u>	<u>81,218,945</u>	<u>82,756,493</u>
<u>1,404,799</u>	<u>31,423,999</u>	<u>105,272,998</u>	<u>106,584,495</u>



CITY OF COSTA MESA, CALIFORNIA
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2013

Fund balances of governmental funds \$ 81,218,945

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	533,289,846
Accumulated depreciation	(303,735,794)

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	(32,015,000)
Employee benefits leave payable	(4,871,727)
OPEB	(2,897,591)
Police 1% Retirement Supplemental	(2,362,297)

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. (369,023)

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. 4,273,024

Deferred Inflows of Resources

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. 13,681,783

Net position of governmental activities \$ 286,212,166

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the fiscal year ended June 30, 2013
(With Comparative Data for Prior Year)

	Special Revenue			
	General	Housing Authority	Special Gas Tax	HOME Program
Revenues:				
Taxes	\$ 81,997,002	-	-	-
Licenses and permits	1,997,057	-	-	-
Fines and forfeits	1,506,940	-	-	-
Intergovernmental	9,623,130	-	2,749,407	216,973
Charges for services	3,509,616	-	-	-
Rental	2,786,330	98,118	-	-
Investment income	109,930	-	101,206	-
Return on equity (note 21)	2,551,815	-	-	-
Settlements	1,452,623	-	-	-
Miscellaneous	517,920	166,470	-	151,104
Total revenues	<u>106,052,363</u>	<u>264,588</u>	<u>2,850,613</u>	<u>368,077</u>
Expenditures:				
Current:				
General government	21,982,783	-	-	-
Protection of persons and property	58,150,275	-	-	-
Community programs	4,500,656	56,321	-	328,714
Public services	5,177,151	-	5,585,197	-
Redevelopment	-	-	-	-
Debt service:				
Principal	257,050	-	-	-
Interest and fiscal charges	47,610	4,687	-	-
Total expenditures	<u>90,115,525</u>	<u>61,008</u>	<u>5,585,197</u>	<u>328,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,936,838</u>	<u>203,580</u>	<u>(2,734,584)</u>	<u>39,363</u>
Other financing sources (uses):				
Transfers in (note 5)	148	-	-	-
Transfers out (note 5)	(6,212,312)	-	-	-
Total other financing sources (uses)	<u>(6,212,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances, before extraordinary item	<u>9,724,674</u>	<u>203,580</u>	<u>(2,734,584)</u>	<u>39,363</u>
Extraordinary items:				
(Loss) on advance to successor agency (note 24)	(11,888,159)	-	-	-
Gain on transfer to successor agency	-	-	-	-
Total extraordinary items	<u>(11,888,159)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(2,163,485)</u>	<u>203,580</u>	<u>(2,734,584)</u>	<u>39,363</u>
Fund balances (deficit) at beginning of year	<u>47,809,926</u>	<u>(160,874)</u>	<u>13,128,422</u>	<u>60,302</u>
Fund balances (deficit) at end of year	<u>\$ 45,646,441</u>	<u>42,706</u>	<u>10,393,838</u>	<u>99,665</u>

See accompanying notes to the basic financial statements.

Capital Projects

Park Development	Nonmajor Governmental Funds	Totals	
		2013	2012
-	933,847	82,930,849	76,526,993
-	-	1,997,057	1,903,361
-	2,976,300	4,483,240	3,508,181
-	6,606,456	19,195,966	19,838,941
149,806	661,510	4,320,932	4,167,896
-	102,607	2,987,055	3,054,100
11,230	311,103	533,469	1,189,168
-	-	2,551,815	-
-	-	1,452,623	-
-	74,678	910,172	1,376,946
<u>161,036</u>	<u>11,666,501</u>	<u>121,363,178</u>	<u>111,565,586</u>
-	-	21,982,783	20,974,387
-	2,317,816	60,468,091	59,993,364
237,583	1,043,517	6,166,791	6,125,337
-	6,019,403	16,781,751	13,613,312
-	-	-	911,704
-	3,615,000	3,872,050	4,525,739
242,562	1,446,242	1,741,101	2,734,050
<u>480,145</u>	<u>14,441,978</u>	<u>111,012,567</u>	<u>108,877,893</u>
<u>(319,109)</u>	<u>(2,775,477)</u>	<u>10,350,611</u>	<u>2,687,693</u>
-	6,212,312	6,212,460	5,099,168
-	(148)	(6,212,460)	(5,099,168)
-	6,212,164	-	-
<u>(319,109)</u>	<u>3,436,687</u>	<u>10,350,611</u>	<u>2,687,693</u>
-	-	(11,888,159)	-
-	-	-	5,645,371
-	-	(11,888,159)	5,645,371
<u>(319,109)</u>	<u>3,436,687</u>	<u>(1,537,548)</u>	<u>8,333,064</u>
<u>(2,572,832)</u>	<u>24,491,549</u>	<u>82,756,493</u>	<u>74,423,429</u>
<u>(2,891,941)</u>	<u>27,928,236</u>	<u>81,218,945</u>	<u>82,756,493</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, 2013

Net changes in fund balances - total governmental funds	\$ (1,537,548)
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 assets decrease by the amount of depreciation expense charged for the year.	
Capital outlay	7,153,604
Depreciation expense	(11,727,043)
<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	564,151
Principal payments - bonds	3,615,000
Principal payments - capital leases	257,051
OPEB	(426,656)
Police Retirement 1% Supplemental	78,694
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	45,606
<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.	(2,895,615)
<u>Investment in Joint Venture</u>	
The current year change in the City's interest in the Airborne Law Enforcement operation with the City of Newport Beach.	(2,309,219)
<u>Deferred Inflows of Revenue</u>	
Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	(652,387)
Change in net position of governmental activities	<u>\$ (7,834,362)</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Net Position

June 30, 2013

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets:		
Cash and investments (note 2)	\$ 13,634,365	13,844,494
Accounts receivable	21,394	13,065
Interest receivable	20,029	44,862
Prepaid expenses	134,085	-
Inventories	136,144	150,932
	<u>13,946,017</u>	<u>14,053,353</u>
Capital assets:		
Motorized equipment	10,522,025	11,701,263
Other equipment	169,648	330,993
Accumulated depreciation	<u>(7,016,573)</u>	<u>(7,888,517)</u>
	<u>3,675,100</u>	<u>4,143,739</u>
Net capital assets		
	<u>17,621,117</u>	<u>18,197,092</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	325,072	424,514
Accrued liabilities	9,753	12,676
Capital lease payable (note 8)	196,334	189,129
Claims payable (note 8)	<u>3,525,000</u>	<u>3,005,239</u>
	<u>4,056,159</u>	<u>3,631,558</u>
Long-term liabilities:		
Capital lease payable (note 8)	415,395	611,729
Claims payable (note 8)	<u>8,876,539</u>	<u>6,785,166</u>
	<u>9,291,934</u>	<u>7,396,895</u>
Total long-term liabilities		
	<u>13,348,093</u>	<u>11,028,453</u>
<u>Net Position</u>		
Net investment in capital assets	3,063,371	3,342,881
Unrestricted	<u>1,209,653</u>	<u>3,825,758</u>
	<u>\$ 4,273,024</u>	<u>7,168,639</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, 2013

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2013</u>	<u>2012</u>
Operating revenues:		
Charges for services	<u>\$ 6,335,757</u>	<u>6,315,371</u>
Total operating revenues	<u>6,335,757</u>	<u>6,315,371</u>
Operating expenses:		
Allocated administrative costs	856,359	948,541
Depreciation	640,616	664,795
Fuel and repair parts	1,126,831	1,139,155
Claims and premiums	<u>6,543,299</u>	<u>3,577,090</u>
Total operating expenses	<u>9,167,105</u>	<u>6,329,581</u>
Operating loss	<u>(2,831,348)</u>	<u>(14,210)</u>
Nonoperating revenues (expenses):		
Investment income	107,711	188,042
Interest expense	(30,513)	(37,454)
Other income	20,073	-
Loss on sale of equipment	<u>(161,538)</u>	<u>(33,810)</u>
Total nonoperating revenues (expenses)	<u>(64,267)</u>	<u>116,778</u>
Income (loss) before transfers	<u>(2,895,615)</u>	<u>102,568</u>
Transfers out (note 5)	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>
Change in net position	(2,895,615)	102,568
Net position at beginning of year	<u>7,168,639</u>	<u>7,066,071</u>
Net position at end of year	<u>\$ 4,273,024</u>	<u>7,168,639</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, 2013

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2013	2012
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 6,327,428	6,542,208
Cash payments to suppliers for goods and services	(5,569,937)	(5,027,264)
Cash payments to employees for services	(567,080)	(653,216)
Net cash provided by (used for) operating activities	<u>190,411</u>	<u>861,728</u>
Cash flows from noncapital financing activities:		
Cash paid to other funds	-	-
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	22,812	52,112
Acquisition of capital assets	(336,254)	(23,197)
Cash paid for capital related financing	(219,642)	(219,640)
Net cash provided by (used for) capital and related financing activities	<u>(533,084)</u>	<u>(190,725)</u>
Cash flows from investing activities:		
Investment income received	132,544	185,729
Net cash provided by (used for) investing activities	<u>132,544</u>	<u>185,729</u>
Net increase (decrease) in cash and cash equivalents	(210,129)	856,732
Cash and cash equivalents at beginning of year	13,844,494	12,987,762
Cash and cash equivalents at end of year	<u>\$ 13,634,365</u>	<u>13,844,494</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (2,831,348)	(14,210)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	640,616	664,795
(Increase) decrease in inventories	14,788	(34,777)
(Increase) decrease in accounts receivable	(8,329)	193,027
(Increase) decrease in prepaid items	(134,085)	-
Increase (decrease) in accounts payable	(99,442)	207,784
Increase (decrease) in accrued liabilities	(2,923)	264
Increase (decrease) in claims payable	2,611,134	(155,155)
Net cash provided by (used for) operating activities	<u>\$ 190,411</u>	<u>861,728</u>

Non-cash investing, capital and financing activities:

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

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Fiduciary Funds

Statement of Net Position

June 30, 2013

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	Agency Funds
	<u>Trust Fund</u>	<u>Funds</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 863,049	2,700,082
Cash and investments with fiscal agent (note 2)	704,300	-
Accounts receivable	-	191,442
Interest receivable	-	20
	<u>1,567,349</u>	<u>2,891,544</u>
<u>Liabilities</u>		
Accounts payable	38,259	457,003
Accrued liabilities	3,828	-
Deposits payable	-	2,434,541
Long-term liabilities (note 23)		
Due within one year	565,000	-
Due in more than one year	2,505,000	-
	<u>3,112,087</u>	<u>2,891,544</u>
<u>Net Position</u>		
Net position	<u>\$ (1,544,738)</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, 2013

(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	
	<u>2013</u>	<u>2012</u>
Additions:		
Property taxes	\$ 1,119,894	\$ 1,513,071
Investment earnings	276	1,357
Total revenues	<u>1,120,170</u>	<u>1,514,428</u>
Deductions:		
Program expenses of former redevelopment agency	153,588	305,457
Administrative expenses	191,236	146,872
Demand payments	2,393,420	-
Interest and fiscal agent expenses of former redevelopment agency	<u>928,849</u>	<u>78,088</u>
Total expenses	<u>3,667,093</u>	<u>530,417</u>
Extraordinary items:		
Gain on advance from the City (notes 22 and 24)	9,278,545	-
Gain (loss) on transfer to successor agency	<u>-</u>	<u>(9,260,371)</u>
Total extraordinary items	<u>9,278,545</u>	<u>(9,260,371)</u>
Change in net position	6,731,622	(8,276,360)
Net position at beginning of the year	<u>(8,276,360)</u>	<u>-</u>
Net position at end of year	<u>\$ (1,544,738)</u>	<u>\$ (8,276,360)</u>

See accompanying notes to the financial statements

CITY OF COSTA MESA CALIFORNIA



60TH ANNIVERSARY CELEBRATION



**NOTES TO THE
FINANCIAL
STATEMENTS**

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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 are reported in the Debt Service Fund. Upon completion, separate financial statements of the Authority can be obtained at City Hall.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

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

(a) Description of Reporting Entity, (Continued)

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. Separate financial statements for the District are not prepared.

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 blended into the City's CAFR in government-wide activities and in the fund financial statements as 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 of Costa Mesa 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

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

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

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

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

Franchise fees and business license charges have been reported as general revenue 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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

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

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

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.

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 and current liabilities 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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

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

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

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. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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

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 the 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/deferred outflows of resources and all liabilities/deferred inflows of resource (whether current or noncurrent) associated with their activity are included on their 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 expenditures. 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 expenditures.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

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

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.

(c) Fund Classifications

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

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated 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.

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.

Special Gas Tax Fund – This special revenue fund was established to account for the receipt and disbursement of funds used for construction and maintenance of the road network system of the City. Financing is provided by the City's share of State gasoline taxes.

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.

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

(c) Fund Classifications (Continued)

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

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

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

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

(d) New Accounting Pronouncements

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "*Elements of Financial Statements*" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, certain deferred revenues previously reported as liabilities are now reflected as deferred inflows of resources. No change to net position resulted from the implementation of this new standard.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

(e) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

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.

(f) Cash Equivalents

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

(g) Advances to Other Funds

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

(h) 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.

(i) Prepays

The City uses the consumption method to record prepaid items.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

(j) Capital Assets

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

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, medians, sewers, and storm drains. Public domain assets acquired prior to 1980 have been included in the accompanying financial statements. Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective Statement of Net Position. The ranges of lives used for computing depreciation for each capital asset class are as follows:

Landscaping and sprinkler improvements	35-40 years
Underground lines and storm drains	50-100 years
Buildings and structures	10-20 years
Automotive and other equipment	2-20 years
Office furniture	5-20 years
Office machines	3-20 years
Other equipment	5-60 years
Infrastructure – roads	5-50 years
Infrastructure – storm drain	50-100 years

(k) Deferred Outflows/Inflows of Resources

The statement of financial position 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 a future period(s) and so will *not* be recognized as an outflow of resources (expenditure) until then. The City has no items that qualify for reporting in this category.

The statement of financial position 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, unavailable revenue, 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 advance. These amounts are deferred and will be recognized as inflows of resources in periods that the amounts become available.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

(1) Fund Balances

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

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

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

Committed Fund Balance – this includes amounts that can be used only for specific purposes determined by formal action of 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. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of City Council for the purposes of establishing, modifying, and rescinding a committed fund balance.

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. Such delegation of authority has not yet been granted to persons or bodies other than the Council.

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

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

(m) Employee Leave Benefits

Regular full-time City employees earn from 92 to 526.4 hours of vacation a year, depending upon their length of employment and the bargaining unit. Employees can carry forward vacation hours in excess of twice that earned in a calendar year upon approval of the department head as authorized by the Chief Executive Officer. If an employee's vacation hours reach the maximum, vacation accruals will freeze until such time the accrual drops below the maximum. Upon termination, permanent employees are entitled to receive compensation at their current rate for all unused vacation up to and including the date of termination.

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

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

(m) Employee Leave Benefits (Continued)

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.

(p) Estimations

The preparation of financial statements in conformity 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.

