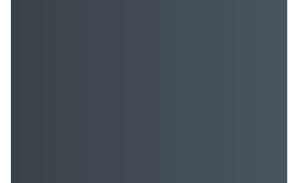
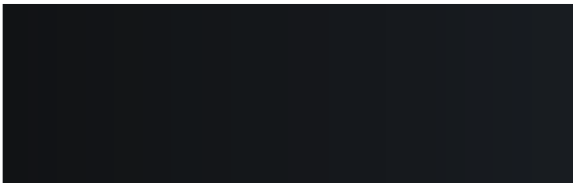




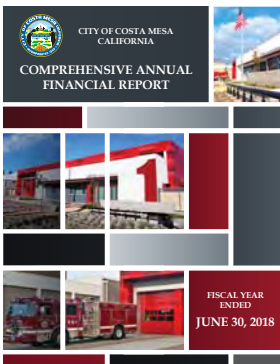
CITY OF COSTA MESA  
CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR  
ENDED  
JUNE 30, 2018





### Fire Station No. 1

In October 2018, the City of Costa Mesa dedicated the new Fire Station No. 1 to the community. The new station located at 1570 Adams Ave is an 11,740-square-foot, LEED Gold facility that was designed to improve emergency response time. The new station is fully equipped with the latest in fire services technology and daily amenities. This \$10 million City investment was completed with a budget surplus of \$350,000. The new features include a new public lobby, public parking including ADA accessible spaces, a 4,500-square-foot Apparatus Floor with three bays, three offices, laundry room, communications room, exercise and training rooms. Also included in the new amenities is a kitchen and dining room, ten bedrooms and five gender-neutral restrooms.

CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
Year ended June 30, 2018

Prepared by: Finance Department

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



CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
Year ended June 30, 2018

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# CITY OF COSTA MESA CALIFORNIA



INTRODUCTORY SECTION





# CITY OF COSTA MESA

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

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FROM THE OFFICE OF THE FINANCE DIRECTOR —CITY TREASURER

December 21, 2018

Honorable Mayor and Councilmembers:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2018, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City’s financial statements for the year ended June 30, 2018, have been audited by Davis Farr LLP, an independent public accounting firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City’s financial statements for the fiscal year ended June 30, 2018, and that the statements are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component in the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal

controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

## PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 115,296 and a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

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

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

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

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

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

functional budgetary amendments are approved by the City Manager.

### ECONOMIC CONDITION

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

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

In fiscal year 2018, the City's strong economic base continued to produce moderate increases in sales and property tax over the prior year after factoring in the effect of a \$2.2 million unexpected delay in sales tax payments. The largest General Fund revenue increase was from property taxes in the amount of \$2.5 million or 6.7%, followed by a \$0.9 million or 31% increase in licenses and permits revenues from implementation of Measure X. The General Fund expenditures increased by 8.7%. For fiscal year 2018, the General Fund ended with an operating surplus of \$10.4 million before net other financing uses of \$17.2 million. The City expects the local economy to remain stable with flat to small growth in the next fiscal year.

### MAJOR AND FUTURE DEVELOPMENT INITIATIVES

Major Developments:

*The Lighthouse (1620-1644 Whittier Avenue)* - This Plan is for the development of an 89-unit, three-story mixed-use development, and it will consist of 49 residential units and 40 live/work units within the Mesa West Bluffs Plan area. The Planning Commission approved the Plan in November 2014 and is currently under construction. Final Phase was completed in October 2018.

*580 Anton (580 Anton Blvd.)* – The 250-unit apartment project was recently completed and the leasing office is open. All fees have been paid and there is no pending item.

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

*DeNova Homes (929 Baker Street)* – This subdivision of a 4.71 acre (205,168 square foot) lot located at 929 Baker Street into a residential development with 56-units of two-story, detached common interest residential development including a 0.10 acre private park. This project is currently under construction.

*Costa Bella (22<sup>nd</sup> and Santa Ana Avenue)* – The first phase of a 13 unit detached, two-story single family residential project is being constructed on the Colleen Island Annexation area. The project was completed August of 2018.

*The Place and 17 West (671 W. 17<sup>th</sup> Street)* – 177-unit live/work and loft development approved on a 9.1-acre site is currently under construction by Meritage Homes and Intracorp; 110 of the units have been completed.

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

*The Press (1375 Sunflower Street- former LA Times)* – The master plan for the 665,000 square foot office project was approved in August 2017. The construction plans for rehabilitation of phase I of the office space (76,268 SF) is in plan check. This phase and the landscape and hardscape improvements for the site are expected to be completed by the end of 2019.

*1585 MacArthur Boulevard* – A 100,000 square foot industrial building is currently under construction. Trip fees were credited to the site in 1988 under a building permit issued for the same development; however, the building was never constructed. No further trip fees are, therefore, due.

*Independent and Assisted Living Facility (1650 Monrovia Ave)* – This project consists of 111 units of independent and assisted living facility in a 4-story building to include amenities such as a fitness center, dance studio, cafe, bar/lounge in addition to a small event space and ancillary office space. This project, which is proposed at the vacant portion of the site was approved by City Council in July 2016. Construction drawings for development of the site is currently in plan check and the grading permit and super structure permit have been issued.

*Measure X Projects (wholesale marijuana distribution, manufacturing, processing, transporting, research and development, and testing laboratories):*

To date, the City has received 29 applications for Measure X businesses. Of those:

- Three have obtained all required City approvals and are operating;
- Sixteen have obtained CUP approval and are in Plan Check or soon will be operating;
- Three CUP's were denied (of those, 2 have been appealed to the City Council and are tentatively scheduled for hearings in January 2019)
- Four have applied for a CUP - staff is expediting the review process so these permits can be scheduled for Planning Commission hearings before the end of 2018;
- One applicant has obtained its Business Permit (Part 1) but has yet to apply for a CUP; and
- Two applicants recently applied for a Business Permit (Part 1) and are in process.

Future Developments:

*City Common (Southwest corner of Harbor Boulevard and Hamilton Street)* – This 1.53 acre site is proposed for construction of a single lot detached single-family condominium development. This project will consist of 28 two and three-bedroom, three story, detached homes with 27 two-car garages for three-bedroom homes and single-car garages for two-bedroom homes. Construction plans for grading and development of the site is currently in plan check.

*Vanguard University (55 Fair Drive)* – The university has submitted a master plan amendment to replace some of the existing buildings with more modern facilities, provide additional student

housing, and replace some surface parking with a parking structure. This amendment reflects long range plans for the university and will take several years to complete.

*Symphony Apartments (595 Anton Blvd.)* – The five-story project consisting of 393 units of luxury apartment at the corner of Anton Boulevard and Avenue of the Arts was approved in 2015; demolition of two vacant restaurant buildings is expected to start early 2019 and the construction plans are expected to be submitted in 2019.

*Newport & Ford (1957 Newport Blvd.)* – The 38-unit three-story condominium project was approved by the City Council in October 2018. The demolition and construction plans are expected to be submitted early 2019.

*Orange County Museum of Art (3333 Avenue of the Arts)* – The OCMA has submitted a master plan application to construct a 66,750 square-foot two-story structure which will become the new home to the Orange County Museum of Art on the existing vacant site within the Theater Arts District. The proposed development is scheduled to go before Planning Commission at the beginning of 2019.

#### DEBT ADMINISTRATION

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

In October 2017, the FA issued the 2017 Lease Revenue Bonds that refinanced the PFA Series 2007 Certificates of Participation (COP) and provided partial funding for the Lion's Park Library project. Standard & Poor's rated the 2017 bonds AA+.

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

#### FINANCIAL REPORTING AWARDS

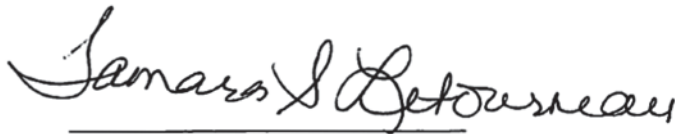
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2017. This was the 20<sup>th</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2018 CAFR continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for another Certificate.

ACKNOWLEDGEMENTS

Special recognition is extended to the entire Finance Department staff for their ongoing dedication and efficient services provided to all City departments and citizens on a daily basis. Special appreciation is also extended specifically to Accounting Division staff who contributed to and participated in the coordination and preparation of this CAFR. In addition, our deepest appreciation is also extended to the Central Services Division staff for their assistance in the design of the cover of this report and printing of this document. Further, thanks are also extended to our independent auditors, Davis Farr LLP, for their expertise and advice.