(q) Subsequent event

In preparing these financial statements, the City has evaluated transactions for potential recognition or disclosure through the date of the auditor's opinion, the date the financial statements were available to be issued.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and investments	\$ 87,705,171
Cash and investments with fiscal agent	4,282,101
Statement of Fiduciary Net Position:	
Cash and investments	3,563,131
Cash and investments with fiscal agent	<u>704,300</u>
Total cash and investments	<u>\$ 96,254,703</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 12,075
Demand deposits	<u>430,887</u>
Total cash and deposits	<u>442,962</u>
Investments:	
Costa Mesa Community Facilities District Bonds	1,385,000
Commercial Paper	4,998,997
Federal agency securities	40,355,840
Money market mutual funds	5,709,653
State Treasurer's Investment Pool	42,790,901
Lehman Bros Holdings, Inc-Bankruptcy	<u>571,350</u>
Total investments	<u>95,811,741</u>
Total cash and investments	<u>\$ 96,254,703</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types 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>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Securities	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	60%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Medium-Term Corporate Notes	Yes	5 years	30%	5%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	35%	None
Local Agency Investment Fund	Yes	N/A	\$50 Million	None

* 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, 2013

(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, 2013

(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:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Federal Agency Securities	\$40,355,840	-	-	40,355,840	-
State Investment Pool (LAIF)	42,790,901	42,790,901	-	-	-
Commercial Paper	4,998,997	4,998,997	-	-	-
Money Market Mutual Funds	723,251	723,251	-	-	-
Held by Trustee:					
Costa Mesa Community Facilities District Bonds	1,385,000	-	270,000	490,000	625,000
Money Market Mutual Funds	4,986,402	4,986,402	-	-	-
Lehman Bros. Holdings, Inc. Bankruptcy	571,350	348,222	223,128	-	-
Total	\$95,811,741	53,847,773	493,128	40,845,840	625,000

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, 2013

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Ratings at 6/30/13

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Legal Rating</u>	<u>Moody's</u>	<u>Standard & Poors</u>
Federal Agency Securities	\$40,355,840	N/A	Aaa	AA+
Commercial Paper:				
GE Capital Corporation	4,998,997	A	P1	A1
State Investment Pool (LAIF)	42,790,901	N/A	Not Rated	Not Rated
Money Market Mutual Funds	723,251	A	Aaa	AAA
Held by Trustee:				
Costa Mesa Community Facilities District Bond	1,385,000	N/A	Not Rated	Not Rated
Money Market Mutual Funds	4,986,402	A	Aaa	AAA
Lehman Bros. Holdings Inc. Bankruptcy	571,350	N/A	Not Rated	Not Rated
Total	<u>\$95,811,741</u>			

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(2) Cash and Investments, (Continued)

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, 2013

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 113,477

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, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Development Fund	\$4,285,268
Nonmajor Governmental Funds	Housing Authority	<u>150,766</u>
Total		<u>\$4,436,034</u>

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

The \$4,285,268 advance from the General Fund to the Park Development Fund is for the purchase of land. The annual interest rate is 6%. The advance is expected to be repaid with future park development fees.

The \$150,766 advance from the Community Development Fund to the Housing Authority Fund represents a loan to the Housing Authority, which bears an interest rate of 3% and, likewise, is not expected to be repaid in the forthcoming year, but is expected to be repaid.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(5) Transfers In and Out

Transfers in and out for the year ended June 30, 2013 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Nonmajor Governmental Funds	\$6,212,312 (a)
Nonmajor Governmental Funds	General Fund	<u>148 (b)</u>
		<u>\$6,212,460</u>

- (a) The General Fund transferred the following to the Nonmajor Governmental Funds:
1. \$94,805 to the Supplemental Law Enforcement Block Grant Fund for the reimbursement of public safety expenditures;
 2. \$141 to the Homelessness Prevention Fund for reimbursement of negative fund balance;
 3. \$3,527,366 to the Financing Authority Debt Service Fund for debt service payments;
 4. \$2,590,000 to the Capital Improvements Fund for capital improvement projects.
- (b) The following Nonmajor Governmental Fund transferred funds back to the General Fund:
1. Parking District Fund transferred \$148 in investment earnings.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(6) Capital Asset

A summary of changes in capital assets follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 32,515,441	-	-	32,515,441
Land rights related to streets	29,291,575	529,649	-	29,821,224
Construction in progress	<u>5,127,008</u>	<u>4,204,987</u>	<u>(6,127,025)</u>	<u>3,204,970</u>
Total capital assets not being depreciated	<u>66,934,024</u>	<u>4,734,636</u>	<u>(6,127,025)</u>	<u>65,541,635</u>
Capital assets being depreciated:				
Building improvements and structures	59,561,510	76,337	(130,279)	59,507,568
Landscaping and sprinklers	9,363,689	-	-	9,363,689
Automotive equipment	13,512,258	663,260	(2,983,911)	11,191,607
Office furniture	486,591	4,596	(6,069)	485,118
Office machines	9,425,208	670,563	(2,355,837)	7,739,934
Other equipment	10,265,348	1,431,388	(2,086,442)	9,610,294
Park system and facilities	15,135,494	3,536,724	-	18,672,218
Infrastructure – roads	268,683,347	2,519,453	-	271,202,800
Infrastructure – storm drains	<u>90,666,656</u>	<u>-</u>	<u>-</u>	<u>90,666,656</u>
Total capital assets being depreciated	<u>477,100,101</u>	<u>8,902,321</u>	<u>(7,562,538)</u>	<u>478,439,884</u>
Less accumulated depreciation for:				
Building improvements and structure	(30,166,761)	(2,083,030)	130,277	(32,119,514)
Landscaping and sprinkler	(9,333,741)	(17,926)	-	(9,351,667)
Automotive equipment	(9,370,855)	(969,392)	2,817,655	(7,522,592)
Office furniture	(354,222)	(35,812)	6,069	(383,965)
Office machines	(6,933,683)	(262,394)	2,312,308	(4,883,769)
Other equipment	(8,022,184)	(1,289,320)	1,938,779	(7,372,725)
Park system and facilities	(5,227,047)	(765,040)	-	(5,992,087)
Infrastructure – roads	(160,715,972)	(5,464,514)	-	(166,180,486)
Infrastructure – storm drain	<u>(75,638,434)</u>	<u>(1,307,128)</u>	<u>-</u>	<u>(76,945,562)</u>
Total accumulated depreciation	<u>(305,762,899)</u>	<u>(12,194,556)</u>	<u>7,205,088</u>	<u>(310,752,367)</u>
Total capital assets being depreciated, net	<u>171,337,202</u>	<u>(3,292,235)</u>	<u>(357,450)</u>	<u>167,687,517</u>
Governmental activities capital assets, net	<u>\$238,271,226</u>	<u>1,442,401</u>	<u>(6,484,475)</u>	<u>233,229,152</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(6) Capital Assets, (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2013:

Governmental activities:

General government	\$ 1,126,669
Protection of persons and property	2,941,907
Community programs	1,213,412
Public services	<u>6,912,568</u>
 Total depreciation expense-governmental activities	 <u>\$12,194,556</u>

The City has active construction projects as of June 30, 2013. 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>
Fairview Park Improvements	700029	\$ 2,753,834	1,307,541	1,446,293
Smallwood Park Expansion	700092	380,000	107,969	272,031
Brentwood Park Expansion	700077	<u>854,193</u>	<u>358,530</u>	<u>495,663</u>
 Total		 <u>\$3,988,027</u>	 <u>1,774,040</u>	 <u>2,213,987</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Portion Due Within One Year	Portion Due Beyond One Year
<u>Governmental Activities</u>						
Bonds:						
Public Financing Authority 2003 Refunding Certificates of Participation	\$7,520,000	-	(960,000)	6,560,000	990,000	5,570,000
Public Financing Authority 2006 Revenue Refunding Bonds	1,720,000	-	(140,000)	1,580,000	145,000	1,435,000
Public Financing Authority 2007 Certificates of Participation	25,140,000	-	(1,265,000)	23,875,000	1,315,000	22,560,000
Public Financing Authority 1998 Refunding Revenue Bonds	<u>1,250,000</u>	<u>-</u>	<u>(1,250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>35,630,000</u>	<u>-</u>	<u>(3,615,000)</u>	<u>32,015,000</u>	<u>2,450,000</u>	<u>29,565,000</u>
Other liabilities:						
Claims payable	9,790,405	5,934,071	(3,322,937)	12,401,539	3,525,000	8,876,539
Employee leave benefits payable	5,435,878	3,233,565	(3,797,716)	4,871,727	3,600,000	1,271,727
Net OPEB obligation	2,470,935	2,153,804	(1,727,148)	2,897,591	-	2,897,591
Police Retirement 1% Supplemental	<u>2,440,991</u>	<u>140,558</u>	<u>(219,252)</u>	<u>2,362,297</u>	<u>-</u>	<u>2,362,297</u>
Total other liabilities	<u>20,138,209</u>	<u>11,461,998</u>	<u>(9,067,053)</u>	<u>22,533,154</u>	<u>7,125,000</u>	<u>15,408,154</u>
Capital leases:						
Tewinkle Park Athletic Field	257,051	-	(257,051)	-	-	-
TDA Fire Truck	<u>800,858</u>	<u>-</u>	<u>(189,129)</u>	<u>611,729</u>	<u>196,334</u>	<u>415,395</u>
Total capital leases payable	<u>1,057,909</u>	<u>-</u>	<u>(446,180)</u>	<u>611,729</u>	<u>196,334</u>	<u>415,395</u>
Total	<u>\$56,826,118</u>	<u>11,461,998</u>	<u>(13,128,233)</u>	<u>55,159,883</u>	<u>9,771,334</u>	<u>45,388,549</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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 \$2,297,204 on reserve with the fiscal agent at June 30, 2013. The principal balance outstanding at June 30, 2013 is \$23,875,000.

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 \$224,755 on reserve with the fiscal agent at June 30, 2013. The principal balance outstanding at June 30, 2013 is \$1,580,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten days of receipt. The County remitted taxes on December 20, 2012 and April 25, 2013; the City remitted payment 13 and 11 days later, respectively.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

2003 Refunding Certificates of Participation

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

The amount required for the bond reserve for the 2003 Refunding Certificate of Participation is \$1,273,250. The City has \$1,273,250 on reserve with the fiscal agent at June 30, 2013. The principal balance outstanding at June 30, 2013 is \$6,560,000.

1998 Refunding Revenue Bonds

On May 1, 1998, the Costa Mesa Public Financing Authority issued \$13,715,000 of 1998 Refunding Revenue Bonds. The bonds mature serially from October 1, 1998 through October 1, 2012 in annual principal payments ranging from \$580,000 to \$1,250,000 and bear interest rates ranging from 4.00% to 5.00%. The bonds were issued in denominations of \$5,000. There is no longer a reserve requirement since the bonds were paid off during the fiscal year.

The 1998 Lease Revenue Bonds were issued in connection with the lease and leaseback of the Los Lagos and Mesa Linda Golf Courses (the "Project") currently owned by the City of Costa Mesa (the "City"). The Project was leased by the City to the Authority, and the Authority leased back the Project to the City. The Authority used the proceeds from the issuance of these 1998 Refunding Revenue Bonds to advance refund \$12,665,000 of the Authority's outstanding 1990 Lease Revenue Bonds.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(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, 2013 are as follows:

Governmental Activities

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>
2014	\$145,000	74,526	990,000	261,719	1,315,000	954,904
2015	150,000	67,666	1,025,000	223,275	1,365,000	901,304
2016	160,000	60,301	1,070,000	182,713	1,420,000	845,604
2017	165,000	52,439	1,110,000	140,450	1,480,000	787,604
2018	175,000	44,086	1,155,000	89,375	1,530,000	727,404
2019	185,000	35,130	1,210,000	30,250	1,590,000	665,004
2020	190,000	25,708	-	-	1,640,000	600,404
2021	200,000	15,810	-	-	1,710,000	533,404
2022	210,000	5,355	-	-	1,775,000	462,594
2023	-	-	-	-	1,850,000	387,829
2024	-	-	-	-	1,925,000	309,248
2025	-	-	-	-	2,005,000	226,216
2026	-	-	-	-	2,090,000	138,675
2027	-	-	-	-	2,180,000	46,870
Total	\$1,580,000	381,021	6,560,000	927,782	23,875,000	7,587,064

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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, 2013, 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, 2013 for general liability amounted to \$3,789,639 and workers' compensation was \$8,611,900.

\$ 12,401,539

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2013 is expected to be paid primarily by the general fund in future years, consistent with prior year treatment.

4,871,727

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, 2013 was \$2,897,591. This amount is expected to be paid primarily by the general fund in future years, consistent with prior year treatment.

2,897,591

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 15. 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, 2013 for the 1% enhancement was \$2,362,297, consistent with prior year treatment.

2,362,297

Total other liabilities

\$ 22,533,154

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(10) Capital Leases Payable

On July 27, 2009, the City of Costa Mesa entered into a 6 year lease purchase agreement with Oshkosh Capital in the amount of \$983,045 for the purchase of a Pierce Heavy Duty Tiller Truck for the fire department. The obligation is due in annual principal and interest payments of \$219,641. Each payment includes interest at a rate of 3.81% annum on the unpaid balance. The last payment is to be made on July 30, 2015.

\$611,729

Total capital leases payable

\$611,729

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Park system	\$ 3,183,781
Equipment	6,295,310
Fire Truck (Auto)	<u>983,045</u>
Subtotal	10,462,136
Less: accumulated depreciation	<u>(6,794,564)</u>
Total	<u>\$ 3,667,572</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(10) Capital Leases Payable, (Continued)

Amount of future minimum lease payments required for years ending:

Government Activities

Year Ending June 30	<u>TDA</u> <u>Firetruck</u> Principal	<u>Interest</u>
2014	\$196,334	23,307
2015	203,815	15,826
2016	<u>211,580</u>	<u>8,061</u>
Total	<u>\$611,729</u>	<u>47,194</u>

(11) Debt Without Government Commitment

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

On October 1, 1994, the Costa Mesa Redevelopment Agency issued \$3,500,000 of Variable Rate Demand Multi-Family Housing Revenue Bonds, 1994 Series A, to advance refund the 1984 Multi-Family Housing Revenue Bonds and to make a loan to the Costa Mesa Family Village (the Developer). The bonds were issued under and secured by an indenture of trust by and between the Agency and First Trust of California National Association as trustee. The Bonds were issued in denominations of \$100,000 and are due November 1, 2014. The outstanding balance at June 30, 2013 was \$3,200,000.

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, 2013 was \$1,385,000.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(12) Fund Balances

Fund balance consisted of the following at June 30, 2013:

	Major Special Revenue Funds					Nonmajor Funds
	General	Housing Authority	Special Gas Tax	HOME	Park Development	
Nonspendable:						
Prepaid items/loan deposits	\$ 37,251	-	-	-	-	-
Inventories	41,036	-	-	-	-	-
Advance to other funds	3,059,507	-	-	-	-	-
Restricted for:						
Protection of persons and property	-	-	-	-	-	3,940,401
Community programs	-	42,706	-	99,665	-	42,587
Public services	-	-	10,393,838	-	-	9,115,761
Debt service	-	-	-	-	-	5,667,101
Committed for:						
Declared disasters	14,125,000	-	-	-	-	-
Self insurance	2,000,000	-	-	-	-	-
Assigned for:						
Compensated absences	4,871,727	-	-	-	-	-
Police Retirement 1% Supplemental	2,362,297	-	-	-	-	-
OPEB	2,897,591	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	743,076
Public services	-	-	-	-	-	8,419,606
Unassigned	16,252,032	-	-	-	(2,891,941)	(296)
Total Fund Balance	\$45,646,441	42,706	10,393,838	99,665	(2,891,941)	27,928,236

The following governmental funds had deficits at June 30, 2013:

Major Funds:
Park Development Fund (\$2,891,941)*

Nonmajor Funds:
Special Revenue Funds:
Office of Traffic Safety Fund (296)

*Management will take the appropriate action to restructure the terms of the park development loan.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(13) 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.

(14) Defined Benefit Pension Plan

The City of Costa Mesa contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan, except for, fire safety employees which are in a cost sharing multiple-employer defined pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

California's Public Employee's Pension Reform Act (PEPRA) of 2013 went into effect on January 1, 2013, and it applies to all public retirement systems in California. PEPRA primarily affects new members and employees hired after January 1, 2013, however, some provisions apply to current participants. The impact of PEPRA is not significant to current disclosures for the defined benefit plan.

Participants are required to contribute 10.47% (14% for safety employees) of their annual covered salary. The City makes contributions required of City employees on their behalf and for their account of 2.95% (9% for safety employees). Benefit provisions and all other requirements are established by State statutes and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period from July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 39.428% for safety fire and 36.286% for safety police and 21.803% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid from the period July 1, 2012 to June 30, 2013.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(14) Defined Benefit Pension Plan, (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date for safety police, and 22 Years as of the Valuation Date for miscellaneous plan
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment for safety police, and 3.55% to 14.45% depending on Age, Service, and type of employment for the miscellaneous plan
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plans accrued liabilities exceed the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a period not to exceed 30 years.

As of June 30, 2012, the most recent actuarial valuation date, the miscellaneous plan was 75.1% funded. The actuarial accrued liability for benefits was \$225.2 million, and the actuarial value of assets was \$169 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$56.1 million. Covered payroll (annual payroll of active employees covered by the plan) was \$19.6 million, and the ratio of the UAAL to the covered payroll was 286.4%.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(14) Defined Benefit Pension Plan, (Continued)

As of June 30, 2012, the most recent actuarial valuation date, the safety plan was 72.9% funded. The actuarial accrued liability for benefits was \$211.1 million, and the actuarial value of assets was \$153.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$57.2 million. Covered payroll (annual payroll of active employees covered by the plan) was \$16.6 million, and the ratio of the UAAL to the covered payroll was 344.9%.

The City's total annual pension cost of \$16.4 million for fiscal year 2013 was equal to the City's required and actual contributions.

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

Annual Pension (Employer Paid Member Contribution (EPMC))

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Percentage of EPMC Contributed</u>	<u>Miscellaneous</u>	<u>Percentage of EPMC Contributed</u>
6/30/11	\$1,757,330	983,455	100%	1,483,728	100%
6/30/12	2,653,654	1,520,659	64%	2,155,394	28%
6/30/13	2,190,888	1,321,882	64%	1,858,699	28%

(15) Police 1% Supplemental Retirement Plan

Plan Description: The City of Costa Mesa joined the CalPERS 3%@age 50 benefit plan for police employees on December 31, 2000. Prior to that date the City sponsored the retirement plan for safety employees of the City providing a 2%@age 50 benefit plan and the Police Officer Separation Incentive Plan provided an additional 1%@age 50 benefit plan. This section presents actuarial valuation information for the Police Officer Separation Incentive Plan which has been in effect since July 1, 1993 for sworn members of the City's Police Department. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@age 50 benefit plan. The number of participants as June 30, 2013 was nineteen with an average age of 66.3. The average monthly benefit being paid is \$871.09. There are no trust financial statements applicable to this plan.

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(15) Police 1% Supplemental Retirement Plan (Continued)

Actuarial Methods and Assumptions: The ARC for the plan was determined as part of the June 30, 2012 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Projected unit credit
Amortization method*	Level Dollar over 15 years of UAAL
Actuarial assumptions:	
Investment return	4.50%
Inflation	3.00%
Retirement	Age 50 and 5 years
Cost of living adjustments	None
Future healthcare cost increases	4.5% to 10.1%

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

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows: estimate of the life expectancy of remaining participants.

Actuarial accrued liability (AAL)	\$2,770,839
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$2,770,839</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll	<u>\$0</u>
UAAL as a percentage of covered payroll	00.0%

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

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

<u>Date</u>	<u>Annual Pension Cost</u>	<u>Employer Actual Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$140,503	\$229,966	163.7%	\$2,534,919
6/30/12	136,038	229,966	169.0%	2,440,991
6/30/13	140,558	219,252	156.0%	2,362,297

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(15) Police 1% Supplemental Retirement Plan (Continued)

Determination of Net Pension Obligation as of June 30, 2013

Annual required contribution	\$ 258,003
Interest on Net Pension Obligation	109,845
Adjustment to Annual Required Contribution	<u>(227,290)</u>
Annual Pension Cost	140,558
Less: Employer Contributions	<u>(219,252)</u>
Increase (decrease) in Net Pension Obligation	(78,694)
Net Pension Obligation, beginning of year	<u>2,440,991</u>
Net Pension Obligation, end of year	<u>\$ 2,362,297</u>

(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. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse.

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, 2013, the City contributed \$1,727,148 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	\$2,146,578
Interest on Net OPEB Obligation (NOO)	86,701
NOO amortization adjustment to ARC	<u>(79,475)</u>
Annual OPEB cost (expense)	2,153,804
Annual contributions (including premiums paid)	<u>(1,727,148)</u>
Increase in net OPEB cost (expense)	426,656
Net OPEB obligation, beginning of year	<u>2,470,935</u>
Net OPEB obligation, end of year	<u>\$2,897,591</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Schedule of Employer Postemployment Benefit Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$2,195,569	\$1,679,325	76.5%
6/30/2012	2,146,578	1,609,575	75.0%
6/30/2013	2,146,578	1,727,148	80.5%

Annual OPEB Cost

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$2,198,079	76.4%	\$1,926,696
6/30/2012	2,153,804	74.7%	2,470,935
6/30/2013	2,153,804	80.2%	2,897,591

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2012, was as follows:

Actuarial accrued liability (AAL)	\$36,429,075
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$36,429,075</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll (active plan members)	\$38,315,112
UAAL as a percentage of covered payroll	95.1%

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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

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 with the 2011/12 fiscal year. The City, with guidance from Actuary, has selected the discount rate (4.5%) and future medical benefit cost increase (various ranging from 4.5% to 10.10%), with a 3% inflation rate. It is assumed the City's payroll will increase 3.25% per year. A June 30, 2012 GAAP based Actuarial Valuation report can be obtained from the City's Finance department upon request.

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 and part-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 for 52 pay periods starting November 7, 2010. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2013 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, 2013:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Nonmajor Special Revenue Funds:				
Supplemental Law Enforcement Services	Protection of Person and Property	\$232,517	212,615	19,902
Narcotics Forfeiture Fund	Protection of Person and Property	1,157,038	944,705	212,333

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(19) Risk Management

The City participates 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 set 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 \$12,401,539 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$8,611,900 for workers’ compensation and \$3,789,639 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, 2013 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>
2011-2012	\$9,945,560	\$3,413,289	(\$3,568,444)	\$9,790,405
2012-2013	9,790,405	5,934,071	(3,322,937)	12,401,539

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(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	\$ 244,915	\$ 221,011	90.24 %

(21) Participant in Joint Venture

Airborne Law Enforcement Services “ABLE” was created as a joint venture involving the City of Costa Mesa and the City of Newport Beach, collectively referring to as “Member Agencies”. The purpose of ABLE was to use equipment and personnel of the member agencies in order to provide regional helicopter law enforcement services to their respective jurisdictions. In February 2011, ABLE’s Board of Governors made a decision to dissolve the joint venture and commencing July 1, 2011, member agencies ceased to contribute to the operation. On January 17, 2013, the ABLE Board of Directors authorized the distribution of the remaining funds to each member agency of \$2,551,815. ABLE financial statements through the date of dissolution can be obtained at Costa Mesa City Hall.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(22) Recent Legislation Effecting California Redevelopment Agency

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package which dissolved Redevelopment. On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On February 1, 2012 pursuant to City Council Resolution 12-12, the City elected to serve as the Successor Agency of the Costa Mesa Redevelopment Agency.

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

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community did not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets were to be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on January 17, 2012 pursuant to City Council Resolution 12-3 to serve as the Housing Successor Agency.

After the date of dissolution, housing assets, obligations, and activities of the Dissolved RDA were transferred to and were reported in the Costa Mesa Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(22) Recent Legislation Effecting California Redevelopment Agency (continued)

The County Auditor-Controller was charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. Deposits into the RPTTF fund are to be used to pay Successor Agency amounts due on enforceable obligations for the upcoming six-month period.

Successor Agencies are required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS are submitted to the DOF for approval. The County Auditor-Controller will make payments to Successor Agencies from the RPTTF funds based on the ROPS amounts approved by the DOF. The ROPS are prepared in advance for enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process, AB1484 required Successor Agencies to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute funds (cash) which were not needed by the Successor Agencies to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its reviews of the due diligence reviews. The Costa Mesa Successor Agency made payments to the CAC in the amount of \$892,500 on December 19, 2012 and \$1,500,920 on December 21, 2012 for the low and moderate income housing fund and \$2,492,747 on May 1, 2013 for all other funds as a result of the due diligence reviews.

The DOF issued a Finding of Completion on May 24, 2013 in which DOF concurred that the Successor Agency had made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allowed the placement of loan agreements between the former Redevelopment Agency and the City on the ROPS, as an enforceable obligation, provided the oversight board made a finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. As of June 30, 2013, the loan agreement has not been brought before the oversight board.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDAs and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency. The City made a payment to the CAC in the amount of \$2,492,747 on May 1, 2013 which included a credit of \$116,867 to the Successor Agency.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2013

(22) Successor Agency Trust For Assets of Former Redevelopment Agency (continued)

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The DOF has disputed this conclusion. Accordingly, the City filed a lawsuit on October 9, 2013, in the Sacramento Superior Court, Case No. 34-2013-80001675, against the DOF and the Orange County Auditor-Controller. The lawsuit seeks, among other relief, orders requiring the DOF to approve annual loan repayments the Dissolved RDA owes to the City on all 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. The City's positions on these issues are not positions of settled law and there is considerable legal uncertainty regarding the issues. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

(23) Successor Agency Disclosures

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. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to the long-term liabilities are as follows:

Bonds Payable

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

The amount required for bond reserve for the 2003 Tax Allocation Refunding Bonds is \$704,300. The City has \$704,300 on reserve with the fiscal agent at June 30, 2013. The principal balance outstanding at June 30, 2013 is \$3,070,000.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(23) Successor Agency Disclosures (continued)

The annual debt service requirements for the Redevelopment Agency 2003 Tax Allocation Refunding Bonds as of June 30, 2013 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$565,000	123,075
2015	590,000	100,712
2016	610,000	77,450
2017	635,000	49,375
2018	<u>670,000</u>	<u>16,750</u>
Total	<u>\$3,070,000</u>	<u>367,362</u>

(24) Extraordinary Loss on General Fund Advance to Successor Agency

Both the government-wide and fund financial statements reflect an extraordinary loss of \$11,888,159. This amount consists of an outstanding balance of \$9,278,545 on an advance from the General Fund to the previous Redevelopment Agency, now held by the Successor Agency, and a demand payment of \$2,609,614 made by the City to reimburse previous debt service payments received from the Redevelopment Agency and Successor Agency. This advance represented a note that was originally between the General Fund and the Redevelopment Agency with interest at a stated rate of 8%.

The City made a conservative decision to write-off the advance pursuant to the California Department of Finance's (DOF) determination letter which disallowed the advance as an enforceable obligation subsequent to the previous approvals of the debt service payments by the DOF. The disallowance resulted in the termination of current and future funding of debt service payments which were previously secured with property tax revenue.

In response, the City filed a lawsuit against the DOF and the Orange County Auditor-Controller in October 2013 in the Sacramento Superior Court to dispute the disallowance of the advance (see Note 22). If the lawsuit results in a favorable opinion for the City, the advance receivable in the General Fund will be reinstated. The City has another avenue in which it can revive the advance. In a Finding of Completion letter dated May 24, 2013, the City was provided with an option that could result in the reinstatement of part of the advance should the City and Successor Agency pursue this path. To date, action has not been taken in regard to this option. The City will consider all available options to remedy this situation.



CITY OF COSTA MESA CALIFORNIA



COSTA MESA COMMUNITY RUN



**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF COSTA MESA, CALIFORNIA

Schedule of Funding Progress

For the fiscal year ended June 30, 2013

CalPERS Miscellaneous Pension Plan
(dollar amounts in thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UUAL As a % of Payroll
6/30/10	\$202,584	\$158,819	\$43,765	78.4%	\$24,115	181.5%
6/30/11	217,133	165,287	51,845	76.1%	20,235	256.2%
6/30/12	225,186	169,040	56,147	75.1%	19,601	286.4%

CalPERS Safety Pension Plan
(dollar amounts in thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UUAL As a % of Payroll
6/30/10	\$190,631	\$139,146	\$51,485	73.0%	\$17,859	288.3%
6/30/11	204,751	146,669	58,082	71.6%	17,613	329.8%
6/30/12	211,118	153,879	57,239	72.9%	16,594	344.9%

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

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UUAL As a % of Payroll
6/30/10	\$2,911	\$ -	\$2,911	00.0%	N/A	0.00%
6/30/11	2,771	-	2,771	00.0%	N/A	0.00%
6/30/12	2,771	-	2,771	00.0%	N/A	0.00%

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

Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/10	\$ -	\$35,492	\$35,492	0%	\$49,021	72.4%
6/30/11	-	36,429	36,429	0%	38,315	95.1%
6/30/12	-	36,429	36,429	0%	38,315	95.1%

*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 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.

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.

Special Gas Tax Fund

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

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes:					
Sales tax	\$ 44,300,000	45,000,000	45,830,107	830,107	42,234,308
Property tax	21,470,000	21,530,000	23,172,595	1,642,595	20,591,798
Transient occupancy tax	6,500,000	6,700,000	7,257,695	557,695	6,524,510
Franchise tax	4,400,000	4,400,000	4,818,972	418,972	4,471,326
Business license tax	850,000	850,000	917,633	67,633	888,967
Total taxes	77,520,000	78,480,000	81,997,002	3,517,002	74,710,909
Licenses and permits	1,773,000	1,733,000	1,997,057	264,057	1,903,361
Fines and forfeits	1,675,000	1,525,000	1,506,940	(18,060)	1,537,454
Intergovernmental:					
Motor vehicle in-lieu	9,000,000	8,960,000	8,814,644	(145,356)	8,594,277
Grants and other reimbursements	807,085	857,336	808,486	(48,850)	841,652
Total intergovernmental	9,807,085	9,817,336	9,623,130	(194,206)	9,435,929
Charges for services	3,443,750	3,407,050	3,509,616	102,566	3,690,432
Rental	2,844,500	2,809,500	2,786,330	(23,170)	2,861,208
Investment income	1,008,500	1,008,500	109,930	(898,570)	570,715
Return on equity	2,400,000	2,500,000	2,551,815	51,815	-
Settlements	-	-	1,452,623	1,452,623	-
Miscellaneous	703,100	718,100	517,920	(200,180)	971,949
Total revenues	101,174,935	101,998,486	106,052,363	4,053,877	95,681,957
Expenditures:					
Current:					
General government:					
City council	313,010	438,010	440,740	(2,730)	222,285
Chief executive officer:					
Administration	1,794,845	1,810,388	2,167,008	(356,620)	1,734,719
City clerk	492,891	508,345	571,563	(63,218)	478,130
Personnel services	819,392	819,392	888,735	(69,343)	982,304
Central services	391,378	391,378	369,272	22,106	459,510
Risk management services	2,375,273	2,375,273	2,295,232	80,041	2,410,541
City attorney	803,000	803,000	1,037,305	(234,305)	955,916
Financial services and information technology	4,706,284	4,941,059	4,932,053	9,006	4,665,547
Development services:					
Administration	689,305	689,305	585,317	103,988	474,896
Facilities and equipment maintenance	9,406,117	9,435,724	8,520,558	915,166	8,590,539
Non-departmental	400,000	400,000	175,000	225,000	-
Total general government	22,191,495	22,611,874	21,982,783	629,091	20,974,387