Respectfully submitted,



---

TAMARA S. LETOURNEAU  
Acting City Manager/  
Assistant City Manager



---

KELLY TELFORD  
Finance Director





# City of Costa Mesa List of Principal Officials

**June 30, 2018**

**Mayor**

Katrina Foley

**City Council**

John B. Stephens

Manuel Chavez

Sandra L. Genis

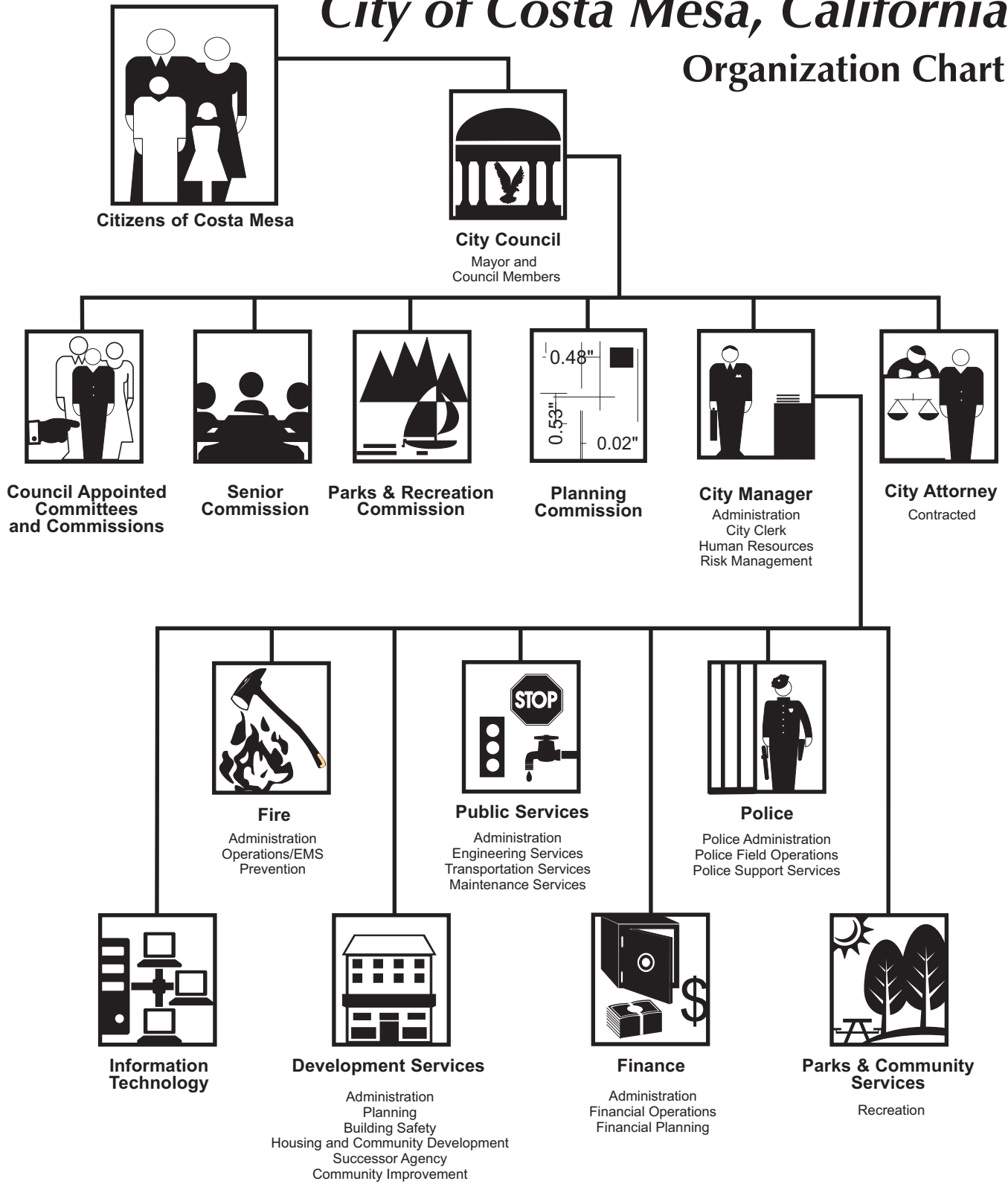
Allan R. Mansoor

Andrea Marr

Arlis Reynolds

Acting City Manager/Assistant City Manager -----Tamara S. Letourneau  
 City Attorney (Contract)----- Kimberly Hall Barlow  
 Economic and Development Services Director----- Barry Curtis  
 Finance Director ----- Kelly Telford  
 Information Technology Director ----- Steve Ely  
 Parks and Community Services Director ----- Justin Martin  
 Public Services Director ----- Raja Sethuraman  
 Fire Chief ----- Dan Stefano  
 Police Chief ----- Rob Sharpnack

# City of Costa Mesa, California Organization Chart



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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, 2017**

*Christopher P. Morill*

Executive Director/CEO



# CITY OF COSTA MESA CALIFORNIA

INDEPENDENT AUDITOR'S  
REPORT



## INDEPENDENT AUDITOR'S REPORT



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

## INDEPENDENT AUDITOR'S REPORT

### **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, 2018, 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.

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As described further in note 21 to the financial statements, during the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, which resulted in a prior period adjustment. The financial statements for the year ended June 30, 2018 also reflect other prior period adjustments as described further in note 21 to the financial statements. Our opinion is not modified with respect to these matters.

## **Report on Summarized Comparative Information**

The financial statements of the City of Costa Mesa for the year ended June 30, 2017 were audited by other auditors whose report dated, January 26, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions - fire safety plans, the schedule of changes in the net pension liability and related ratios and the schedule of contributions - miscellaneous, police safety, the schedule of changes in OPEB liability and related ratios, and budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic



financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and 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 21, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California  
December 21, 2018



# CITY OF COSTA MESA CALIFORNIA

MANAGEMENT'S DISCUSSION  
AND ANALYSIS



## MANAGEMENT'S DISCUSSION AND ANALYSIS



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage all readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–vi of this report.

### FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2018 by \$28.1 million (*net position*). Of this amount, (\$224.6) million (*unrestricted net position deficit*) primarily resulted from the previously implemented Governmental Accounting Standards Board (GASB) Statement Nos. 68, 71 and 73 for pensions and the recently implemented GASB Statement No. 75 for Postemployment Benefit Other than Pensions (OPEB). These statements established standards for measuring and recognizing liabilities for defined benefit plans.
- Total net position decreased by \$4.6 million from the prior fiscal year total of \$32.7 million, as restated from \$87.5 million.
- As of the close of fiscal year 2018, governmental funds reported combined ending fund balances of \$110.7 million, a decrease of \$4.8 million in comparison with the prior year total of \$115.5 million, as restated from \$118.5 million.
- At the end of fiscal year 2018, general fund unassigned fund balance was \$23.3 million or 20.5% of general fund expenditures of \$113.7 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- Long-term debt excluding defined benefit liabilities had a net increase of \$11.1 million or 27% during fiscal year 2018. This increase was primarily attributable to the issuance of the 2017 Lease Revenue Bonds offset by the refunding of the 2007 Certificates of Participation (COP).
- At June 30, 2018, the City reported \$300.9 million in pension liability and \$53.4 million in OPEB liability.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

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

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

The basic government-wide financial statements can be found on pages 16-17 of this report.

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

The City maintains 24 individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General, Lions Park Capital Improvements, Capital Improvements, Measure "M2" funds, and Park Development, all of which are considered to be major funds. Data from the other 19 governmental

funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 20-27 of this report.

### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of these funds are *not* available to support the City's own programs and services. The accounting method used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 31-32 of this report.

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

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33-76 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 77-88 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information section. Combined and individual fund statements and schedules can be found on pages 92-126 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28.1 million at June 30, 2018, a decrease of \$59.5 million from 2017.

This significant decrease is primarily attributed to the implementation of GASB Statement No. 75 for OPEB, which accounts for the liability related to providing medical insurance to eligible retirees and their spouses. Similar to the pension standards implemented in prior year, the City is required to report the total OPEB liability, estimated at \$53.4 million on the Statement of Net Position.

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

### CONDENSED STATEMENT OF NET POSITION

	June 30, 2018	June 30, 2017	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>ASSETS:</b>				
Current and other assets	\$ 142,700,814	\$ 140,870,260	\$ 1,830,554	1.30%
Capital assets, net of accumulated depreciation	255,247,925	234,914,203	20,333,722	8.66%
Total assets	397,948,739	375,784,463	22,164,276	5.90%
Deferred outflows of resources	60,739,835	48,070,496	12,669,339	26.36%
<b>LIABILITIES:</b>				
Current and other liabilities	12,792,554	11,300,496	1,492,058	13.20%
Long-term liabilities	409,194,132	318,525,513	90,668,619	28.47%
Total liabilities	421,986,686	329,826,009	92,160,677	27.94%
Deferred inflows of resources	8,638,831	6,493,424	2,145,407	33.04%
<b>NET POSITION:</b>				
Net investment in capital assets	235,177,233	219,280,752	15,896,481	7.25%
Restricted	17,543,372	30,060,048	(12,516,676)	-41.64%
Unrestricted	(224,657,548)	(161,805,274)	(62,852,274)	38.84%
Total net position	\$ 28,063,057	\$ 87,535,526	\$ (59,472,469)	-67.94%



At the end of fiscal year 2018, the City continued to report positive balances in two out three categories of net position for the government as a whole, as well as for its separate governmental activities. However, the unrestricted net position reported a negative balance of \$224.6 million primarily due to implementations of pension and OPEB standards.