(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, 2013

(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:					
Police protection	35,015,745	34,998,312	33,041,745	1,956,567	33,274,295
Communication services	4,069,674	4,270,772	3,292,594	978,178	3,404,952
Fire protection	20,425,312	20,504,979	19,813,584	691,395	19,727,686
Building and safety	1,759,380	1,931,938	2,002,352	(70,414)	1,500,498
Total protection of persons and property	<u>61,270,111</u>	<u>61,706,001</u>	<u>58,150,275</u>	<u>3,555,726</u>	<u>57,907,431</u>
Community programs:					
Community recreation	3,472,247	3,491,345	3,313,730	177,615	3,110,662
Planning	944,572	1,715,908	1,186,926	528,982	831,871
Total community programs	<u>4,416,819</u>	<u>5,207,253</u>	<u>4,500,656</u>	<u>706,597</u>	<u>3,942,533</u>
Public services:					
Administration	1,563,015	1,570,781	1,557,274	13,507	1,134,576
Engineering	1,396,453	1,407,003	1,429,548	(22,545)	1,576,901
Transportation	2,350,121	2,402,125	2,190,329	211,796	2,212,211
Total public services	<u>5,309,589</u>	<u>5,379,909</u>	<u>5,177,151</u>	<u>202,758</u>	<u>4,923,688</u>
Debt service:					
Principal	1,647,050	1,647,050	257,050	1,390,000	540,739
Interest and fiscal charges	117,275	117,275	47,610	69,665	25,434
Total debt service	<u>1,764,325</u>	<u>1,764,325</u>	<u>304,660</u>	<u>1,459,665</u>	<u>566,173</u>
Total expenditures	<u>94,952,339</u>	<u>96,669,362</u>	<u>90,115,525</u>	<u>6,553,837</u>	<u>88,314,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,222,596</u>	<u>5,329,124</u>	<u>15,936,838</u>	<u>10,607,714</u>	<u>7,367,745</u>
Other financing sources (uses):					
Transfers in	-	-	148	148	7,059
Transfers out	<u>(6,167,366)</u>	<u>(6,167,366)</u>	<u>(6,212,312)</u>	<u>(44,946)</u>	<u>(4,840,408)</u>
Total other financing sources (uses)	<u>(6,167,366)</u>	<u>(6,167,366)</u>	<u>(6,212,164)</u>	<u>(44,798)</u>	<u>(4,833,349)</u>
Net change in fund balance, before extraordinary item	55,230	(838,242)	9,724,674	10,562,916	2,534,396
Extraordinary item:					
Loss on advance to Successor Agency	-	-	(11,888,159)	(11,888,159)	-
Net change in fund balance	55,230	(838,242)	(2,163,485)	(1,325,243)	2,534,396
Fund balance at beginning of year	47,809,926	47,809,926	47,809,926	-	45,275,530
Fund balance at end of year	<u>\$ 47,865,156</u>	<u>46,971,684</u>	<u>45,646,441</u>	<u>(1,325,243)</u>	<u>47,809,926</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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	3,045,000	3,045,000	2,749,407	(295,593)	3,277,043
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	75,000	75,000	101,206	26,206	182,538
Miscellaneous	-	-	-	-	7,000
Total revenues	<u>3,120,000</u>	<u>3,120,000</u>	<u>2,850,613</u>	<u>(269,387)</u>	<u>3,466,581</u>
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	4,362,844	12,799,927	5,585,197	7,214,730	2,491,103
Total expenditures	<u>4,362,844</u>	<u>12,799,927</u>	<u>5,585,197</u>	<u>7,214,730</u>	<u>2,491,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,242,844)</u>	<u>(9,679,927)</u>	<u>(2,734,584)</u>	<u>6,945,343</u>	<u>975,478</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	250,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Net change in fund balance	<u>(1,242,844)</u>	<u>(9,679,927)</u>	<u>(2,734,584)</u>	<u>6,945,343</u>	<u>1,225,478</u>
Fund balance at beginning of year	<u>13,128,422</u>	<u>13,128,422</u>	<u>13,128,422</u>	<u>-</u>	<u>11,902,944</u>
Fund balance at end of year	<u>\$ 11,885,578</u>	<u>3,448,495</u>	<u>10,393,838</u>	<u>6,945,343</u>	<u>13,128,422</u>

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	665,085	665,085	216,973	(448,112)	599,391
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	450
Miscellaneous	-	-	151,104	151,104	123,988
Total revenues	<u>665,085</u>	<u>665,085</u>	<u>368,077</u>	<u>(297,008)</u>	<u>723,829</u>
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	461,320	471,320	328,714	142,606	544,252
Public services	-	-	-	-	-
Total expenditures	<u>461,320</u>	<u>471,320</u>	<u>328,714</u>	<u>142,606</u>	<u>544,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>203,765</u>	<u>193,765</u>	<u>39,363</u>	<u>(154,402)</u>	<u>179,577</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	203,765	193,765	39,363	(154,402)	179,577
Fund balance (deficit) at beginning of year	<u>60,302</u>	<u>60,302</u>	<u>60,302</u>	<u>-</u>	<u>(119,275)</u>
Fund balance (deficit) at end of year	<u>\$ 264,067</u>	<u>254,067</u>	<u>99,665</u>	<u>(154,402)</u>	<u>60,302</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
For the fiscal year ended June 30, 2013

(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
 - Housing Authority Fund
- Debt Service Fund:
 - Financing Authority Debt Service Fund
- Capital Project Fund:
 - Golf Course Improvements Fund

The City Council adopts each year's budget submitted by the Chief Executive Officer prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Interfunctional budget changes are approved by the Chief Executive Officer. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2013, supplementary appropriations were made totaling \$23,620,508. At fiscal year-end all operating budget appropriations lapse.

CITY OF COSTA MESA CALIFORNIA



GENERAL PLAN AND MOVIE NIGHT



SUPPLEMENTARY SCHEDULES

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2013

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2013	2012
<u>Assets</u>					
Cash and investments	\$ 5,002,507	1,385,000	17,280,197	23,667,704	19,233,982
Cash and investments with fiscal agent	-	4,282,101	-	4,282,101	5,570,697
Due from other governments	377,329	-	1,967,518	2,344,847	2,545,528
Accounts receivable	-	-	10,568	10,568	30,570
Interest receivable	6,915	-	25,669	32,584	60,630
Loans receivable	935,429	-	-	935,429	984,861
Advances to other funds	150,766	-	-	150,766	156,283
	<u>\$ 6,472,946</u>	<u>5,667,101</u>	<u>19,283,952</u>	<u>31,423,999</u>	<u>28,582,551</u>
<u>Liabilities</u>					
Accounts payable	\$ 134,466	-	628,764	763,230	550,694
Accrued liabilities	392,235	-	9,883	402,118	733,347
Retentions payable	-	-	129,401	129,401	160,770
Due to other funds	113,477	-	-	113,477	114,872
	<u>640,178</u>	<u>-</u>	<u>768,048</u>	<u>1,408,226</u>	<u>1,559,683</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenues	1,095,152	-	992,385	2,087,537	2,531,319
<u>Fund Balances</u>					
Nonspendable					
Advances to other funds	-	-	-	-	-
Restricted for:					
Protection of persons and property	3,940,401	-	-	3,940,401	1,905,217
Community programs	42,587	-	-	42,587	41,592
Public services	754,924	-	8,360,837	9,115,761	8,374,018
Debt service	-	5,667,101	-	5,667,101	7,075,697
Assigned for:					
Protection of persons and property	-	-	743,076	743,076	737,359
Public services	-	-	8,419,606	8,419,606	6,357,807
Unassigned	(296)	-	-	(296)	(141)
	<u>4,737,616</u>	<u>5,667,101</u>	<u>17,523,519</u>	<u>27,928,236</u>	<u>24,491,549</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,472,946</u>	<u>5,667,101</u>	<u>19,283,952</u>	<u>31,423,999</u>	<u>28,582,551</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, 2013

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2013	2012
Revenues:					
Taxes	\$ 913,688	-	20,159	933,847	1,816,084
Fines and forfeits	2,976,300	-	-	2,976,300	1,970,727
Intergovernmental	1,465,497	-	5,140,959	6,606,456	6,526,578
Charges for services	-	-	661,510	661,510	450,320
Rental	-	-	102,607	102,607	103,248
Investment income	41,128	125,280	144,695	311,103	409,870
Miscellaneous	44,678	-	30,000	74,678	246,563
Total revenues	<u>5,441,291</u>	<u>125,280</u>	<u>6,099,930</u>	<u>11,666,501</u>	<u>11,523,390</u>
Expenditures:					
Current:					
Protection of persons and property	2,317,816	-	-	2,317,816	2,085,933
Community programs	1,043,517	-	-	1,043,517	1,513,524
Public services	8,914	-	6,010,489	6,019,403	6,148,366
Redevelopment	-	-	-	-	911,704
Debt service:	-	-	-	-	-
Principal	-	3,615,000	-	3,615,000	3,985,000
Interest and fiscal charges	-	1,446,242	-	1,446,242	2,479,784
Total expenditures	<u>3,370,247</u>	<u>5,061,242</u>	<u>6,010,489</u>	<u>14,441,978</u>	<u>17,124,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,071,044</u>	<u>(4,935,962)</u>	<u>89,441</u>	<u>(2,775,477)</u>	<u>(5,600,921)</u>
Other financing sources (uses):					
Transfers in	94,946	3,527,366	2,590,000	6,212,312	4,842,109
Transfers out	-	-	(148)	(148)	(258,760)
Total other financing sources (uses)	<u>94,946</u>	<u>3,527,366</u>	<u>2,589,852</u>	<u>6,212,164</u>	<u>4,583,349</u>
Net change in fund balances, before extraordinary item	2,165,990	(1,408,596)	2,679,293	3,436,687	(1,017,572)
Extraordinary item:					
Gain (loss) on transfer to successor agency	-	-	-	-	5,801,654
Net change in fund balances	2,165,990	(1,408,596)	2,679,293	3,436,687	4,784,082
Fund balances at beginning of year	<u>2,571,626</u>	<u>7,075,697</u>	<u>14,844,226</u>	<u>24,491,549</u>	<u>19,707,467</u>
Fund balances at end of year	<u>\$ 4,737,616</u>	<u>5,667,101</u>	<u>17,523,519</u>	<u>27,928,236</u>	<u>24,491,549</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

Community Development Fund

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

Supplemental Law Enforcement Services Fund (SLESF)

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

Rental Rehabilitation Program Fund

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

Narcotics Forfeiture Fund

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

Local Law Enforcement Block Grant Fund

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

Office of Traffic Safety Fund

Established to account for State grant monies received from the Office of Traffic Safety. Funds are restricted for projects utilized to enhance traffic safety and to reduce drunk driving within the City.

Homelessness Prevention Fund

Established to account for revenues and disbursements of funds received under the American Recovery and Reinvestment Act of 2009, and is administered by the Federal Department of Housing and Urban Development (HUD). Funds for this program are to be used to provide homelessness prevention assistance to households who would otherwise become homeless as well as to provide assistance to rapidly re-house persons who have recently become homeless.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2013

(With Comparative Data for Prior Year)

	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services
<u>Assets</u>				
Cash and investments	\$ 499,211	721,340	-	4,158
Due from other governments	70,781	34,985	216,695	-
Interest receivable	690	997	-	7
Loans receivable	-	-	629,546	-
Advances to other funds	-	-	150,766	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 570,682</u>	<u>757,322</u>	<u>997,007</u>	<u>4,165</u>
<u>Liabilities</u>				
Accounts payable	\$ -	2,398	119,194	-
Accrued liabilities	19,615	-	11,411	4,165
Retentions payable	-	-	-	-
Due to other funds	-	-	60,528	-
Total liabilities	<u>19,615</u>	<u>2,398</u>	<u>191,133</u>	<u>4,165</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues	-	-	780,313	-
<u>Fund Balances</u>				
Nonspendable				
Prepaid items/deposits	-	-	-	-
Restricted for:				
Protection of persons or property	551,067	-	-	-
Community programs	-	-	25,561	-
Public services	-	754,924	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	<u>551,067</u>	<u>754,924</u>	<u>25,561</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 570,682</u>	<u>757,322</u>	<u>997,007</u>	<u>4,165</u>

Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Homelessness Prevention	Totals	
					2013	2012
17,002	3,729,706	31,090	-	-	5,002,507	3,215,629
-	1,415	-	53,453	-	377,329	377,109
24	5,154	43	-	-	6,915	10,368
305,883	-	-	-	-	935,429	984,861
-	-	-	-	-	150,766	156,283
-	-	-	-	-	-	-
<u>322,909</u>	<u>3,736,275</u>	<u>31,133</u>	<u>53,453</u>	<u>-</u>	<u>6,472,946</u>	<u>4,744,250</u>
-	12,074	-	800	-	134,466	176,895
-	357,044	-	-	-	392,235	722,397
-	-	-	-	-	-	9,105
-	-	-	52,949	-	113,477	114,872
-	369,118	-	53,749	-	640,178	1,023,269
<u>305,883</u>	<u>8,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095,152</u>	<u>1,149,355</u>
-	-	-	-	-	-	-
-	3,358,201	31,133	-	-	3,940,401	1,905,217
17,026	-	-	-	-	42,587	41,592
-	-	-	-	-	754,924	624,958
-	-	-	(296)	-	(296)	(141)
<u>17,026</u>	<u>3,358,201</u>	<u>31,133</u>	<u>(296)</u>	<u>-</u>	<u>4,737,616</u>	<u>2,571,626</u>
<u>322,909</u>	<u>3,736,275</u>	<u>31,133</u>	<u>53,453</u>	<u>-</u>	<u>6,472,946</u>	<u>4,744,250</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, 2013

(With Comparative Data for Prior Year)

	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services
Revenues:				
Taxes	\$ 913,688	-	-	-
Fines and forfeits	-	-	-	-
Intergovernmental	-	133,608	1,012,378	136,896
Rental	-	-	-	-
Investment income	3,834	5,272	4,632	7
Miscellaneous	-	-	10,476	-
Total revenues	<u>917,522</u>	<u>138,880</u>	<u>1,027,486</u>	<u>136,903</u>
Expenditures:				
Current:				
Protection of persons and property	745,350	-	-	232,517
Community programs	-	-	1,043,517	-
Public services	-	8,914	-	-
Redevelopment	-	-	-	-
Total expenditures	<u>745,350</u>	<u>8,914</u>	<u>1,043,517</u>	<u>232,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>172,172</u>	<u>129,966</u>	<u>(16,031)</u>	<u>(95,614)</u>
Other financing sources (uses):				
Transfers in	-	-	-	94,805
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,805</u>
Net change in fund balances, before extraordinary item	172,172	129,966	(16,031)	(809)
Extraordinary item:				
Loss on transfer to successor agency	-	-	-	-
Net change in fund balances	172,172	129,966	(16,031)	(809)
Fund balances (deficit) at beginning of year	<u>378,895</u>	<u>624,958</u>	<u>41,592</u>	<u>809</u>
Fund balances (deficit) at end of year	<u>\$ 551,067</u>	<u>754,924</u>	<u>25,561</u>	<u>-</u>

Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Homelessness Prevention	Totals	
					2013	2012
-	-	-	-	-	913,688	843,542
-	2,976,300	-	-	-	2,976,300	1,970,727
-	-	39,066	143,549	-	1,465,497	2,091,513
-	-	-	-	-	-	10,555
26	27,208	149	-	-	41,128	46,664
17,000	17,202	-	-	-	44,678	48,933
<u>17,026</u>	<u>3,020,710</u>	<u>39,215</u>	<u>143,549</u>	<u>-</u>	<u>5,441,291</u>	<u>5,011,934</u>
-	1,157,038	39,066	143,845	-	2,317,816	2,085,933
-	-	-	-	-	1,043,517	1,513,524
-	-	-	-	-	8,914	164,012
-	-	-	-	-	-	232,886
<u>-</u>	<u>1,157,038</u>	<u>39,066</u>	<u>143,845</u>	<u>-</u>	<u>3,370,247</u>	<u>3,996,355</u>
<u>17,026</u>	<u>1,863,672</u>	<u>149</u>	<u>(296)</u>	<u>-</u>	<u>2,071,044</u>	<u>1,015,579</u>
-	-	-	-	141	94,946	33,804
-	-	-	-	-	-	(6,991)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141</u>	<u>94,946</u>	<u>26,813</u>
17,026	1,863,672	149	(296)	141	2,165,990	1,042,392
-	-	-	-	-	-	(2,823,892)
17,026	1,863,672	149	(296)	141	2,165,990	(1,781,500)
-	1,494,529	30,984	-	(141)	2,571,626	4,353,126
<u>17,026</u>	<u>3,358,201</u>	<u>31,133</u>	<u>(296)</u>	<u>-</u>	<u>4,737,616</u>	<u>2,571,626</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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 860,000	860,000	913,688	53,688	843,542
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	1,000	1,000	3,834	2,834	4,909
Miscellaneous	-	-	-	-	-
Total revenues	<u>861,000</u>	<u>861,000</u>	<u>917,522</u>	<u>56,522</u>	<u>848,451</u>
Expenditures:					
Current:					
Protection of persons and property	882,357	882,357	745,350	137,007	965,897
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	<u>882,357</u>	<u>882,357</u>	<u>745,350</u>	<u>137,007</u>	<u>965,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,357)</u>	<u>(21,357)</u>	<u>172,172</u>	<u>193,529</u>	<u>(117,446)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(21,357)</u>	<u>(21,357)</u>	<u>172,172</u>	<u>193,529</u>	<u>(117,446)</u>
Fund balance at beginning of year	<u>378,895</u>	<u>378,895</u>	<u>378,895</u>	<u>-</u>	<u>496,341</u>
Fund balance at end of year	<u>\$ 357,538</u>	<u>357,538</u>	<u>551,067</u>	<u>193,529</u>	<u>378,895</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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	140,000	140,000	133,608	(6,392)	149,631
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	4,000	4,000	5,272	1,272	8,350
Miscellaneous	-	-	-	-	714
Total revenues	144,000	144,000	138,880	(5,120)	158,695
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	367,200	591,250	8,914	582,336	164,012
Total expenditures	367,200	591,250	8,914	582,336	164,012
Excess (deficiency) of revenues over (under) expenditures	(223,200)	(447,250)	129,966	577,216	(5,317)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(223,200)	(447,250)	129,966	577,216	(5,317)
Fund balance at beginning of year	624,958	624,958	624,958	-	630,275
Fund balance at end of year	\$ 401,758	177,708	754,924	577,216	624,958

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	1,230,892	1,230,892	1,012,378	(218,514)	1,364,809
Charges for services	-	-	-	-	-
Rental	-	-	-	-	10,555
Investment income	-	-	4,632	4,632	4,915
Miscellaneous	-	-	10,476	10,476	15,129
Total revenues	1,230,892	1,230,892	1,027,486	(203,406)	1,395,408
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	1,344,663	1,553,542	1,043,517	510,025	1,358,172
Public services	-	-	-	-	-
Total expenditures	1,344,663	1,553,542	1,043,517	510,025	1,358,172
Excess (deficiency) of revenues over (under) expenditures	(113,771)	(322,650)	(16,031)	306,619	37,236
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(113,771)	(322,650)	(16,031)	306,619	37,236
Fund balance at beginning of year	41,592	41,592	41,592	-	4,356
Fund balance (deficit) at end of year	\$ (72,179)	(281,058)	25,561	306,619	41,592

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, 2013
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	125,000	125,000	136,896	11,896	182,481
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	7	7	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>136,903</u>	<u>11,903</u>	<u>182,481</u>
Expenditures:					
Current:					
Protection of persons and property	212,615	212,615	232,517	(19,902)	220,802
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	<u>212,615</u>	<u>212,615</u>	<u>232,517</u>	<u>(19,902)</u>	<u>220,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,615)</u>	<u>(87,615)</u>	<u>(95,614)</u>	<u>(7,999)</u>	<u>(38,321)</u>
Other financing sources (uses):					
Transfers in	50,000	50,000	94,805	44,805	33,226
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>94,805</u>	<u>44,805</u>	<u>33,226</u>
Net change in fund balance	<u>(37,615)</u>	<u>(37,615)</u>	<u>(809)</u>	<u>36,806</u>	<u>(5,095)</u>
Fund balance at beginning of year	<u>809</u>	<u>809</u>	<u>809</u>	<u>-</u>	<u>5,904</u>
Fund balance (deficit) at end of year	<u>\$ (36,806)</u>	<u>(36,806)</u>	<u>-</u>	<u>36,806</u>	<u>809</u>

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	475,000	475,000	2,976,300	2,501,300	1,970,727
Intergovernmental	-	-	-	-	20,471
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	7,250	7,250	27,208	19,958	21,575
Miscellaneous	-	-	17,202	17,202	4,400
Total revenues	482,250	482,250	3,020,710	2,538,460	2,017,173
Expenditures:					
Current:					
Protection of persons and property	513,300	944,705	1,157,038	(212,333)	699,408
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	513,300	944,705	1,157,038	(212,333)	699,408
Excess (deficiency) of revenues over (under) expenditures	(31,050)	(462,455)	1,863,672	2,326,127	1,317,765
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(31,050)	(462,455)	1,863,672	2,326,127	1,317,765
Fund balance at beginning of year	1,494,529	1,494,529	1,494,529	-	176,764
Fund balance at end of year	\$ 1,463,479	1,032,074	3,358,201	2,326,127	1,494,529

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	20,801	39,066	18,265	1,565
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	149	149	506
Miscellaneous	-	-	-	-	-
Total revenues	-	20,801	39,215	18,414	2,071
Expenditures:					
Current:					
Protection of persons and property	-	53,705	39,066	14,639	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	-	53,705	39,066	14,639	-
Excess (deficiency) of revenues over (under) expenditures	-	(32,904)	149	33,053	2,071
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(32,904)	149	33,053	2,071
Fund balance at beginning of year	30,984	30,984	30,984	-	28,913
Fund balance (deficit) at end of year	<u>\$ 30,984</u>	<u>(1,920)</u>	<u>31,133</u>	<u>33,053</u>	<u>30,984</u>

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	160,000	143,549	(16,451)	199,356
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	160,000	143,549	(16,451)	199,356
Expenditures:					
Current:					
Protection of persons and property	-	160,000	143,845	16,155	199,826
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	-	160,000	143,845	16,155	199,826
Excess (deficiency) of revenues over (under) expenditures	-	-	(296)	(296)	(470)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(6,991)
Total other financing sources (uses)	-	-	-	-	(6,991)
Net change in fund balance	-	-	(296)	(296)	(7,461)
Fund balance at beginning of year	-	-	-	-	7,461
Fund balance (deficit) at end of year	\$ -	-	(296)	(296)	-

CITY OF COSTA MESA, CALIFORNIA

Homelessness Prevention Fund

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

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	173,200
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	-	173,200
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	155,352
Public services	-	-	-	-	-
Total expenditures	-	-	-	-	155,352
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	17,848
Other financing sources (uses):					
Transfers in	-	-	141	141	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	141	141	-
Net change in fund balance	-	-	141	141	17,848
Fund balance (deficit) at beginning of year	(141)	(141)	(141)	-	(17,989)
Fund balance (deficit) at end of year	\$ (141)	(141)	-	141	(141)



NONMAJOR DEBT SERVICE FUND

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

The following 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, 2003 Refunding Certificates of Participation, and 1998 Refunding Revenue Bonds of the Corporation. 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. The 1998 Refunding Revenue Bonds provided for the refunding of 1990 Lease Revenue Bonds.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Debt Service Funds

Balance Sheet

June 30, 2013

(With Comparative Data for Prior Year)

	Financing Authority Debt Service	Totals	
		2013	2012
<u>Assets</u>			
Cash and investments	\$ 1,385,000	1,385,000	1,505,000
Cash and investments with fiscal agent	4,282,101	4,282,101	5,570,697
Due from other governments	-	-	-
Interest receivable	-	-	-
Due from other funds	-	-	-
		<u> </u>	<u> </u>
Total assets	<u>\$ 5,667,101</u>	<u>5,667,101</u>	<u>7,075,697</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accrued liabilities	\$ -	-	-
Advances from other funds	-	-	-
		<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Debt service	<u>5,667,101</u>	<u>5,667,101</u>	<u>7,075,697</u>
		<u> </u>	<u> </u>
Total fund balances	<u>5,667,101</u>	<u>5,667,101</u>	<u>7,075,697</u>
		<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,667,101</u>	<u>5,667,101</u>	<u>7,075,697</u>

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, 2013
 (With Comparative Data for Prior Year)

	Financing Authority Debt Service	Totals	
		2013	2012
Revenues:			
Taxes	\$ -	-	968,358
Investment income	125,280	125,280	134,452
Miscellaneous	-	-	-
Total revenues	125,280	125,280	1,102,810
Expenditures:			
Debt service:			
Principal	3,615,000	3,615,000	3,985,000
Interest and fiscal charges	1,446,242	1,446,242	2,479,784
Total expenditures	5,061,242	5,061,242	6,464,784
Excess (deficiency) of revenues over (under) expenditures	(4,935,962)	(4,935,962)	(5,361,974)
Other financing sources (uses):			
Transfers in	3,527,366	3,527,366	4,808,305
Transfers out	-	-	-
Total other financing sources (uses)	3,527,366	3,527,366	4,808,305
Net change in fund balances, before extraordinary item	(1,408,596)	(1,408,596)	(553,669)
Extraordinary item:			
Gain on transfer to successor agency	-	-	10,166,962
Net change in fund balances	(1,408,596)	(1,408,596)	9,613,293
Fund balances (deficit) at beginning of year	7,075,697	7,075,697	(2,537,596)
Fund balances at end of year	\$ 5,667,101	5,667,101	7,075,697



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 has been classified as a major fund in the accompanying government-wide financial statements:

Park Development Fund

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

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

Capital Improvements Fund

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

Measure "M" Construction Fund

Established to account for the expenditure of the April 1991 voter-approved one-half percent sales tax for local transportation improvements

Parking Districts Fund

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

Golf Course Improvements Fund

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

Drainage Fees Fund

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

Traffic Impact Fees Fund

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

Fire System Development Fees Fund

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

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 June 30, 2013
 (With Comparative Data for Prior Year)

	<u>Capital Improvements</u>	<u>Measure "M" Construction</u>	<u>Parking Districts</u>	<u>Golf Course Improvements</u>
<u>Assets</u>				
Cash and investments	\$ 2,380,672	8,198,524	28,586	588,915
Due from other governments	610,863	1,356,646	9	-
Accounts receivable	-	-	-	10,568
Interest receivable	3,289	13,160	-	814
	<u>3,289</u>	<u>13,160</u>	<u>-</u>	<u>814</u>
Total assets	<u>\$ 2,994,824</u>	<u>9,568,330</u>	<u>28,595</u>	<u>600,297</u>
<u>Liabilities</u>				
Accounts payable	\$ 73,115	530,070	-	-
Accrued liabilities	-	9,883	-	-
Retentions payable	46,980	79,778	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
	<u>46,980</u>	<u>79,778</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>120,095</u>	<u>619,731</u>	<u>-</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues	404,623	587,762	-	-
	<u>404,623</u>	<u>587,762</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public services	-	8,360,837	-	-
Assigned for:				
Protection of persons and property	-	-	-	-
Public services	2,470,106	-	28,595	600,297
	<u>2,470,106</u>	<u>-</u>	<u>28,595</u>	<u>600,297</u>
Total fund balances	<u>2,470,106</u>	<u>8,360,837</u>	<u>28,595</u>	<u>600,297</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,994,824</u>	<u>9,568,330</u>	<u>28,595</u>	<u>600,297</u>

Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Totals	
			2013	2012
1,618,987	3,722,462	742,051	17,280,197	14,513,353
-	-	-	1,967,518	2,168,419
-	-	-	10,568	30,570
2,237	5,144	1,025	25,669	50,262
<u>1,621,224</u>	<u>3,727,606</u>	<u>743,076</u>	<u>19,283,952</u>	<u>16,762,604</u>
8,785	16,794	-	628,764	373,799
-	-	-	9,883	10,950
-	2,643	-	129,401	151,665
-	-	-	-	-
-	-	-	-	-
<u>8,785</u>	<u>19,437</u>	<u>-</u>	<u>768,048</u>	<u>536,414</u>
-	-	-	992,385	1,381,964
-	-	-	-	-
-	-	-	8,360,837	7,749,060
-	-	743,076	743,076	737,359
1,612,439	3,708,169	-	8,419,606	6,357,807
<u>1,612,439</u>	<u>3,708,169</u>	<u>743,076</u>	<u>17,523,519</u>	<u>14,844,226</u>
<u>1,621,224</u>	<u>3,727,606</u>	<u>743,076</u>	<u>19,283,952</u>	<u>16,762,604</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, 2013

(With Comparative Data for Prior Year)

	Capital Improvements	Measure "M" Construction	Parking Districts	Golf Course Improvements
Revenues:				
Taxes	\$ -	-	20,159	-
Intergovernmental	1,076,060	4,064,899	-	-
Charges for services	-	-	-	-
Rental	-	-	-	102,607
Investment income	10,007	81,522	131	4,596
Miscellaneous	30,000	-	-	-
Total revenues	1,116,067	4,146,421	20,290	107,203
Expenditures:				
Current:				
Public services	1,931,896	3,534,644	-	166,025
Redevelopment	-	-	-	-
Total expenditures	1,931,896	3,534,644	-	166,025
Excess (deficiency) of revenues over (under) expenditures	(815,829)	611,777	20,290	(58,822)
Other financing sources (uses):				
Transfers in	2,590,000	-	-	-
Transfers out	-	-	(148)	-
Total other financing sources (uses)	2,590,000	-	(148)	-
Net change in fund balance, before extraordinary item	1,774,171	611,777	20,142	(58,822)
Extraordinary item:				
Loss on transfer to successor agency	-	-	-	-
Net change in fund balance	1,774,171	611,777	20,142	(58,822)
Fund balance at beginning of year	695,935	7,749,060	8,453	659,119
Fund balance at end of year	\$ 2,470,106	8,360,837	28,595	600,297

Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Totals	
			2013	2012
-	-	-	20,159	4,184
-	-	-	5,140,959	4,435,065
529,104	132,406	-	661,510	450,320
-	-	-	102,607	92,693
12,483	30,239	5,717	144,695	228,754
-	-	-	30,000	197,630
<u>541,587</u>	<u>162,645</u>	<u>5,717</u>	<u>6,099,930</u>	<u>5,408,646</u>
95,400	282,524	-	6,010,489	5,984,354
-	-	-	-	678,818
<u>95,400</u>	<u>282,524</u>	<u>-</u>	<u>6,010,489</u>	<u>6,663,172</u>
<u>446,187</u>	<u>(119,879)</u>	<u>5,717</u>	<u>89,441</u>	<u>(1,254,526)</u>
-	-	-	2,590,000	-
-	-	-	(148)	(251,769)
-	-	-	2,589,852	(251,769)
<u>446,187</u>	<u>(119,879)</u>	<u>5,717</u>	<u>2,679,293</u>	<u>(1,506,295)</u>
-	-	-	-	(1,541,416)
<u>446,187</u>	<u>(119,879)</u>	<u>5,717</u>	<u>2,679,293</u>	<u>(3,047,711)</u>
<u>1,166,252</u>	<u>3,828,048</u>	<u>737,359</u>	<u>14,844,226</u>	<u>17,891,937</u>
<u>1,612,439</u>	<u>3,708,169</u>	<u>743,076</u>	<u>17,523,519</u>	<u>14,844,226</u>

CITY OF COSTA MESA, CALIFORNIA

Capital Improvements Fund

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

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	4,186,950	5,106,950	1,076,060	(4,030,890)	1,707,078
Rental	-	-	-	-	-
Investment income	3,000	3,000	10,007	7,007	10,609
Miscellaneous	-	-	30,000	30,000	161,180
Total revenues	<u>4,189,950</u>	<u>5,109,950</u>	<u>1,116,067</u>	<u>(3,993,883)</u>	<u>1,878,867</u>
Expenditures:					
Current:					
Public services	<u>7,221,950</u>	<u>10,065,704</u>	<u>1,931,896</u>	<u>8,133,808</u>	<u>2,120,717</u>
Total expenditures	<u>7,221,950</u>	<u>10,065,704</u>	<u>1,931,896</u>	<u>8,133,808</u>	<u>2,120,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,032,000)</u>	<u>(4,955,754)</u>	<u>(815,829)</u>	<u>4,139,925</u>	<u>(241,850)</u>
Other financing sources (uses):					
Transfers in	2,640,000	2,640,000	2,590,000	(50,000)	-
Transfers out	-	-	-	-	(250,000)
Total other financing sources (uses)	<u>2,640,000</u>	<u>2,640,000</u>	<u>2,590,000</u>	<u>(50,000)</u>	<u>(250,000)</u>
Net change in fund balance	(392,000)	(2,315,754)	1,774,171	4,089,925	(491,850)
Fund balance at beginning of year	<u>695,935</u>	<u>695,935</u>	<u>695,935</u>	-	<u>1,187,785</u>
Fund balance (deficit) at end of year	<u>\$ 303,935</u>	<u>(1,619,819)</u>	<u>2,470,106</u>	<u>4,089,925</u>	<u>695,935</u>