During the fiscal year 2018, the City's total net position decreased by \$4.6 million. The beginning net position was also restated as a result of accounting for OPEB liability.

<b>CHANGES IN NET POSITION</b>		
	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUES:</b>		
Program Revenues:		
Charges for services	\$ 18,389,027	\$ 13,630,193
Operating contributions and grants	6,661,653	4,487,089
Capital contributions and grants	4,755,573	7,114,471
General Revenues:		
Taxes:		
Property taxes	40,373,351	37,925,385
Sales and use taxes	58,037,365	57,591,889
Transient occupancy tax	8,819,617	8,924,854
Franchise taxes	4,965,515	4,593,631
Business license tax	919,450	918,928
Other intergovernmental, unrestricted	60,031	51,340
Investment income	256,438	496,650
Miscellaneous	1,903,266	1,333,610
Total revenues	<u>145,141,286</u>	<u>137,068,040</u>
<b>EXPENSES:</b>		
General government activities:	31,695,402	28,474,037
Protection of persons and property	86,777,544	70,786,483
Community programs	10,126,755	12,069,675
Public services	20,062,183	21,415,061
Interest on long-term debt	1,082,361	974,233
Total expenses	<u>149,744,245</u>	<u>133,719,489</u>
Change in net position	<u>(4,602,959)</u>	<u>3,348,551</u>
<b>Net position, beginning of year</b>	87,535,526	86,149,353
<b>Restatements</b>	<u>(54,869,510)</u>	<u>(1,962,378)</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 28,063,057</u></u>	<u><u>\$ 87,535,526</u></u>

## Governmental Activities

Governmental activities decreased the City's net position by \$4.6 million and key elements attributable to this decrease are as follows:

- Charges for services increased by \$4.7 million or 34.9% primarily due to higher park development and traffic impact fees collected. The other contributing factor is the newly implemented permit revenues from Measure X.
- Property tax revenues increased by \$2.4 million or 6.5% from fiscal year 2017. This increase resulted primarily from the healthy real estate market and additions to the property tax base resulting from ongoing new construction activity.
- Overall expenses increased by \$16 million or 12% from fiscal year 2017. Notable increases are noted below:
  - Increased costs from the ongoing process of filling open positions in the Police and Fire Departments.
  - Additional efforts in code enforcement, group home monitoring, and neighborhood stabilization.
  - Increased activity for capital maintenance projects.
  - OPEB expenses recognized pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### Government Funds

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

As of the end of fiscal year 2018, the City's governmental funds reported combined ending fund balance of \$110.7 million, a decrease of \$4.8 million in comparison with the prior fiscal year fund balance of \$115.6 million, as restated from \$118.5 million. Of this total amount:

- \$2.0 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.

- \$30.1 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.
- \$16.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by formal action of the City Council. It includes legislation (City Council action) that can only be overturned by new legislation requiring the same voting consensus.
- \$39.2 million represents *assigned fund balance* which includes amounts that are designated or expressed by City Council but do not require formal actions like resolutions or ordinances.
- The remaining \$23.3 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2018, fund balance of the City's General Fund decreased by \$6.8 million. While total fund balance amounted to \$55.2 million, unassigned fund balance was \$23.3 million. Key factors in this change are as follows:

- Sales tax revenues decreased by \$1.9 million or 3.4% from fiscal year 2017. This decrease was caused by the State's sales and use tax reporting system transition issues, which resulted in significant delay processing the 2018 second quarterly sales and use tax returns and impacted the distribution of sales tax revenue to all local agencies. The City expects to receive the full amount of delayed sales tax payment in fiscal year 2019. In fiscal year 2018, the City continued to experience healthy retail economic activity primarily related to retail and automobile sales.
- Property tax revenues increased by \$2.5 million or 6.6% from fiscal year 2017. This increase resulted primarily from the healthy real estate market and additions to the property tax base resulting from ongoing new construction activity.
- Licenses and permits revenues increase by \$0.9 million or 31%. This increase is primarily attributable to the new business permits and conditional use permits from implementation of Measure X.
- Overall, total revenues in the General Fund increased by \$2.6 million or 2.1%.
- Protection of person and property expenditures increased by \$5.2 million or 8.4% from fiscal year 2017. This increase was mostly attributed to the successful staffing of previously vacant authorized positions within the Police and Fire Departments. This positive trend is expected to continue within the subsequent fiscal year.
- The General Fund transferred \$5.7 million to the Self-Insurance Internal Service Fund to pay for legal expenses and claims throughout the year and to reduce the Self-Insurance Fund's deficit fund balance.
- Overall, total expenditures in the General Fund increased by \$9.1 million or 8.7%.

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

The Lions Park Capital Improvements Fund had \$13.2 million in fund balance at the end of the fiscal year. In October 2017, the Financing Authority issued the 2017 Lease Revenue Bonds and \$18.5 million of the bond proceeds for project construction was deposited into this fund. Project expenditure incurred in fiscal year 2018 totaled \$5.3 million.

The Capital Improvements Fund had \$14.3 million in fund balance at the end of the fiscal year which represents a net decrease of \$7.0 million or 32.9% from the prior fiscal year. Due to increased staffing level at Public Services, more approved capital projects are either completed or in progress and resulted in a fund balance reduction.

The Measure “M2” Fund had \$4.3 million in fund balance at the end of the fiscal year which represents a net decrease of \$1.2 million or 21.5% from the prior fiscal year. This decrease is attributed to the timing of grant reimbursements from Orange County Transportation Authority (OCTA) and disbursements on a variety of open projects.

The Park Development Fund had \$5.2 million in fund balance at the end of the fiscal year which represents a net increase of \$2.1 million or 66.7% from the prior fiscal year. This increase resulted mostly from the collection of park development fees of \$4.6 million and a reduction of project costs charged to this fund.

## **Proprietary Funds**

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

The unrestricted net position of the Internal Service Funds at the end of the year was \$0.9 million. Total net position increased by \$7.3 million from the prior fiscal year. This increase was primarily a reduction in the claims liability estimates offset by smaller settlements than the previous year coupled with transfers of \$5.7 million from the General Fund.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2018, actual revenues were \$1.6 million or 1.3% less than the originally estimated and \$1.9 million or 1.5% less than the final adjusted budget. This is primarily due to unexpected delay in sales tax payments. 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 revised for unexpected activity occurring subsequent to the mid-year budget review. Therefore, the City recognized increases during the fiscal year and adjusted the budget as necessary.

Actual expenditures were \$0.9 million or 0.8% more than originally estimated and \$1.3 million or 1.1% less than the final adjusted budget. Contributing factors to the variance related to the final adjusted budget were lower costs incurred due to vacant positions in the Police and Economic and Community Development Departments. Any remaining difference consists of smaller fluctuations in a variety of departments and accounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental activities (the City has no business-type activities or discretely presented component units) as of June 30, 2018, amounted to \$255.2 million net of accumulated depreciation and amortization. The investment in capital assets includes land, building improvements and structures, landscaping and sprinklers, machinery and equipment, intangible assets, park system and facilities, and road and storm drain infrastructure. The City's investment in capital assets for the current fiscal year increased by \$22 million. Major capital asset additions during fiscal year 2018 were mostly related to ongoing capital projects that are described below. Other assets capitalized included vehicle replacements and a variety of equipment purchases. During the fiscal year, capital assets not being depreciated increased by \$16.2 million and capital assets being depreciated increased by \$5.8 million.

<b>CAPITAL ASSETS</b> <i>(NET OF DEPRECIATION)</i>		
	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 34,579,306	\$ 34,579,306
Land rights related to streets	29,821,224	29,821,224
Construction in progress	27,828,022	11,593,153
Building improvements and structures	24,095,894	24,738,580
Machinery and equipment	15,138,439	13,682,307
Intangibles	987,078	1,086,593
Park system and facilities	7,841,294	7,877,372
Infrastructure- roads	103,346,660	97,268,462
Infrastructure- storm drains	11,610,008	12,599,501
<b>TOTALS</b>	<b>\$ 255,247,925</b>	<b>\$ 233,246,498</b>

Construction in progress as of June 30, 2018 totaled \$27.8 million and included the following projects with larger balances:

<b>CONSTRUCTION COMMITMENTS</b>			
<b>CONSTRUCTION PROJECT</b>	<b>TOTAL BUDGET</b>	<b>SPEND TO DATE</b>	<b>REMAINING COMMITMENT</b>
Red Hill Median-McCormick to Bristol	\$ 1,064,700	\$ 105,391	\$ 959,309
Fairview Traffic Signal Synchronization	1,774,530	-	1,774,530
Lions Park Projects (Library, Community Center and Park)	26,739,089	11,958,357	14,780,732
Citywide Street Maintenance	9,112,962	1,936,834	7,176,128
Citywide Storm Drain Improvements	5,553,186	3,817,724	1,735,462
Jack Hammet Field Upgrade	1,171,255	100,780	1,070,475
<b>TOTALS</b>	<b>\$ 45,415,722</b>	<b>\$ 17,919,086</b>	<b>\$ 27,496,636</b>

Additional information on the City's capital assets can be found in note 6 on pages 51-52 of this report.