CITY OF COSTA MESA, CALIFORNIA

Measure "M" Construction Fund

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

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	4,845,050	6,415,010	4,064,899	(2,350,111)	2,727,987
Rental	-	-	-	-	-
Investment income	22,500	22,500	81,522	59,022	122,540
Miscellaneous	-	-	-	-	36,450
Total revenues	<u>4,867,550</u>	<u>6,437,510</u>	<u>4,146,421</u>	<u>(2,291,089)</u>	<u>2,886,977</u>
Expenditures:					
Current:					
Public services	<u>6,730,411</u>	<u>15,140,957</u>	<u>3,534,644</u>	<u>11,606,313</u>	<u>3,654,911</u>
Total expenditures	<u>6,730,411</u>	<u>15,140,957</u>	<u>3,534,644</u>	<u>11,606,313</u>	<u>3,654,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,862,861)</u>	<u>(8,703,447)</u>	<u>611,777</u>	<u>9,315,224</u>	<u>(767,934)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,862,861)</u>	<u>(8,703,447)</u>	<u>611,777</u>	<u>9,315,224</u>	<u>(767,934)</u>
Fund balance at beginning of year	<u>7,749,060</u>	<u>7,749,060</u>	<u>7,749,060</u>	<u>-</u>	<u>8,516,994</u>
Fund balance (deficit) at end of year	<u>\$ 5,886,199</u>	<u>(954,387)</u>	<u>8,360,837</u>	<u>9,315,224</u>	<u>7,749,060</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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 892	892	20,159	19,267	4,184
Intergovernmental	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	50	50	131	81	71
Miscellaneous	-	-	-	-	-
Total revenues	942	942	20,290	19,348	4,255
Expenditures:					
Current:					
Public services	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	942	942	20,290	19,348	4,255
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(148)	(148)	(68)
Total other financing sources (uses)	-	-	(148)	(148)	(68)
Net change in fund balance	942	942	20,142	19,200	4,187
Fund balance at beginning of year	8,453	8,453	8,453	-	4,266
Fund balance at end of year	\$ 9,395	9,395	28,595	19,200	8,453

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	200,000	200,000	529,104	329,104	352,222
Rental	-	-	-	-	-
Investment income	7,500	7,500	12,483	4,983	15,732
Miscellaneous	-	-	-	-	-
Total revenues	<u>207,500</u>	<u>207,500</u>	<u>541,587</u>	<u>334,087</u>	<u>367,954</u>
Expenditures:					
Current:					
Public services	<u>500,000</u>	<u>852,101</u>	<u>95,400</u>	<u>756,701</u>	<u>47,423</u>
Total expenditures	<u>500,000</u>	<u>852,101</u>	<u>95,400</u>	<u>756,701</u>	<u>47,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(292,500)</u>	<u>(644,601)</u>	<u>446,187</u>	<u>1,090,788</u>	<u>320,531</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(292,500)	(644,601)	446,187	1,090,788	320,531
Fund balance at beginning of year	<u>1,166,252</u>	<u>1,166,252</u>	<u>1,166,252</u>	<u>-</u>	<u>845,721</u>
Fund balance at end of year	<u>\$ 873,752</u>	<u>521,651</u>	<u>1,612,439</u>	<u>1,090,788</u>	<u>1,166,252</u>

CITY OF COSTA MESA, CALIFORNIA

Traffic Impact Fees Fund

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

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	150,000	150,000	132,406	(17,594)	98,098
Rental	-	-	-	-	-
Investment income	30,000	30,000	30,239	239	55,896
Miscellaneous	-	-	-	-	-
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>162,645</u>	<u>(17,355)</u>	<u>153,994</u>
Expenditures:					
Current:					
Public services	<u>1,353,150</u>	<u>1,698,371</u>	<u>282,524</u>	<u>1,415,847</u>	<u>42,312</u>
Total expenditures	<u>1,353,150</u>	<u>1,698,371</u>	<u>282,524</u>	<u>1,415,847</u>	<u>42,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,173,150)</u>	<u>(1,518,371)</u>	<u>(119,879)</u>	<u>1,398,492</u>	<u>111,682</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(1,173,150)</u>	<u>(1,518,371)</u>	<u>(119,879)</u>	<u>1,398,492</u>	<u>111,682</u>
Fund balance at beginning of year	<u>3,828,048</u>	<u>3,828,048</u>	<u>3,828,048</u>	<u>-</u>	<u>3,716,366</u>
Fund balance at end of year	<u>\$ 2,654,898</u>	<u>2,309,677</u>	<u>3,708,169</u>	<u>1,398,492</u>	<u>3,828,048</u>

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, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	7,500	7,500	5,717	(1,783)	10,834
Miscellaneous	-	-	-	-	-
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>5,717</u>	<u>(1,783)</u>	<u>10,834</u>
Expenditures:					
Current:					
Public services	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,500</u>	<u>7,500</u>	<u>5,717</u>	<u>(1,783)</u>	<u>10,834</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7,500	7,500	5,717	(1,783)	10,834
Fund balance at beginning of year	<u>737,359</u>	<u>737,359</u>	<u>737,359</u>	<u>-</u>	<u>726,525</u>
Fund balance at end of year	<u>\$ 744,859</u>	<u>744,859</u>	<u>743,076</u>	<u>(1,783)</u>	<u>737,359</u>

CITY OF COSTA MESA, CALIFORNIA

Park Development Fund

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

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	149,806	149,806	27,144
Rental	-	-	-	-	-
Investment income	15,000	15,000	11,230	(3,770)	21,498
Miscellaneous	-	-	-	-	750
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>161,036</u>	<u>146,036</u>	<u>49,392</u>
Expenditures:					
Current:					
Public services	624,250	1,050,991	237,583	813,408	50,155
Debt service:					
Interest and fiscal charges	-	-	242,562	(242,562)	228,832
Total expenditures	<u>624,250</u>	<u>1,050,991</u>	<u>480,145</u>	<u>570,846</u>	<u>278,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(609,250)</u>	<u>(1,035,991)</u>	<u>(319,109)</u>	<u>716,882</u>	<u>(229,595)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(609,250)	(1,035,991)	(319,109)	716,882	(229,595)
Fund balance (deficit) at beginning of year	<u>(2,572,832)</u>	<u>(2,572,832)</u>	<u>(2,572,832)</u>	<u>-</u>	<u>(2,343,237)</u>
Fund balance (deficit) at end of year	<u><u>\$ (3,182,082)</u></u>	<u><u>(3,608,823)</u></u>	<u><u>(2,891,941)</u></u>	<u><u>716,882</u></u>	<u><u>(2,572,832)</u></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 – Worker’s Compensation/General Liability/Unemployment

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

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Net Position
June 30, 2013
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2013	2012
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 7,099,481	6,534,884	13,634,365	13,844,494
Accounts receivable	21,394	-	21,394	13,065
Interest receivable	10,786	9,243	20,029	44,862
Prepaid expenses	-	134,085	134,085	-
Inventories	136,144	-	136,144	150,932
Total current assets	<u>7,267,805</u>	<u>6,678,212</u>	<u>13,946,017</u>	<u>14,053,353</u>
Capital assets:				
Motorized equipment	10,522,025	-	10,522,025	11,701,263
Other equipment	169,648	-	169,648	330,993
Accumulated depreciation	(7,016,573)	-	(7,016,573)	(7,888,517)
Net capital assets	<u>3,675,100</u>	<u>-</u>	<u>3,675,100</u>	<u>4,143,739</u>
Total assets	<u>10,942,905</u>	<u>6,678,212</u>	<u>17,621,117</u>	<u>18,197,092</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	140,779	184,293	325,072	424,514
Accrued liabilities	9,753	-	9,753	12,676
Capital lease payable	196,334	-	196,334	189,129
Claims payable	-	3,525,000	3,525,000	3,005,239
Total current liabilities	<u>346,866</u>	<u>3,709,293</u>	<u>4,056,159</u>	<u>3,631,558</u>
Long-term liabilities:				
Capital lease payable	415,395	-	415,395	611,729
Claims payable	-	8,876,539	8,876,539	6,785,166
Total long-term liabilities	<u>415,395</u>	<u>8,876,539</u>	<u>9,291,934</u>	<u>7,396,895</u>
Total liabilities	<u>762,261</u>	<u>12,585,832</u>	<u>13,348,093</u>	<u>11,028,453</u>
<u>Net Position</u>				
Net investment in capital assets	3,063,371	-	3,063,371	3,342,881
Unrestricted (deficit)	7,117,273	(5,907,620)	1,209,653	3,825,758
Total net position (deficit)	<u>\$ 10,180,644</u>	<u>(5,907,620)</u>	<u>4,273,024</u>	<u>7,168,639</u>

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2013	2012
Operating revenues:				
Charges for services	\$ 2,399,561	3,936,196	6,335,757	6,315,371
Total operating revenues	2,399,561	3,936,196	6,335,757	6,315,371
Operating expenses:				
Allocated administrative costs	614,418	241,941	856,359	948,541
Depreciation	640,616	-	640,616	664,795
Fuel and repair parts	1,126,831	-	1,126,831	1,139,155
Claims and premiums	-	6,543,299	6,543,299	3,577,090
Total operating expenses	2,381,865	6,785,240	9,167,105	6,329,581
Operating income (loss)	17,696	(2,849,044)	(2,831,348)	(14,210)
Nonoperating revenues (expenses):				
Investment income	56,789	50,922	107,711	188,042
Interest Expense	(30,513)	-	(30,513)	(37,454)
Other income	20,073	-	20,073	-
Gain/(loss) on sale of equipment	(161,538)	-	(161,538)	(33,810)
Total nonoperating revenues (expenses)	(115,189)	50,922	(64,267)	116,778
Income (loss) before transfers	(97,493)	(2,798,122)	(2,895,615)	102,568
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	-	-	-	-
Change in net position	(97,493)	(2,798,122)	(2,895,615)	102,568
Net position (deficit) at beginning of year	10,278,137	(3,109,498)	7,168,639	7,066,071
Net position (deficit) at end of year	\$ 10,180,644	(5,907,620)	4,273,024	7,168,639

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2013

(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2013	2012
Cash flows from operating activities:				
Cash received from customers and user departments	\$ 2,391,232	3,936,196	6,327,428	6,542,208
Cash payments to suppliers for goods and services	(1,121,347)	(4,448,590)	(5,569,937)	(5,027,264)
Cash payments to employees for services	(565,821)	(1,259)	(567,080)	(653,216)
Net cash provided by (used for) operating activities	704,064	(513,653)	190,411	861,728
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	-
Cash paid to other funds	-	-	-	-
Net cash provided by (used for) noncapital financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Cash received from disposal of assets	22,812	-	22,812	52,112
Acquisition of capital assets	(336,254)	-	(336,254)	(23,197)
Cash paid for capital related financing	(219,642)	-	(219,642)	(219,640)
Net cash provided by (used for) capital and related financing activities	(533,084)	-	(533,084)	(190,725)
Cash flows from investing activities:				
Investment income received	68,828	63,716	132,544	185,729
Net cash provided by (used for) investing activities	68,828	63,716	132,544	185,729
Net increase (decrease) in cash and cash equivalents	239,808	(449,937)	(210,129)	856,732
Cash and cash equivalents at beginning of year	6,859,673	6,984,821	13,844,494	12,987,762
Cash and cash equivalents at end of year	\$ 7,099,481	6,534,884	13,634,365	13,844,494
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 17,696	(2,849,044)	(2,831,348)	(14,210)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	640,616	-	640,616	664,795
(Increase) decrease in inventories	14,788	-	14,788	(34,777)
(Increase) decrease in accounts receivable	(8,329)	-	(8,329)	193,027
(Increase) decrease in prepaid items	-	(134,085)	(134,085)	-
Increase (decrease) in accounts payable	40,957	(140,399)	(99,442)	207,784
Increase (decrease) in accrued liabilities	(1,664)	(1,259)	(2,923)	264
Increase (decrease) in claims payable	-	2,611,134	2,611,134	(155,155)
Net cash provided by (used for) operating activities	\$ 704,064	(513,653)	190,411	861,728

AGENCY FUNDS

The 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 Community Foundation Fund

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

Airborne Law Enforcement (A.B.L.E.) Fund

Established to account for the receipt of funds made available to finance, acquire, and maintain Airborne Law Enforcement Services, a public law enforcement service program. The cities of Costa Mesa and Newport Beach were member agencies of this joint powers agency. The agency contracts with public entities to provide helicopter services. In December 2012, ABLE's Board of Governors dissolved remaining assets of the joint venture and remitted funds to the member agencies.

CITY OF COSTA MESA, CALIFORNIA
 Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2013
 (With Comparative Data for Prior Year)

	Deposits	Community Facilities District	Costa Mesa Community Foundation	Airborne Law Enforcement	Totals	
					2013	2012
<u>Assets</u>						
Cash and investments	\$2,652,141	-	47,941	-	2,700,082	7,364,240
Due from other governments	-	-	-	-	-	6,617
Accounts receivable	1,917	-	189,525	-	191,442	38,789
Interest receivable	-	-	20	-	20	16,058
Inventories	-	-	-	-	-	85,447
Total assets	\$2,654,058	-	237,486	-	2,891,544	7,511,151
<u>Liabilities</u>						
Accounts payable	\$ 282,426	-	174,577	-	457,003	430,895
Deposits payable	2,371,632	-	62,909	-	2,434,541	2,211,439
Due to other governments	-	-	-	-	-	4,868,817
Total liabilities	\$2,654,058	-	237,486	-	2,891,544	7,511,151

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2013

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
<u>DEPOSITS</u>				
<u>Assets</u>				
Cash and investments	\$ 2,383,712	35,618,967	35,350,538	2,652,141
Accounts receivable	13,480	83,014	94,577	1,917
Interest receivable	-	-	-	-
Total assets	<u>\$ 2,397,192</u>	<u>35,701,981</u>	<u>35,445,115</u>	<u>2,654,058</u>
<u>Liabilities</u>				
Accounts payable	\$ 288,740	4,446,544	4,452,858	282,426
Deposits payable	2,108,452	38,223,704	37,960,524	2,371,632
Total liabilities	<u>\$ 2,397,192</u>	<u>42,670,248</u>	<u>42,413,382</u>	<u>2,654,058</u>
<u>COMMUNITY FACILITIES DISTRICT</u>				
<u>Assets</u>				
Cash and investments	\$ -	249,903	249,903	-
Total assets	<u>\$ -</u>	<u>249,903</u>	<u>249,903</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	\$ -	244,915	244,915	-
Held for bondholders	-	249,903	249,903	-
Total liabilities	<u>\$ -</u>	<u>494,818</u>	<u>494,818</u>	<u>-</u>
<u>COSTA MESA COMMUNITY FOUNDATION</u>				
<u>Assets</u>				
Cash and investments	\$ 134,584	259,797	346,440	47,941
Accounts receivable	-	241,075	51,550	189,525
Interest receivable	434	20	434	20
Total assets	<u>\$ 135,018</u>	<u>500,892</u>	<u>398,424</u>	<u>237,486</u>
<u>Liabilities</u>				
Accounts payable	\$ 19,693	491,224	336,340	174,577
Accrued liabilities	-	-	-	-
Deposits payable	102,987	529,545	569,623	62,909
Deferred revenue	12,338	-	12,338	-
Total liabilities	<u>\$ 135,018</u>	<u>1,020,769</u>	<u>918,301</u>	<u>237,486</u>

(Continued)

CITY OF COSTA MESA, CALIFORNIA

(Continued)

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2013

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
<u>AIRBORNE LAW ENFORCEMENT</u>				
<u>Assets</u>				
Cash and investments	\$ 4,845,944	329,320	5,175,264	-
Due from other governments	6,617	-	6,617	-
Accounts receivable	25,309	15,965	41,274	-
Interest receivable	15,624	-	15,624	-
Inventories	85,447	24,250	109,697	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 4,978,941</u>	<u>369,535</u>	<u>5,348,476</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	\$ 122,462	2,597,609	2,720,071	-
Deposits payable	-	-	-	-
Due to other governments	4,856,479	-	4,856,479	-
Total liabilities	<u>\$ 4,978,941</u>	<u>2,597,609</u>	<u>7,576,550</u>	<u>-</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 7,364,240	36,457,987	41,122,145	2,700,082
Due from other governments	6,617	-	6,617	-
Accounts receivable	38,789	340,054	187,401	191,442
Interest receivable	16,058	20	16,058	20
Inventories	85,447	24,250	109,697	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 7,511,151</u>	<u>36,822,311</u>	<u>41,441,918</u>	<u>2,891,544</u>
<u>Liabilities</u>				
Accounts payable	\$ 430,895	7,535,377	7,509,269	457,003
Accrued liabilities	-	-	-	-
Deposits payable	2,211,439	38,753,249	38,530,147	2,434,541
Due to other governments	4,856,479	-	4,856,479	-
Deferrred revenue	12,338	-	12,338	-
Held for bondholders	-	244,915	244,915	-
Total liabilities	<u>\$ 7,511,151</u>	<u>46,533,541</u>	<u>51,153,148</u>	<u>2,891,544</u>

CITY OF COSTA MESA CALIFORNIA



SNOOPY HOUSE



**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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net investment in capital assets	\$ 202,575,439	204,310,422	207,142,027	223,882,753	231,078,900	238,167,532	232,204,195	209,554,571	207,954,876	204,884,524
Restricted										
Protection of Persons and Property	2,723,835	1,714,903	1,481,296	747,564	431,303	407,718	1,040,371	1,303,260	2,519,015	2,329,840
Community programs	1,990,698	1,637,173	2,649,931	10,166,878	10,601,709	5,909,972	6,475,370	2,292,260	10,262,006	8,713,244
Public services	29,155,232	23,973,667	27,895,363	19,186,443	18,781,762	18,531,911	18,083,105	26,299,602	28,568,791	26,485,938
Redevelopment	-	-	6,348,075	8,743,736	-	-	-	-	-	-
Unrestricted	60,812,797	71,067,417	66,063,174	62,778,909	67,546,727	50,034,265	40,025,930	42,251,930	44,741,840	43,798,620
Total governmental activities net position	297,258,001	302,703,582	311,579,866	325,506,283	328,440,401	313,051,398	297,828,971	281,701,623	294,046,528	286,212,166

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General government	\$ 21,245,163	23,646,274	21,823,044	28,246,216	29,508,603	29,708,604	24,640,217	22,942,186	19,977,655	22,655,452
Protection of persons and property	45,672,246	51,753,396	58,123,794	52,299,944	57,635,181	64,718,615	65,999,456	58,600,881	61,788,930	63,383,715
Community programs	4,937,852	4,927,306	3,770,475	5,945,293	7,704,374	10,953,425	6,957,413	5,585,317	4,310,750	6,519,916
Public services	16,699,275	14,728,739	19,371,276	24,479,949	28,707,820	22,068,699	20,338,489	18,051,024	18,873,545	20,508,217
Redevelopment	632,735	534,995	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541	911,704	-
Interest on long-term debt	3,359,285	1,486,198	2,502,868	3,419,566	3,651,584	3,426,155	3,243,198	3,043,559	2,683,598	1,726,008
Total primary government expenses	92,546,556	97,076,908	108,101,128	115,275,973	128,396,325	131,250,997	122,404,766	109,085,508	108,546,182	114,793,308
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	2,931,054	2,932,734	3,199,365	3,742,586	3,553,680	3,236,412	3,266,143	2,660,989	2,635,880	2,739,881
Community programs	5,407,997	5,247,815	5,402,789	5,423,255	5,534,124	6,075,951	5,617,827	5,290,235	5,268,839	5,856,107
Public services	4,316,825	3,181,180	3,374,546	5,680,415	2,822,877	1,839,433	1,974,779	2,626,032	2,861,971	2,646,611
Redevelopment	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	6,818,121	6,071,120	11,709,774	11,459,481	8,948,635	10,276,030	5,699,857	6,717,009	8,832,089	8,443,327
Capital grants and contributions	5,419,104	5,253,030	4,511,691	6,506,495	10,594,837	8,938,881	6,441,397	6,233,234	4,555,065	5,140,960
Total primary government revenues	24,893,101	22,685,879	28,198,165	32,812,232	31,474,153	30,366,707	23,000,003	23,527,499	24,153,844	24,826,886
Total primary government net expense	(67,653,455)	(74,391,029)	(79,902,963)	(82,463,741)	(96,922,172)	(100,884,290)	(99,404,763)	(85,558,009)	(84,392,338)	(89,966,422)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	18,826,218	18,586,166	19,752,336	22,921,884	24,715,336	25,327,904	23,885,560	24,626,634	21,564,340	23,192,755
Sales and use taxes	41,027,059	43,582,985	46,049,080	46,489,599	46,917,845	39,488,414	35,267,341	40,953,224	43,077,849	46,743,795
Transient occupancy tax	4,221,661	4,641,350	5,465,320	5,959,556	5,791,004	4,719,158	4,268,984	5,344,968	6,524,510	7,257,695
Franchise taxes	2,329,340	2,833,347	3,674,652	3,911,800	4,046,517	4,174,172	3,945,159	4,240,255	4,471,326	4,818,972
Business license tax	830,794	912,434	912,324	897,608	932,278	860,491	858,567	866,442	888,967	917,653
Other intergovernmental, unrestricted	5,208,889	8,659,395	8,108,852	8,687,055	9,155,864	9,215,927	9,117,466	9,112,000	8,594,277	8,814,644
Investment income	2,436,835	3,455,453	3,082,011	7,433,407	6,659,736	1,649,319	4,016,384	2,499,790	1,377,209	640,159
Miscellaneous	891,797	740,848	210,302	89,249	862,648	850,080	1,784,618	860,972	978,394	181,943
Settlements	-	-	-	-	-	-	-	-	-	1,452,623
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	75,772,593	83,411,978	87,254,877	96,390,158	99,081,228	86,285,465	83,144,079	88,504,285	96,737,243	82,132,060
Change in Net Position	8,119,138	9,020,949	7,351,914	13,926,417	2,159,056	(14,598,825)	(16,260,684)	2,946,276	12,344,905	(7,834,362)

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									
	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013
General fund										
Reserved	\$ 15,225,005	15,227,236	14,744,220	18,326,310	15,768,661	15,140,564	14,421,676	-	-	-
Unreserved	46,375,225	54,605,118	56,192,948	55,057,757	50,467,786	33,716,155	27,098,389	-	-	-
Nonspendable	-	-	-	-	-	-	-	13,334,328	13,917,262	3,137,794
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	16,125,000	16,125,000	16,125,000
Assigned	-	-	-	-	-	-	-	9,900,467	10,347,804	10,131,615
Unassigned	-	-	-	-	-	-	-	5,915,735	7,419,860	16,252,032
Total general fund	61,600,230	69,832,354	70,937,168	73,384,067	66,236,447	48,856,719	41,520,065	45,275,530	47,809,926	45,646,441
All other governmental funds										
Reserved	12,496,295	12,565,629	12,561,311	26,378,785	23,661,322	10,576,691	9,357,430	-	-	-
Unreserved, reported in:										
Special revenue funds	17,411,372	16,637,291	18,233,112	20,625,152	7,904,617	13,042,672	14,952,556	-	-	-
Capital projects funds	13,443,518	8,349,839	8,730,735	15,128,023	18,759,882	15,658,912	10,780,360	-	-	-
Debt services funds	(12,732,031)	(12,226,674)	(11,783,729)	(11,002,058)	(10,400,263)	(9,579,072)	(10,136,674)	-	-	-
Nonspendable	-	-	-	-	-	-	-	12,849	-	-
Restricted	-	-	-	-	-	-	-	34,165,657	31,441,902	29,302,059
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	7,146,775	7,095,166	9,162,682
Unassigned	-	-	-	-	-	-	-	(12,177,382)	(2,572,973)	(2,892,237)
Total primary government net expense	30,619,154	25,326,085	27,741,429	51,129,902	39,925,558	29,699,203	24,953,672	29,147,899	35,964,095	35,572,504

(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

TABLE 4

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

	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	67,235,072	70,556,282	75,818,711	80,180,448	82,402,980	74,570,140	68,225,614	76,031,925	76,526,993	82,930,849
Licenses and permits	2,143,839	1,948,650	2,101,870	2,874,124	1,876,959	1,168,026	1,289,600	1,557,797	1,903,361	1,997,057
Fines and forfeits	3,558,468	2,953,385	3,157,859	2,915,299	3,066,355	2,965,960	2,868,066	2,104,816	3,508,181	4,483,240
Intergovernmental	16,080,227	19,585,648	22,199,470	22,675,698	27,088,736	26,359,128	21,137,881	21,681,418	19,838,941	19,195,966
Charges for services	3,170,569	3,325,517	4,771,803	7,789,875	4,355,738	4,179,547	4,156,944	4,478,711	4,167,896	4,320,932
Rental	2,816,656	2,858,286	2,792,016	2,909,707	3,128,271	3,189,975	2,838,744	2,900,049	3,054,100	2,987,055
Investment income	1,878,219	3,931,991	2,448,400	6,843,792	5,869,106	1,627,547	3,537,379	2,284,183	1,189,168	533,469
Return on equity	-	-	-	-	-	-	-	-	-	2,551,815
Settlements	-	-	-	-	-	-	-	-	-	1,452,623
Miscellaneous	1,173,944	1,427,160.00	841,991	882,110	1,182,749	2,342,611	2,566,138	1,069,225	1,376,946	910,172
Total revenues	97,856,994	106,586,919	114,132,120	127,071,053	128,970,894	116,402,934	106,620,366	112,108,124	111,565,586	121,363,178
Expenditures										
General government	21,185,828	23,132,535	25,676,011	27,473,794	28,723,990	29,619,695	25,276,998	21,739,252	20,974,387	21,982,783
Protection of persons and property	48,965,777	51,926,311	58,653,822	61,444,097	66,889,007	68,691,164	61,884,416	56,207,290	59,993,364	60,468,091
Community programs	6,215,447	6,320,969	7,330,558	10,581,225	9,622,552	11,550,616	6,296,711	6,259,971	6,125,337	6,166,791
Public services	18,879,695	16,903,620	15,692,726	24,951,597	33,343,249	27,954,239	17,216,338	11,849,471	13,613,312	16,781,751
Redevelopment	488,843	549,793	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541	911,704	-
Debt service:										
Principal	2,661,728	2,887,337	3,238,000	3,524,900	5,486,427	4,393,687	4,064,842	4,395,904	4,525,739	3,872,050
Interest	2,778,146	2,467,583	2,448,580	2,576,413	3,683,198	3,460,555	3,244,528	3,082,508	2,734,050	1,741,101
Other charges	2,730,272	90,345	90,345	593,136	-	-	-	-	-	-
Total expenditures	103,905,736	104,188,148	115,639,713	132,030,167	148,917,186	146,045,455	119,209,826	104,396,937	108,877,893	111,012,567
Excess of revenues over (under) expenditures	(6,048,742)	2,398,771	(1,507,593)	(4,959,114)	(19,946,292)	(29,642,521)	(12,589,460)	7,711,187	2,687,693	10,350,611
Other financing sources (uses):										
Transfers in	3,984,713	6,651,916	5,214,379	7,365,984	9,014,877	7,123,168	9,160,286	8,460,300	5,099,168	6,212,460
Transfers out	(3,468,827)	(6,111,632)	(4,627,108)	(6,611,691)	(8,195,611)	(7,158,081)	(8,653,011)	(8,221,795)	(5,099,168)	(6,212,460)
Extraordinary Gain (loss)	-	-	-	-	-	-	-	-	5,645,371	(11,888,159)
Issuance of long-term debt	21,824,120	-	7,151,217	-	-	-	-	-	-	-
Premium on debt issue	403,531	-	-	80,193	-	-	-	-	-	-
Payment to bond escrow agent	(19,645,279)	-	(2,139,205)	-	-	-	-	-	-	-
Bond proceeds	-	-	-	29,960,000	-	-	-	-	-	-
Total other financing sources (uses)	3,098,258	540,284	5,599,283	30,794,486	819,266	(34,913)	507,275	238,505	5,645,371	(11,888,159)
Net change in fund balances	(2,950,484)	2,939,055	4,091,690	25,835,372	(19,127,026)	(29,677,434)	(12,082,185)	7,949,692	8,333,064	(1,537,548)
Debt service as a percentage of noncapital expenditures	7.86%	5.14%	5.54%	6.15%	7.73%	6.25%	6.43%	7.45%	7.03%	5.40%

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		Franchise	Business		Proposition	Total
			Occupancy			License	172		
2004	\$ 40,244,632	\$ 18,826,218	\$ 4,221,661	\$ 2,329,340	\$ 830,794	\$ 782,427	\$ 67,235,072		
2005	42,714,022	18,586,167	4,641,350	2,833,347	912,434	868,962	70,556,282		
2006	45,116,230	19,717,334	5,465,320	3,674,652	912,324	932,851	75,818,711		
2007	45,641,219	22,921,885	5,959,556	3,911,800	897,608	848,380	80,180,448		
2008	45,990,428	24,715,336	5,791,004	4,046,517	932,278	927,417	82,402,980		
2009	38,659,256	25,327,904	4,719,158	4,174,172	860,491	829,159	74,570,140		
2010	34,516,828	23,885,560	4,268,984	3,945,159	858,567	750,513	68,225,611		
2011	40,173,714	24,626,634	5,344,968	4,240,255	866,442	779,510	76,031,523		
2012	42,234,307	21,564,340	6,524,510	4,471,326	888,967	843,542	76,526,993		
2013	45,830,107	23,192,755	7,257,695	4,818,972	917,633	913,688	82,930,850		

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Apparel stores	\$ 371,013	\$ 419,206	\$ 454,318	\$ 463,521	\$ 482,249	\$ 432,965	\$ 383,716	\$ 436,980	\$ 484,036	\$ 604,936
General merchandise	536,259	583,136	614,478	602,376	639,878	582,091	534,936	540,920	568,293	591,832
Food stores	93,223	89,945	95,332	100,243	101,762	102,519	96,251	92,575	93,721	94,377
Eating and drinking establishments	273,604	308,988	330,384	360,331	379,604	358,069	325,087	337,684	371,523	387,667
Building materials	189,652	208,049	233,108	237,727	222,523	192,021	143,602	145,342	142,575	150,604
Auto dealers and supplies	678,550	760,174	767,922	724,664	659,095	560,317	488,122	536,390	577,755	613,669
Service stations	115,955	136,154	151,650	173,583	183,362	203,309	157,149	196,497	240,892	269,067
Other retail stores	761,889	884,442	966,736	1,052,096	1,030,546	918,095	797,163	853,264	924,979	961,488
All other outlets	826,899	872,929	917,503	905,603	928,733	822,086	697,731	758,854	778,329	839,005
	<u>\$ 3,847,044</u>	<u>\$ 4,263,023</u>	<u>\$ 4,531,431</u>	<u>\$ 4,620,144</u>	<u>\$ 4,627,752</u>	<u>\$ 4,171,472</u>	<u>\$ 3,623,757</u>	<u>\$ 3,898,506</u>	<u>\$ 4,182,103</u>	<u>\$ 4,512,645</u>
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

<u>Category</u>	2012			2003		
	Taxable Sales	Rank	Percentage of Total City	Taxable Sales	Rank	Percentage of Total City
			Taxable Sales			Taxable Sales
Other retail stores	961,488	1	21.31%	759,293	2	19.73%
All other outlets	839,005	2	18.59%	829,112	1	21.54%
Auto dealers and supplies	613,669	3	13.60%	682,333	3	17.73%
Apparel stores	604,936	4	13.41%	393,616	5	10.23%
General merchandise	591,832	5	13.11%	533,857	4	13.87%
Eating and drinking establishments	387,667	6	8.59%	274,375	6	7.13%
Service stations	269,067	7	5.96%	124,784	8	3.24%
Building materials	150,604	8	3.34%	170,492	7	4.43%
Food stores	94,377	9	2.09%	81,302	9	2.11%

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 Direct Rate	Orange County Rate	State of California Rate	Total Sales Tax Rate
2004	1.00	0.50	6.00	7.50
2005	1.00	0.50	6.25	7.75
2006	1.00	0.50	6.25	7.75
2007	1.00	0.50	6.25	7.75
2008	1.00	0.50	6.25	7.75
2009	1.00	0.50	7.25	8.75
2010	1.00	0.50	7.25	8.75
2011	1.00	0.50	7.25	8.75
2012	1.00	0.50	6.25	7.75
2013	1.00	0.50	6.50	8.00