## Long-Term Debt

At year-end, the City had two outstanding bond issues: the Public Financing Authority 2006 Revenue Refunding Bonds with an outstanding balance of \$785,000; the Financing Authority 2017 Lease Revenue Bonds with an outstanding balance of \$29.7 million. Additionally, the City had \$18.4 million in other outstanding liabilities related to claims and employee benefits.

Long-term liabilities had a net increase of \$11.1 million, primarily due to the issuance of \$29.7 million 2017 Financing Authority Lease Revenue Bonds and the subsequent refunding of \$18.3 million in outstanding Public Financing Authority's 2007 Certificates of Participation.

<b>OUTSTANDING DEBT</b>		
	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Bonds Payable	\$ 34,103,346	\$ 21,620,000
Other Liabilities	18,384,188	19,718,898
<b>TOTALS</b>	<b>\$ 52,487,534</b>	<b>\$ 41,338,898</b>

Additional information on the City's long-term debt can be found in notes 7 through 8 on pages 53-55 of this report.

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

During fiscal year 2018, the local economy continued to thrive with increasing property values and stable retail sales. While the positive local economy has been beneficial, the City continues to remain cautious about future economic conditions due to the potential volatility of the City's large sales tax base. Economic declines could affect the City more quickly than other cities which are less reliant on sales taxes. When adopting the fiscal year 2019 budget, the City remained conservative with revenue estimates, maintained control over budgeted appropriations, and provided funding for capital improvement projects.

## REQUESTS FOR INFORMATION

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

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

# CITY OF COSTA MESA CALIFORNIA

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS



## GOVERNMENT-WIDE FINANCIAL STATEMENTS





## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### **Statement of Net Position**

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

### **Statement of Activities**

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

CITY OF COSTA MESA, CALIFORNIA  
Statement of Net Position  
June 30, 2018  
(With Comparative Data for Prior Year)

	Governmental Activities	
	2018	2017
Assets:		
Cash and investments (note 2)	\$ 104,452,414	\$ 114,274,404
Cash and investments with fiscal agent (note 2)	16,758,966	4,386,549
Due from other governments	16,567,088	14,016,587
Accounts receivable	1,222,495	612,721
Interest receivable	325,834	327,463
Loans receivable, net (note 5)	2,914,130	6,822,154
Rent receivable	237,951	245,151
Inventories	178,733	137,253
Prepaid items	43,203	47,978
Capital assets (note 6):		
Nondepreciable	92,228,552	77,661,388
Depreciable, net of accumulated depreciation	163,019,373	157,252,815
Total assets	397,948,739	375,784,463
Deferred outflows of resources:		
Deferred outflows related to pensions (note 11b)	58,887,399	48,070,496
Deferred outflows related to OPEB (note 14)	1,852,436	-
Total deferred outflows of resources	60,739,835	48,070,496
Liabilities:		
Accounts payable	6,120,485	5,794,913
Accrued liabilities	2,297,483	480,885
Accrued interest payable	333,927	250,338
Retentions payable	1,664,707	480,283
Deposits payable	907,429	806,665
Due to other governments	1,468,523	3,487,412
Long-term liabilities:		
Portion due within one year (note 7)	7,969,071	6,980,815
Portion due beyond one year (note 7)	44,518,462	34,358,083
OPEB liability (note 14)	53,432,728	4,280,610
Police retirement 1% supplemental liability (note 12)	2,376,305	2,527,726
Net pension liability (note 11b)	300,897,566	270,378,279
Total liabilities	421,986,686	329,826,009
Deferred inflows of resources:		
Deferred inflows related to pensions (note 11b)	5,999,287	6,493,424
Deferred inflows related to OPEB (note 14)	2,639,544	-
Total deferred inflows of resources	8,638,831	6,493,424
Net position:		
Net investment in capital assets	235,177,233	219,280,752
Restricted for:		
Protection of persons and property	150,169	217,303
Community programs	3,767,377	9,588,998
Public services	13,625,826	20,253,747
Unrestricted	(224,657,548)	(161,805,274)
Total net position	\$ 28,063,057	\$ 87,535,526

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Statement of Activities  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

<u>Functions/programs</u>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2018	2017
Governmental activities:						
General government	\$ 31,695,402	\$ -	\$ -	\$ -	\$ (31,695,402)	\$ (28,474,037)
Protection of persons and property	86,777,544	3,805,473	1,051,418	-	(81,920,653)	(67,301,768)
Community programs	10,126,755	9,536,570	1,692,383	-	1,102,198	(2,930,047)
Public services	20,062,183	5,046,984	3,917,852	4,755,573	(6,341,774)	(8,807,651)
Interest on long-term debt	1,082,361	-	-	-	(1,082,361)	(974,233)
<b>Total governmental activities</b>	<b>\$ 149,744,245</b>	<b>18,389,027</b>	<b>6,661,653</b>	<b>4,755,573</b>	<b>(119,937,992)</b>	<b>(108,487,736)</b>
General revenues:						
Taxes:						
					40,373,351	37,925,385
					58,037,365	57,591,889
					8,819,617	8,924,854
					4,965,515	4,593,631
					919,450	918,928
					60,031	51,340
					256,438	496,650
					1,903,266	1,333,610
					<b>115,335,033</b>	<b>111,836,287</b>
					(4,602,959)	3,348,551
					32,666,016	84,186,975
					<b>\$ 28,063,057</b>	<b>\$ 87,535,526</b>

See notes to financial statements



# CITY OF COSTA MESA CALIFORNIA



FUND FINANCIAL  
STATEMENTS

## FUND FINANCIAL STATEMENTS



## **GOVERNMENTAL FUNDS**

### **Major Governmental Funds**

#### **GENERAL FUND**

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

#### **CAPITAL PROJECTS FUNDS**

##### **Lions Park Capital Improvements Fund**

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

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

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

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

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

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

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

### **Nonmajor Governmental Funds**

Nonmajor governmental funds constitute all other governmental funds which include eleven Special Revenue Funds, two Debt Service Funds and six Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA  
Balance Sheet  
Governmental Funds  
June 30, 2018  
(With Comparative Data for Prior Year)

	Capital Projects		
	General	Lions Park Capital Improvements	Capital Improvements
<u>Assets:</u>			
Cash and investments	\$ 44,766,721	\$ -	\$ 15,987,830
Cash and investments with fiscal agents	309,737	15,275,027	-
Due from other governments	13,836,441	-	93,915
Accounts receivable, net	596,332	-	255,030
Interest receivable	179,819	-	37,759
Loans receivable, net	-	-	-
Rent receivable	237,951	-	-
Due from other funds (note 3)	1,118,559	-	-
Advances to other funds (note 3)	1,947,029	-	-
Inventories	48,286	-	-
Prepaid items	43,203	-	-
	<u>\$ 63,084,078</u>	<u>\$ 15,275,027</u>	<u>\$ 16,374,534</u>
<u>Liabilities:</u>			
Accounts payable	\$ 2,382,846	861,575	1,366,039
Accrued liabilities	2,241,682	-	254
Retentions payable	-	268,150	626,156
Deposits payable	486,147	-	-
Due to other funds (note 3)	-	897,648	-
Due to other governments	-	-	-
Advances from other funds (note 3)	-	-	-
	<u>5,110,675</u>	<u>2,027,373</u>	<u>1,992,449</u>
<u>Deferred inflows of resources:</u>			
Unavailable revenue	2,749,323	-	93,915
<u>Fund balances (note 10):</u>			
Non-Spendable:			
Prepaid items	43,203	-	-
Inventories	48,286	-	-
Advances to other funds	1,947,029	-	-
Restricted:			
Protection of persons and property	-	-	-
Community programs	-	-	-
Public services	-	13,247,654	-
Debt service	-	-	-
Committed	16,125,000	-	-
Assigned	13,730,832	-	14,288,170
Unassigned	23,329,730	-	-
	<u>55,224,080</u>	<u>13,247,654</u>	<u>14,288,170</u>
Total fund balances (deficits)	<u>55,224,080</u>	<u>13,247,654</u>	<u>14,288,170</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,084,078</u>	<u>\$ 15,275,027</u>	<u>\$ 16,374,534</u>

See notes to financial statements



Capital Projects			Nonmajor Governmental Funds	Totals	
Measure "M2"	Park Development			2018	2017
\$ 4,456,946	\$ 7,263,675	\$ 16,731,183	\$ 89,206,355	\$ 104,301,017	
-	-	1,174,202	16,758,966	4,386,549	
1,912,874	-	723,858	16,567,088	14,016,587	
-	-	297,899	1,149,261	610,687	
15,743	17,125	39,443	289,889	300,121	
-	-	2,914,130	2,914,130	6,822,154	
-	-	-	237,951	245,151	
-	-	-	1,118,559	333,155	
-	-	-	1,947,029	2,161,909	
-	-	-	48,286	43,956	
-	-	-	43,203	47,978	
<u>\$ 6,385,563</u>	<u>\$ 7,280,800</u>	<u>\$ 21,880,715</u>	<u>\$ 130,280,717</u>	<u>\$ 133,269,264</u>	
294,404	9,100	652,143	5,566,107	5,397,790	
-	-	44,046	2,285,982	480,885	
349,024	125,000	296,377	1,664,707	480,283	
-	-	421,282	907,429	806,665	
-	-	220,911	1,118,559	333,155	
-	-	1,468,523	1,468,523	3,487,412	
-	1,947,029	-	1,947,029	2,161,909	
<u>643,428</u>	<u>2,081,129</u>	<u>3,103,282</u>	<u>14,958,336</u>	<u>13,148,099</u>	
1,475,832	-	261,413	4,580,483	1,628,637	
-	-	-	43,203	47,978	
-	-	-	48,286	43,956	
-	-	-	1,947,029	2,161,909	
-	-	150,169	150,169	89,505	
-	-	3,612,627	3,612,627	8,489,707	
4,266,303	-	7,683,113	25,197,070	14,291,137	
-	-	1,148,597	1,148,597	5,186,549	
-	-	-	16,125,000	16,125,000	
-	5,199,671	5,927,867	39,146,540	41,438,568	
-	-	(6,353)	23,323,377	30,618,219	
<u>4,266,303</u>	<u>5,199,671</u>	<u>18,516,020</u>	<u>110,741,898</u>	<u>118,492,528</u>	
<u>\$ 6,385,563</u>	<u>\$ 7,280,800</u>	<u>\$ 21,880,715</u>	<u>\$ 130,280,717</u>	<u>\$ 133,269,264</u>	

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 June 30, 2018

Fund balances of governmental funds \$ 110,741,898

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

Capital Related Items

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

Cost of capital assets	599,352,983
Accumulated depreciation	(351,539,416)

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	(30,520,000)
Premium on bonds	(3,583,346)
Employee benefits leave payable	(4,354,526)

Accrued Interest

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

(333,927)

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.

8,324,503

Deferred Inflows of Resources

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

4,580,483

Pension and OPEB

Amounts regarding the pension plans and OPEB are as follows:

Deferred outflows of resources related to pensions	58,887,399
Deferred outflows of resources related to OPEB	1,852,436
Deferred inflows of resources related to pensions	(5,999,287)
Deferred inflows of resources related to OPEB	(2,639,544)
CalPERS pension liability	(300,897,566)
OPEB liability	(53,432,728)
Police 1% supplemental retirement liability	(2,376,305)

Net position of governmental activities	\$ 28,063,057
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See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Capital Projects		
	General	Lions Park Capital Improvements	Capital Improvements
Revenues:			
Taxes	\$ 109,623,743	\$ -	\$ -
Licenses and permits	3,837,564	-	-
Charges for services	3,903,050	-	-
Fines and forfeitures	1,560,015	-	-
Intergovernmental	1,021,730	-	1,114,165
Investment income (loss)	(30,982)	109,958	95,805
Rental income	2,770,873	-	-
Miscellaneous	1,344,221	-	278,063
Total revenues	124,030,214	109,958	1,488,033
Expenditures:			
Current:			
General government	29,048,355	-	-
Protection of persons and property	68,834,645	-	-
Community programs	8,607,463	-	-
Public services	7,173,107	5,368,907	16,782,722
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total expenditures	113,663,570	5,368,907	16,782,722
Excess (deficiency) of revenues over (under) expenditures	10,366,644	(5,258,949)	(15,294,689)
Other financing sources (uses):			
Issuance of bonds	-	18,506,603	-
Premium on bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Transfer in (note 4)	366,359	-	8,283,644
Transfer out (note 4)	(17,571,130)	-	-
Total other financing sources (uses)	(17,204,771)	18,506,603	8,283,644
Net change in fund balances	(6,838,127)	13,247,654	(7,011,045)
Fund balances at beginning of year, as restated (note 21)	62,062,207	-	21,299,215
Fund balances at end of year	\$ 55,224,080	\$ 13,247,654	\$ 14,288,170

See notes to financial statements

Capital Projects				
Measure "M2"	Park Development	Nonmajor Governmental Funds	Totals	
			2018	2017
\$ -	\$ -	\$ 1,261,153	\$ 110,884,896	\$ 99,464,729
-	-	-	3,837,564	2,933,305
-	4,657,896	992,475	9,553,421	5,909,112
-	-	52,215	1,612,230	1,352,682
3,363,345	-	5,059,241	10,558,481	23,205,265
12,201	(8,310)	65,934	244,606	420,561
-	-	633,803	3,404,676	3,289,222
-	-	459,455	2,081,739	2,170,215
<u>3,375,546</u>	<u>4,649,586</u>	<u>8,524,276</u>	<u>142,177,613</u>	<u>138,745,091</u>
-	-	-	29,048,355	26,518,266
-	-	1,363,682	70,198,327	66,141,703
-	-	2,280,930	10,888,393	9,410,168
4,542,486	2,558,467	5,879,876	42,305,565	21,680,495
-	-	4,070,000	4,070,000	2,755,000
-	10,810	1,031,043	1,041,853	992,383
-	-	344,858	344,858	-
-	-	2,302,225	2,302,225	-
<u>4,542,486</u>	<u>2,569,277</u>	<u>17,272,614</u>	<u>160,199,576</u>	<u>127,498,015</u>
<u>(1,166,940)</u>	<u>2,080,309</u>	<u>(8,748,338)</u>	<u>(18,021,963)</u>	<u>11,247,076</u>
-	-	11,228,397	29,735,000	-
-	-	3,694,172	3,694,172	-
-	-	(14,530,520)	(14,530,520)	-
-	-	3,720,816	12,370,819	16,058,019
-	-	(491,879)	(18,063,009)	(19,658,019)
-	-	3,620,986	13,206,462	(3,600,000)
<u>(1,166,940)</u>	<u>2,080,309</u>	<u>(5,127,352)</u>	<u>(4,815,501)</u>	<u>7,647,076</u>
<u>5,433,243</u>	<u>3,119,362</u>	<u>23,643,372</u>	<u>115,557,399</u>	<u>110,845,452</u>
<u>\$ 4,266,303</u>	<u>\$ 5,199,671</u>	<u>\$ 18,516,020</u>	<u>\$ 110,741,898</u>	<u>\$ 118,492,528</u>

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Year ended June 30, 2018

Net changes in fund balances - total governmental funds \$ (4,815,501)

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

Capital Related Items

When capital assets for governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources used, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	28,752,711
Depreciation expense	(7,123,901)

Long-Term Debt Transactions

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Net changes in employee benefits leave payable	(343,774)
Principal payments - bonds and certificates of participation	4,070,000
Payment to bond escrow agent	16,832,745
Issuance of revenue bonds	(29,735,000)
Issuance of premium on bonds	(3,694,172)
Other debt related items	43,081
Net change in OPEB liability	319,816

Pension

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expenses includes the change in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.

(19,056,826)

Accrued Interest

Recording of the current year change of accrued interest on outstanding debt payable.

(83,589)

Internal Service Funds

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.

7,279,605

Deferred Inflows of Resources

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

2,951,846

Change in net position of governmental activities

\$ (4,602,959)

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Net Position  
June 30, 2018  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2018	2017
<u>Assets:</u>		
Current assets:		
Cash and investments	\$ 15,246,059	\$ 9,973,387
Accounts receivable	73,234	2,034
Interest receivable	35,945	27,342
Inventories	130,447	93,297
Total current assets	15,485,685	10,096,060
Capital Assets:		
Construction in progress	118,293	-
Motorized equipment	13,465,967	12,815,959
Other equipment	2,411,941	2,332,987
Accumulated depreciation	(8,561,843)	(8,087,209)
Net capital assets	7,434,358	7,061,737
Total assets	22,920,043	17,157,797
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	554,378	397,123
Accrued liabilities	11,501	-
Claims payable	2,454,615	1,120,815
Total current liabilities	3,020,494	1,517,938
Long-term liabilities:		
Claims payable	11,575,046	14,587,331
Total long-term liabilities	11,575,046	14,587,331
Total liabilities	14,595,540	16,105,269
<u>Net Position:</u>		
Investment in capital assets	7,434,358	7,061,737
Unrestricted	890,145	(6,009,209)
Total net position	\$ 8,324,503	\$ 1,052,528

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2018	2017
Operating revenues:		
Charges for services	\$ 7,509,288	\$ 7,426,740
Total operating revenues	<u>7,509,288</u>	<u>7,426,740</u>
Operating expenses:		
Allocated administrative costs	1,019,165	1,241,402
Depreciation	951,494	847,266
Consulting costs	-	27,713
Fuel and repair parts	1,038,067	962,611
Claims and premiums	2,927,868	10,104,413
Total operating expenses	<u>5,936,594</u>	<u>13,183,405</u>
Operating income (loss)	<u>1,572,694</u>	<u>(5,756,665)</u>
Nonoperating revenues (expenses):		
Investment income	11,827	76,088
Contributions	-	32,232
Gain/(loss) on sale of equipment	2,894	(31,232)
Total nonoperating revenues (expenses)	<u>14,721</u>	<u>77,088</u>
Change in net position, before transfers	<u>1,587,415</u>	<u>(5,679,577)</u>
Transfers in (note 4)	5,692,190	4,926,000
Transfers out	-	(1,326,000)
Total transfers	<u>5,692,190</u>	<u>3,600,000</u>
Change in net position	7,279,605	(2,079,577)
Net position at beginning of year, as restated (note 21)	<u>1,044,898</u>	<u>3,132,105</u>
Net position at end of year	<u>\$ 8,324,503</u>	<u>\$ 1,052,528</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Cash Flows  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2018	2017
Cashflows from operating activities:		
Cash received from customers and user departments	\$ 7,438,088	\$ 7,425,601
Cash payments to suppliers for goods and services	(5,847,741)	(6,506,923)
Cash payments to employees for services	(691,868)	(687,074)
Net cash provided by (used for) operating activities	<u>898,479</u>	<u>231,604</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	5,692,190	4,926,000
Cash paid to other funds	-	(1,326,000)
Net cash provided by (used for) noncapital financing activities	<u>5,692,190</u>	<u>3,600,000</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	37,545	106,344
Acquisition of capital assets	(1,358,766)	(1,523,992)
Net cash provided by (used for) capital and related financing activities	<u>(1,321,221)</u>	<u>(1,417,648)</u>
Cash flows from investing activities:		
Investment income received	3,224	62,602
Net cash provided by (used for) investing activities	<u>3,224</u>	<u>62,602</u>
Net increase (decrease) in cash and cash equivalents	5,272,672	2,476,558
Cash and cash equivalents at beginning of year	9,973,387	7,496,829
Cash and cash equivalents at end of year	<u>\$ 15,246,059</u>	<u>\$ 9,973,387</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,572,694	\$ (5,756,665)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	951,494	847,266
(Increase) decrease in inventories	(37,150)	15,408
(Increase) decrease in accounts receivable	(71,200)	(1,139)
(Increase) decrease in prepaid items	-	4,612
Increase (decrease) in accounts payable	157,255	19,594
Increase (decrease) in accrued liabilities	3,871	(11,878)
Increase (decrease) in claims payable	(1,678,485)	5,114,406
Net cash provided by (used for) operating activities	<u>\$ 898,479</u>	<u>\$ 231,604</u>

There were no noncash investing, capital and financing activities during fiscal years ended June 30, 2018 and 2017.

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Net Position  
June 30, 2018

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	Agency Funds
<u>Assets:</u>		
Cash and cash investments (note 2)	\$ 778,542	\$ 2,987,074
Accounts receivable	-	11,297
Interest receivable	-	552
Prepaid items	-	8,544
Total assets	778,542	\$ 3,007,467
<u>Liabilities:</u>		
Accounts payable	11,251	\$ 1,128,506
Advance from City (note 5)	8,648,181	-
Deposits payable	-	1,873,896
Held for bondholders	-	5,065
Total liabilities	8,659,432	\$ 3,007,467
<u>Net Position:</u>		
Held in trust for Successor Agency	\$ (7,880,890)	

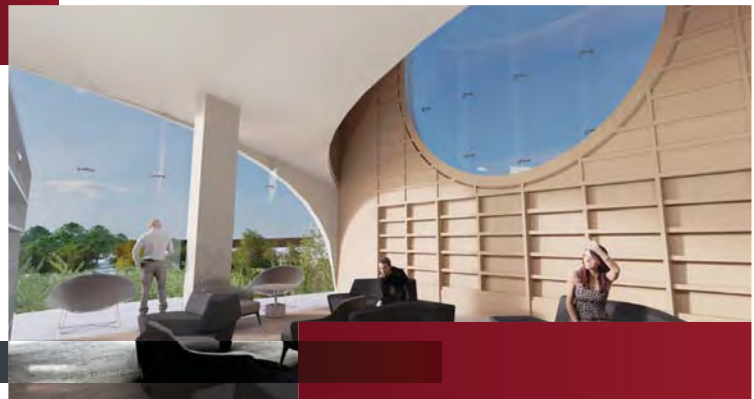
See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Changes in Net Position  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	
	2018	2017
Additions:		
Property tax	\$ 873,329	\$ 817,350
Investment earnings	-	298
Total revenues	873,329	817,648
Deductions:		
Program expenses of former redevelopment agency	-	26,623
Administrative expenses	250,000	231,746
Interest expenses	231,954	54,121
Repayment of advance to the City	-	649,100
Total expenses	481,954	961,590
Change in net position	391,375	(143,942)
Net position at beginning of year, as restated (note 21)	(8,272,265)	844,754
Net position at end of year	\$ (7,880,890)	\$ 700,812

See notes to financial statements

# CITY OF COSTA MESA CALIFORNIA



## NOTES TO THE FINANCIAL STATEMENTS



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2018

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

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

**(a) Description of Reporting Entity**

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

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

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are 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 (Public Financing Authority) was established on August 20, 1990 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Transactions of the Public Financing Authority are reported in the Debt Service Fund. Separate financial statements of the Public Financing Authority can be obtained at City Hall.

Costa Mesa Housing Authority

The Costa Mesa Housing Authority (Housing Authority) was created pursuant to the State of California Health and Safety Code, Section 34176(a). The 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

## CITY OF COSTA MESA, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2018

been reported as if it were part of the City in the Housing Authority Special Revenue Fund. Separate financial statements of the Housing Authority can be obtained at City Hall.

#### Costa Mesa Financing Authority

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

#### **(b) Basis of Accounting and Measurement Focus**

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

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

#### Government-wide Financial Statements

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

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

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



## CITY OF COSTA MESA, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2018

Statement of Activities to present the net cost of each program.

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

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

#### Fund Financial Statements

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

#### Governmental Funds

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

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

## CITY OF COSTA MESA, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2018

recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange* transactions are recognized as revenues when all applicable eligibility requirements have been met.

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

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

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

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

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

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

#### Proprietary and Fiduciary Funds

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives us essentially equal values. Nonoperating

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

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revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than being reported as expenses. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than being reported as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenses. The City's agency funds are fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

(c) ***Property Tax Calendar***

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

(d) ***Fund Classifications***

The City reports the following major governmental funds:

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

Capital Projects Funds

*Lions Park Capital Improvements Fund* – This capital projects fund was established to account for the receipt and disbursement of bond funds for construction of a new library and renovation of the existing library into a neighborhood community center. Project funding is partially provided by bond proceeds with the remaining balance provided by the Capital Improvements Fund, Park Fees Fund, and Gas Tax Fund.

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

*Measure "M2" Fund* – This capital projects fund was established to account for the receipt and disbursement of funds from the 2006 voter-approved one-half percent sales

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

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tax for local transportation improvements. Measure M2 is a 30-year extension of the earlier Measure M program.

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

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

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

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

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

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

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

*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 the specifications of trust indentures, statutes, ordinances, or other governing regulations.

**(e) Cash and Investments**

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

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

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

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

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

**(f) Cash Equivalents**

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

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

**(g) Advances to Other Funds**

Long-term interfund advances are recorded as receivables by the advancing governmental funds and as 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) Prepaids**

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, 2018

**(j) *New Accounting Pronouncements***

Current Year Standards

GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in the restatement of the City's beginning net position totaling \$50,259,042 in the Governmental Activities as of the beginning of the fiscal year. For additional information, refer to note 21.

GASB 81 - *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016. The implementation of this statement did not result in a financial impact to the City.

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The implementation of this statement did not result in a financial impact to the City.

Pending Accounting Standards

GASB has issued the following pronouncements that have an effective date subsequent to June 30, 2018, which may impact the City's financial reporting requirements in the future. Unless otherwise noted, management has not determined what, if any, impact implementation of the following Statements may have on future financial statements.

GASB 83 - *Certain Asset Retirement Obligations*: Effective for the City's fiscal year ending June 30, 2019.

GASB 84 - *Fiduciary Activities*: Effective for the City's fiscal year ending June 30, 2020.

GASB 87 - *Leases*: Effective for the City's fiscal year ending June 30, 2021.

**(k) *Capital Assets***

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

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

Capital assets used in operations are depreciated or amortized over their estimated

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

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useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of proprietary funds. It is the City's policy not to depreciate or amortize assets in its first year of service. A full year of depreciation or amortization is charged at final year of asset life or upon disposal. Depreciation and amortization are charged as expenses against operations and accumulated depreciation and amortization are reported on the respective statement of net position.

The ranges of lives used for computing depreciation and amortization for each capital asset class are as follows:

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

**(l) *Deferred Outflows/Inflows of Resources***

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

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

**(m) *Fund Balances***

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

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

Restricted Fund Balance – This includes amounts that can be spent only for specific

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Notes to the Basic Financial Statements

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purposes stipulated by constitution, external resource providers, or through enabling legislation. If Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

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

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

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

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

**(n) *Employee Leave Benefits***

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

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

A liability is recorded for unused sick leave balances except for miscellaneous, confidential and Costa Mesa Police Association (CMPA) employee groups. The liability



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

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

**(o) Claims and Judgments**

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

**(p) Pensions**

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframe. For this report, the following timeframes are used:

	<u>CalPERS Plans</u>	<u>Supplemental Plan</u>
Valuation Date	June 30, 2016	June 30, 2018
Measurement Date	June 30, 2017	June 30, 2018
Measurement Period	July 1, 2016 to June 30, 2017	July 1, 2017 to June 30, 2018

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

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

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Notes to the Basic Financial Statements

Year ended June 30, 2018

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**(r) Use of Estimates**

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

**(s) Prior Year Data**

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

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

**(2) Cash and Investments**

Cash and investments are reported as follows:

Petty cash on hand	\$ 12,200
Demand deposits	3,541,345
Investments	<u>121,423,451</u>
Total cash and investments	<u>\$ 124,976,996</u>

Cash and investments at June 30, 2018 consisted of the following:

Statement of Net Position:

Cash and investments	\$ 104,452,414
Cash and investments with fiscal agent	16,758,966

Statement of Fiduciary Net Position:

Cash and investments	<u>3,765,616</u>
Total cash and investments	<u>\$ 124,976,996</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2018

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

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

<u>Authorized Investment</u>	<u>Maximum Maturity*</u>	<u>Percentage of Portfolio*</u>	<u>Investment In One Issuer*</u>
U.S. Treasury Securities	5 years	None	None
Federal Agency Securities	5 years	None	35%
Municipal Securities	5 years	None	5%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Federally Insured Time Deposit	5 Years	None	None
Non-Negotiable Certificates of Deposit	5 years	20%	None
Certificate of Deposit Placement Service	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	30%	None
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Backed Securities	5 years	20%	None
County Pooled Investment Funds	N/A	35%	None
Local Agency Investment Fund	N/A	up to \$65 million	None

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

Investments Authorized by Debt Agreements

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

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Notes to the Basic Financial Statements

Year ended June 30, 2018

<u>Authorized Investment</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	180 days	None	None
Commercial Paper	270 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	10%
Pre-funded Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Total</u>
Federal Agency Securities	\$ 3,220,458	\$ 7,800,093	\$ 10,740,144	\$ 21,760,695
State Investment Pool (LAIF)	39,881,155	-	-	39,881,155
U.S. Treasury Securities	1,986,950	6,720,882	17,370,645	26,078,477
Medium-Term Corporate Notes	1,990,896	5,590,681	8,924,077	16,505,654
Money Market Mutual Funds	187,168	-	-	187,168
Held by Trustee:				
Costa Mesa Community Facility				
District Bonds	190,000	210,000	225,000	625,000
Money Market Mutual Funds	16,232,802	-	-	16,232,802
Lehman Brothers Holdings Inc.				
Bankruptcy	152,500	-	-	152,500
Total	<u>\$ 63,841,929</u>	<u>\$ 20,321,656</u>	<u>\$ 37,259,866</u>	<u>\$ 121,423,451</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

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Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	Minimum Legal			Not Required to			<u>Total</u>
	<u>Rating</u>	<u>AAA</u>	<u>A1-A3</u>	<u>Aa1-Aa3</u>	<u>Not Rated</u>	<u>be Rated</u>	
Federal Agency Securities	N/A	\$ 21,760,695	\$ -	\$ -	\$ -	\$ -	\$ 21,760,695
U.S. Treasury Securities	N/A	-	-	-	-	26,078,477	26,078,477
Medium-Term Corporate Notes	A	1,367,709	12,673,117	2,464,828	-	-	16,505,654
State Investment Pool (LAIF)	N/A	-	-	-	39,881,155	-	39,881,155
Money Market Mutual Funds	AAA	187,168	-	-	-	-	187,168
Held by Trustee:							
Costa Mesa Community							
Facilities District Bonds	N/A	-	-	-	-	625,000	625,000
Money Market Mutual Funds	AAA	16,232,802	-	-	-	-	16,232,802
Lehman Brothers Holdings Inc.							
Bankruptcy	N/A	-	-	-	152,500	-	152,500
Total		<u>\$ 39,548,374</u>	<u>\$ 12,673,117</u>	<u>\$ 2,464,828</u>	<u>\$ 40,033,655</u>	<u>\$ 26,703,477</u>	<u>\$ 121,423,451</u>

Governmental Accounting, Auditing and Financial Reporting (GAAFR) requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2018, the City's investment in the following single issuers exceeded 5%:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
FHLB	Federal Agency Securities	\$ 7,231,326	6%
FNMA	Federal Agency Securities	6,237,031	5%
FHLMC	Federal Agency Securities	8,292,326	7%

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

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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.

Fair Value Measurements

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

	Quoted prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 21,760,695	\$ -	\$ 21,760,695
U.S. Treasury Securities	-	26,078,477	-	26,078,477
Medium Term Corporate Notes	-	16,505,654	-	16,505,654
Held by Trustee:				
Costa Mesa Community				
Facilities District Bonds	-	-	625,000	625,000
Lehman Brothers Holdings Inc, Bankruptcy	-	-	152,500	152,500
	<u>\$ -</u>	<u>\$ 64,344,826</u>	<u>\$ 777,500</u>	<u>\$ 65,122,326</u>
State Investment Pool (LAIF)*				39,881,155
Money Market Mutual Funds*				187,168
Held by Trustee:				
Money Market Mutual Funds*				<u>16,232,802</u>
Total Investment Portfolio				<u>\$ 121,423,451</u>

\* Not subject to fair value categorization.

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**(3) Interfund Receivables and Payables**

Interfund receivable and payable balances at June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Lions Park Capital Improvements Fund	\$ 897,648
General Fund	Nonmajor Governmental Funds	220,911

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

Advances to and from other funds at June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Development Fund	\$1,947,029

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

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

**(4) Transfers In and Out**

Transfers in and out for the year ended June 30, 2018 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Capital Improvements Fund	\$ 8,158,644 (a1)
General Fund	Nonmajor Governmental Funds	3,720,296 (a2 to a4)
General Fund	Internal Service Funds	5,692,190 (a5)
Nonmajor Governmental Funds	Capital Improvements Fund	125,000 (b)
Nonmajor Governmental Funds	General Fund	366,359 (c1 to c2)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>520 (c3)</u>
		<u>\$ 18,063,009</u>

(a) The General Fund transferred the following to:

- \$8,158,644 to the Capital Improvements Capital Projects Fund for capital improvement projects;
- \$48,590 to the Supplemental Law Enforcement Services Special Revenue Fund for public safety expenditures;
- \$3,096,927 to the Public Financing Authority Debt Service Fund for debt service payments;
- \$574,779 to the Financing Authority Debt Service Fund for debt service payments;
- \$5,692,190 to the Internal Service Funds for self-insurance costs (\$4,741,990) and for equipment replacement (\$950,200).

(b) The Fire System Development Fees Capital Projects Fund transferred \$125,000 to the Capital Improvements Capital Projects Fund for capital projects.

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(c) The Nonmajor Governmental funds transferred the following:

1. The Parking Districts Capital Projects Fund transferred \$923 in investment earnings back to the General Fund;
2. The Public Financing Authority Debt Service Fund transferred \$365,436 to the General Fund to reimburse construction costs incurred in prior years.
3. The Public Financing Authority Debt Service Fund transferred \$520 of residual bond proceeds to the Financing Authority Debt Service Fund.

**(5) Loans Receivable**

The City's loans receivable at June 30, 2018 by loan programs are as follow:

	<u>Governmental Activities</u>
HOME Program	\$ 2,784,431
Community Development Loan Program	221,052
Rental Rehabilitation Program	351,148
First Time Home Buyer Program	1,523,362
Single Family Rehabilitation Program	142,500
Neighborhood Stabilization Program	181,250
Other Programs	<u>1,264,357</u>
Total	6,468,100
Less allowance for uncollectible loans	<u>(3,553,970)</u>
Loans receivable, net	<u><u>\$ 2,914,130</u></u>

Allowance for uncollectible accounts are established for various loans.

**General Fund Loan to the Successor Agency**

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

	\$ 8,648,181
Less allowance for doubtful accounts	<u>(8,648,181)</u>
Loans receivable, net	<u><u>\$ -</u></u>



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**(6) Capital Asset**

A summary of changes in capital assets is as follows:

	Balance at July 1, 2017, as restated	Additions	Deletions	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 34,579,306	\$ -	\$ -	\$ 34,579,306
Land rights related to streets	29,821,224	-	-	29,821,224
Construction in progress	11,593,153	32,391,569	(16,156,700)	27,828,022
Total capital assets not being depreciated	<u>75,993,683</u>	<u>32,391,569</u>	<u>(16,156,700)</u>	<u>92,228,552</u>
Capital assets being depreciated/amortized:				
Building improvements and structures	64,893,525	1,552,879	(3,113,906)	63,332,498
Landscaping and sprinklers	10,556,061	47,245	-	10,603,306
Automotive equipment	13,408,527	1,145,822	(649,623)	13,904,726
Office furniture	1,009,182	14,186	(79,885)	943,483
Office machines	9,635,971	63,814	(361,129)	9,338,656
Other equipment	10,690,825	2,651,043	(355,755)	12,986,113
Intangible assets	1,539,330	78,548	(11,633)	1,606,245
Park system and facilities	16,949,431	712,284	-	17,661,715
Infrastructure - roads	286,414,029	11,616,775	-	298,030,804
Infrastructure - storm drains	94,658,655	54,430	-	94,713,085
Total capital assets being depreciated/amortized	<u>509,755,536</u>	<u>17,937,026</u>	<u>(4,571,931)</u>	<u>523,120,631</u>
Less accumulated depreciation/amortization for:				
Building improvements and structures	(40,154,945)	(2,106,523)	3,024,864	(39,236,604)
Landscaping and sprinklers	(9,707,721)	(57,616)	-	(9,765,337)
Automotive equipment	(8,254,375)	(749,459)	616,541	(8,387,293)
Office furniture	(508,569)	(55,810)	72,091	(492,288)
Office machines	(7,058,445)	(667,664)	361,129	(7,364,980)
Other equipment	(6,089,149)	(850,631)	311,833	(6,627,947)
Intangible assets	(452,737)	(172,247)	5,817	(619,167)
Park system and facilities	(9,072,059)	(748,362)	-	(9,820,421)
Infrastructure - roads	(189,145,567)	(5,538,577)	-	(194,684,144)
Infrastructure - storm drains	(82,059,154)	(1,043,923)	-	(83,103,077)
Total accumulated depreciation/amortization	<u>(352,502,721)</u>	<u>(11,990,812)</u>	<u>4,392,275</u>	<u>(360,101,258)</u>
Total capital assets being depreciated/amortized, net	<u>157,252,815</u>	<u>5,946,214</u>	<u>(179,656)</u>	<u>163,019,373</u>
Capital assets, net	<u>\$ 233,246,498</u>	<u>\$ 38,337,783</u>	<u>\$ (16,336,356)</u>	<u>\$ 255,247,925</u>

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Depreciation expense is charged to the following functions for the year ended June 30, 2018:

Governmental activities:

General government	\$ 1,728,537
Protection of persons and property	2,366,859
Community programs	1,275,085
Public services	<u>6,620,358</u>

Total depreciation expense-governmental activities \$11,990,812

The City has active construction projects as of June 30, 2018. The significant projects include the following:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Red Hill Medians-McCormick to Bristol	300156	\$ 1,064,700	\$ 105,391	\$ 959,309
Fairview Traffic Signal Sync	370034	1,774,530	-	1,774,530
Lions Park Project	800015	26,739,089	11,958,357	14,780,732
Citywide Street Maintenance	400015	9,112,962	1,936,834	7,176,128
Citywide Storm Drain Improvements	550011	5,553,186	3,817,724	1,735,462
Jack Hammet Field Upgrade	700115	<u>1,171,255</u>	<u>100,780</u>	<u>1,070,475</u>
Total		<u>\$ 45,415,722</u>	<u>\$ 17,919,086</u>	<u>\$ 27,496,636</u>

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**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2018 is as follows:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year	Due Beyond One Year
Bonds payable:						
Public Financing Authority						
2003 Refunding						
Certificates of Participation	\$ 2,365,000	\$ -	\$ (2,365,000)	\$ -	\$ -	\$ -
Public Financing Authority						
2006 Revenue						
Refunding Bonds	960,000	-	(175,000)	785,000	185,000	600,000
Public Financing Authority						
2007 Certificates of						
Participation	18,295,000	-	(18,295,000)	-	-	-
Financing Authority						
2017 Lease Revenue Bonds	-	29,735,000	-	29,735,000	1,600,000	28,135,000
Unamortized bond premium						
2017 Lease Revenue Bonds	-	3,694,172	(110,827)	3,583,345	147,767	3,435,578
Total bonds payable	<u>21,620,000</u>	<u>33,429,172</u>	<u>(20,945,827)</u>	<u>34,103,345</u>	<u>1,932,767</u>	<u>32,170,578</u>
Other liabilities:						
Claims payable	15,708,146	576,460	(2,254,945)	14,029,661	2,454,615	11,575,046
Employee leave						
benefits payable	<u>4,010,752</u>	<u>3,500,662</u>	<u>(3,156,887)</u>	<u>4,354,527</u>	<u>3,581,689</u>	<u>772,838</u>
Total other liabilities	<u>19,718,898</u>	<u>4,077,122</u>	<u>(5,411,832)</u>	<u>18,384,188</u>	<u>6,036,304</u>	<u>12,347,884</u>
Total	<u>\$ 41,338,898</u>	<u>\$ 37,506,294</u>	<u>\$ (26,357,659)</u>	<u>\$ 52,487,533</u>	<u>\$ 7,969,071</u>	<u>\$ 44,518,462</u>

**(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 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%. The Certificates were advance refunded with the issuance of the 2017 lease revenue bonds. The principal balance outstanding at June 30, 2018 is \$0.

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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 \$225,506 on reserve with the fiscal agent at June 30, 2018. The principal balance outstanding at June 30, 2018 is \$785,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten business days of receipt. The County remitted taxes on December 21, 2017 and April 20, 2018; the City remitted payments seven and eight business days later, respectively.

The annual debt service requirements for the bonds as of June 30, 2018 are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 185,000	\$ 35,130	\$ 220,130
2020	190,000	25,708	215,708
2021	200,000	15,810	215,810
2022	210,000	5,355	215,355
Total	<u>\$ 785,000</u>	<u>\$ 82,003</u>	<u>\$ 867,003</u>

Costa Mesa Financing Authority Bonds

2017 Lease Revenue Bonds

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

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of June 30, 2018, the principal outstanding is \$29,735,000 and the unamortized bond premium balance is \$3,583,345.

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$67,745. This difference was not considered material and was charged to 2018 operations. The advance refunding was completed to reduce its total debt service payments over the next 9 years by \$2.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.8 million.

The annual debt service requirements for the bonds as of June 30, 2018 are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,600,000	\$ 1,253,450	\$ 2,853,450
2020	1,610,000	1,205,250	2,815,250
2021	1,675,000	1,139,550	2,814,550
2022	1,740,000	1,062,550	2,802,550
2023	1,830,000	973,300	2,803,300
2024 - 2028	8,840,000	3,408,000	12,248,000
2029 - 2033	3,320,000	2,029,000	5,349,000
2034 - 2038	4,185,000	1,166,531	5,351,531
2039 - 2042	4,935,000	411,206	5,346,206
<b>Total</b>	<b>\$ 29,735,000</b>	<b>\$ 12,648,837</b>	<b>\$ 42,383,837</b>

**(9) Debt Without Government Commitment**

The following bond issuance is not reflected in the Statement of Net Position since it is an obligation of private parties (with no government commitment) payable entirely from and secured by non-City resources as described in the bond resolutions and statements of the various issues.

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol

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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, 2018 was \$625,000.

**(10) Fund Balances**

Fund balance consisted of the following at June 30, 2018:

	General	Major Capital Projects Funds			Park Development	Non-Major Funds
		Lions Park Capital Improvements	Capital Improvements	Measure "M2"		
Nonspendable:						
Prepaid items	\$ 43,203	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	48,286	-	-	-	-	-
Advance to other funds	1,947,029	-	-	-	-	-
Restricted for:						
Protection of persons and property	-	-	-	-	-	150,169
Community programs	-	-	-	-	-	3,612,627
Public Services (1)	-	13,247,654	-	4,266,303	-	7,683,113
Debt Service	-	-	-	-	-	1,148,597
Committed for:						
Declared disasters (2)	14,125,000	-	-	-	-	-
Self insurance (3)	2,000,000	-	-	-	-	-
Assigned for:						
Compensated absences	4,354,527	-	-	-	-	-
Police Retirement						
1% Supplemental	2,376,305	-	-	-	-	-
Section 115 Trust	1,000,000	-	-	-	-	-
Economic reserves	6,000,000	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	150,981
Public services	-	-	14,288,170	-	5,199,671	5,776,886
Unassigned	23,329,730	-	-	-	-	(6,353)
<b>Total Fund Balance</b>	<b>\$ 55,224,080</b>	<b>\$ 13,247,654</b>	<b>\$ 14,288,170</b>	<b>\$ 4,266,303</b>	<b>\$ 5,199,671</b>	<b>\$ 18,516,020</b>

1. Restricted fund balances in the Public Services category consist of fund balances in the Gas Tax, Air Quality Improvement, Lions Park Capital Improvements, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation and facility related capital projects.
2. The fund balance committed for declared disasters was approved through Ordinance No. 2-206 to provide required funding as a result of a declared emergency by the City Council for an unanticipated but urgent event threatening the public health, safety and welfare of the City. Any fund balance utilized has to be replenished.

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3. The fund balance committed for self insurance was codified in the Ordinance No. 96-14 to provide a self-insurance reserve to be used to pay actual losses not covered by insurance policies or insurance pools. Any fund balance utilized has to be replenished.

The following governmental funds had deficits at June 30, 2018:

Nonmajor Governmental Funds:	
Special Revenue Funds:	
Supplemental Law