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)
2004	\$ 15,334,915	\$ 14,971,613	97.63%	\$ 252,804	\$ 15,224,417	99.28%
2005	16,675,818	16,292,111	97.70%	210,990	16,503,101	98.96%
2006	18,134,611	17,586,064	96.98%	239,872	17,825,936	98.30%
2007	19,560,699	18,685,762	95.53%	312,318	18,998,080	97.12%
2008	20,888,474	19,998,097	95.74%	532,478	20,530,575	98.29%
2009	21,276,710	20,363,004	95.71%	920,531	21,283,534	100.03%
2010	21,092,684	17,122,170	81.18%	911,902	18,034,072	85.50%
2011	20,670,091	20,059,681	97.05%	594,003	20,653,684	99.92%
2012	20,574,309	19,958,891	97.01%	408,220	20,367,111	98.99%
2013	21,112,082	20,599,679	97.57%	382,281	20,981,960	99.38%

(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 2012/2013 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	Commercial	Industrial	Miscellaneous	Less:		Total Taxable	Total Direct	Estimated	Taxable Assessed
	Property	Property	Property	Property	Tax-Exempt	Property	Assessed Value	Tax Rate	Actual Taxable Value (1)	Value as a Percentage of Actual Taxable Value
2004	\$ 5,401,000,174	\$ 2,708,744,818	\$ 914,850,557	\$ 1,032,588,177	\$ -	-	\$10,057,183,726	0.17603%	\$10,057,183,726	100.00%
2005	6,011,396,006	1,648,237,709	875,070,937	2,154,452,653	-	-	10,689,157,305	0.17555%	10,689,157,305	100.00%
2006	6,687,872,490	1,786,332,922	955,171,755	2,215,398,310	-	-	11,644,775,477	0.17471%	11,644,775,477	100.00%
2007	7,358,784,736	2,216,054,436	1,009,929,135	2,149,934,744	-	-	12,734,703,051	0.17165%	12,734,703,051	100.00%
2008	8,012,690,802	2,358,236,884	1,049,297,119	2,404,008,712	-	-	13,824,233,517	0.17276%	13,824,233,517	100.00%
2009	8,164,306,671	2,553,080,097	1,129,832,358	2,518,888,713	-	-	14,366,107,839	0.17342%	14,366,107,839	100.00%
2010	8,171,208,423	3,383,235,481	1,196,215,357	1,682,015,788	-	-	14,432,675,049	0.17241%	14,432,675,049	100.00%
2011	8,347,650,226	3,466,364,532	1,138,864,468	1,163,583,656	-	-	14,116,462,882	0.17154%	14,116,462,882	100.00%
2012	8,557,101,277	3,394,223,104	1,100,996,492	1,065,596,839	-	-	14,117,917,712	0.17226%	14,117,917,712	100.00%
2013	8,704,306,093	3,479,681,880	1,122,815,201	1,070,250,329	-	-	14,377,053,503	0.17288%	14,377,053,503	100.00%

(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 2003/2004- 2012/2013 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 Debt
	Basic Rate	Obligation Debt Service				Debt	Debt	School District	Debt	
2004	0.14879	0.00276	0.00890	1.00000	0.17603	0.36657	0.50245	0.00775		
2005	0.14879	-	0.00860	1.00000	0.17555	0.36657	0.52979	0.00745		
2006	0.14879	-	0.00800	1.00000	0.17471	0.36657	0.51732	0.00685		
2007	0.14879	-	0.00470	1.00000	0.17165	0.36657	0.51786	0.00635		
2008	0.14879	-	0.00450	1.00000	0.17276	0.36657	0.51452	0.00615		
2009	0.14879	-	0.00430	1.00000	0.17342	0.36649	0.67550	0.00615		
2010	0.14879	-	0.00430	1.00000	0.17241	0.36649	0.48300	0.00595		
2011	0.14879	-	0.00370	1.00000	0.17154	0.36649	0.48300	0.00535		
2012	0.14879	-	0.00370	1.00000	0.17226	0.36649	0.48300	0.00535		
2013	0.14879	-	0.00370	1.00000	0.17288	0.36649	0.48300	0.00535		

(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 2003/2004 - 2012/2013 Combined Tax Rolls.

TABLE 12

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

Taxpayer	2012-2013				2003-2004			
	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue		Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue	
South Coast Plaza	\$ 402,934	1	1.62%		\$ 408,806	1	2.36%	
Trust Costa Mesa Courtyards LLC	399,345	2	1.61%					
Rreef America Reit II Corpotation Cccc2	380,517	3	1.53%					
Irvine Company LLC	322,678	4	1.30%					
1901 Newport LLC	313,203	5	1.26%		254,921	5	1.47%	
WWG TSQ Owner LLC	249,351	6	1.00%					
Marjack LLC Irvine Compnay	217,091	7	0.87%					
Interinsurance Exchange of the Auto Club	203,229	8	0.82%		154,394	8	0.89%	
United Dominion Realty LP	201,691	9	0.81%					
Casden Lakes LP	180,141	10	0.72%					
Triangle Square					377,429	2	2.18%	
Sakioka Farms					260,156	3	1.50%	
Teachers Retirement System					258,878	4	1.49%	
FSP Two Town Center LLC					225,613	6	1.30%	
Los Angeles Times					178,166	7	1.03%	
CJ Segerstrom & Sons					139,431	9	0.80%	
Riverville Family Associates					128,692	10	0.74%	
Total	\$ 2,870,180		11.55%		\$ 2,386,486		13.77%	

Source: HdL Coren & Cone, Orange County Assessor 2012/2013 & 2003/2004 Combined Tax Rolls.

TABLE 13

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

	Fiscal Years									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General bonded debt outstanding										
General obligation bonds	\$ 7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000	4,650,000	4,140,000	3,615,000	-
Redevelopment bonds (1)	7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000	4,650,000	4,140,000	3,615,000	3,070,000
Total										
Percentage of taxable assessed value	0.0699%	0.0603%	0.0516%	0.0442%	0.0392%	0.0356%	0.0329%	0.0293%	0.0256%	0.0214%
Per capita	\$ 16.31	\$ 16.47	\$ 14.09	\$ 12.07	\$ 7.18	\$ 6.53	\$ 9.90	\$ 8.85	\$ 8.43	\$ 7.12
Less: Amounts set aside to repay general debt	704,877	707,466	710,981	711,982	706,045	704,300	704,300	704,300	704,300	704,300
Total net debt applicable to debt limit	6,765,123	6,312,534	5,854,019	5,393,018	4,923,955	4,440,700	3,945,700	3,435,700	2,910,700	2,365,700
Legal debt limit (3.75% of Assessed Value)	405,242,385	430,391,123	465,925,448	515,894,487	556,242,642	583,264,697	585,910,407	574,243,802	575,152,015	585,780,638
Legal debt margin	398,477,262	424,078,589	460,071,429	510,501,469	551,318,687	578,823,997	581,964,707	570,808,102	572,241,315	583,414,938
Legal debt margin as a percentage of the debt limit	98.33%	98.53%	98.74%	98.95%	99.11%	99.24%	99.33%	99.40%	99.49%	99.60%

(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	Total Primary Government			
2004	-	\$ 7,470,000	0.0699%	\$ 16.31	\$ 26,075,000	-	\$ 3,695,503	\$ 37,240,503	1.41%	\$ 1,595.43	
2005	-	7,020,000	0.0603%	16.47	24,340,000	-	2,993,166	34,353,166	1.11%	1,257.04	
2006	-	6,565,000	0.0516%	14.09	22,695,000	-	6,725,536	35,985,536	1.16%	1,316.78	
2007	-	6,105,000	0.0442%	12.07	20,935,000	29,960,000	5,368,649	62,368,649	2.00%	2,282.18	
2008	-	5,630,000	0.0392%	7.18	19,000,000	29,215,000	3,037,222	56,882,222	2.73%	3,105.81	
2009	-	5,145,000	0.0356%	10.72	16,980,000	28,465,000	1,898,535	52,488,535	1.50%	1,745.60	
2010	-	4,650,000	0.0329%	9.94	14,890,000	27,525,000	2,341,737	49,406,737	1.40%	1,636.85	
2011	-	4,140,000	0.0293%	8.85	12,735,000	26,355,000	1,780,834	45,010,834	1.27%	1,491.22	
2012	-	3,615,000	0.0256%	8.43	10,490,000	25,140,000	1,057,907	40,302,907	1.11%	1,224.86	
2013	-	3,070,000	0.0214%	7.12	8,140,000	23,875,000	611,729	35,696,729	0.96%	1,071.14	

⁽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, 2013

<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	1,580,000	100%	1,580,000
Newport Mesa Unified School District	241,779,150	27.021%	65,331,144
Coast Community College District	648,598,698	13.273%	86,088,505
Santa Ana Unified School District	296,779,272	3.209%	9,523,647
Rancho Santiago Community College District	293,246,944	1.363%	3,996,956
Metropolitan Water District	165,085,000	0.685%	1,130,832
Subtotal overlapping Tax and Assessment debt repaid with property taxes			<u>167,651,084</u>
Overlapping general fund debt repaid with property taxes			
Municipal Water District of Orange County Water Facilities Corporation	10,035,000	4.033%	404,712
Santa Ana Unified School District Certificates of Participation	78,885,880	3.209%	2,531,448
Orange County General Fund Obligations	190,546,000	3.361%	6,404,251
Orange County Pension Obligations	306,287,244	3.361%	10,294,314
Orange County Board of Education Certificates of Participation	15,770,000	3.361%	530,030
Subtotal overlapping general fund debt repaid with property taxes			<u>20,164,754</u>
Overlapping Tax Increment Debt (Successor Agency)	44,570,000	8.196%	3,652,941
City direct debt			
City of Costa Mesa General Fund Obligations ⁽¹⁾	30,435,000	100%	30,435,000
Total direct and overlapping debt			<u><u>221,903,780</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**

Calendar Year	Population ⁽²⁾	Personal Income (thousands of dollars)	Per Capita		Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Orange County Unemployment Rate ⁽⁴⁾
			Personal Income ⁽¹⁾	Personal Income ⁽¹⁾			
2004	113,011	2,135,908	18,900		32	21,806	3.60%
2005	113,042	2,638,626	23,342		32	21,875	2.90%
2006	113,134	3,091,785	27,329		32	21,253	3.70%
2007	113,805	3,110,122	27,329		32	20,877	3.90%
2008	113,955	3,114,221	27,329		32	20,920	5.30%
2009	113,955	2,087,063	18,315		32	21,178	9.30%
2010	116,341	3,498,258	30,069		33	21,353	8.50%
2011	117,178	3,536,901	30,184		33	21,444	9.20%
2012	110,757	3,644,348	32,904		33	21,619	7.90%
2013	111,358	3,711,117	33,326		33	21,944	6.10%

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**

<u>Employer</u>	2012-2013			2003-2004 ⁽¹⁾		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Experian Information Solution	3,700	1	5.73%			
Coast Community College District Foundation	2,900	2	4.49%			
Orange Coast Community College	1,900	3	2.94%			
Fairview Developmental Center	1,500	4	2.32%			
A Clark/Mccarthy Joint Venture	1,250	5	1.94%			
Interinsurance Exchange of the Auto Club	1,200	6	1.86%			
Pacific Building Care, Inc	850	7	1.32%			
Filenet Corporation	600	8	0.93%			
TTM Technologies, Inc	500	9	0.77%			
Nordstorm, Inc.	500	10	0.77%			

⁽¹⁾ Data not available for fiscal year 2003-2004

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Number of residents served via public services programs	3,925	2,998	3,500	3,250	3,250	2,800	3,250	3,000	2,023	1,500
Accounts payable checks issued	11,525	11,693	12,075	12,250	12,000	12,500	12,500	10,187	9,634	9,561
Total printshop photocopies produced	6,223,133	5,257,928	5,010,580	5,200,000	5,250,000	4,965,000	2,260,000	2,528,476	2,746,559	1,554,927
Protection of persons and property										
Police protection										
Emergency calls	1,473	1,436	1,390	1,400	1,450	1,350	1,350	1,230	1,160	1,180
Calls responded to within 5 minutes	85%	85%	81%	80%	80%	82%	82%	82%	80%	82%
Assigned theft cases	1,998	2,130	2,000	1,000	1,000	2,055	2,000	2,055	1,900	1,000
Percentage of theft cases cleared	23%	23%	25%	25%	25%	25%	25%	25%	25%	40%
Assigned burglary cases	1,535	1,578	1,600	1,600	1,600	1,425	1,600	1,425	1,460	800
Percentage of burglary cases cleared	23%	21%	25%	25%	25%	25%	25%	25%	25%	40%
Case and arrest reports processed	46,236	27,704	46,300	24,180	24,603	24,603	24,603	19,814	21,921	18,133
Fire protection										
Number of calls for service	8,300	8,876	8,704	9,000	9,400	9,450	9,500	9,500	9,800	10,000
Fire related responses	255	178	261	180	188	283	285	238	110	200
Emergency medical aid responses	5,810	6,657	6,267	6,840	6,700	6,700	6,700	7,200	6,400	7,000
Community Programs										
Number of program participants at the Downtown Recreation Center	20,000	24,500	25,000	32,799	67,134	33,843	33,357	30,903	32,404	42,411
Over-the-counter plan checks reviewed within five (5) working days	420	438	482	600	650	600	450	270	319	338
Inspection requests with 24 hours	16,000	17,708	19,478	16,500	28,000	14,850	14,850	14,250	14,345	14,345
Complaint response within two (2) working days	15,025	15,459	22,742	22,000	12,000	19,800	19,000	13,500	13,590	13,590
Public services										
Number of trees trimmed annually	5,410	5,430	5,400	5,065	6,435	8,007	7,980	4,504	7,206	7,882
Number of catch basins cleaned annually	1,275	1,236	1,300	1,275	1,200	1,260	1,165	1,165	1,165	1,165

Source: City of Costa Mesa Finance Department

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

Function/Program	Fiscal Years									
	2004 ⁽¹⁾	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽²⁾
General Government										
City council	6	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.0	6.0
Chief Executive Officer's Office	16	16.27	16.27	16.56	16.56	16.56	16.00	13.00	15.75	22.00
City attorney	6	6	-	-	-	-	-	-	-	-
Financial & IT services	24	23.67	23.67	23.67	24.42	24.42	24.42	17.75	17.75	27.21
Administrative services	136	130.28	130.28	125.19	124.66	126.21	119.86	103.05	96.47	-
Development services	45	44.50	44.50	45.00	45.00	45.00	44.50	30.00	26.50	27.59
Protection of persons and property										
Police protection	255	255.25	254.75	258.73	262.73	266.75	254.63	213.88	220.68	235.60
Fire protection	113	112.92	112.92	113.40	112.92	112.92	112.92	98.44	96.44	95.44
Public services	114	113.94	101.00	108	108.90	108.90	108.96	76.50	79.25	114.99
	<u>715</u>	<u>714.16</u>	<u>688.89</u>	<u>695.95</u>	<u>700.69</u>	<u>706.26</u>	<u>686.79</u>	<u>557.62</u>	<u>557.84</u>	<u>528.83</u>

(1) Fiscal year 2003-04 is the first fiscal year where full-time equivalents were calculated.

(2) 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.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations/Substations	2	2	2	2	2	2	2	2	2	2
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Other public works										
Streets (lane miles)	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0
Streetlights	6,658	6,658	6,661	6,676	6,669	6,669	6,669	6,669	6,674	6,674
Traffic signals	115	115	116	116	122	122	122	124	124	123
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957
Park sites	30	30	30	30	30	30	30	30	30	30
Baseball/softball diamonds	5	5	6	6	6	6	6	6	6	5
Soccer/football fields	9	9	8	8	8	8	8	8	8	10
Community centers	3	3	3	3	3	3	3	3	3	3
Wastewater (miles)										
Sanitary sewers	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7
Storm sewers	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5

Source: City of Costa Mesa Finance Department

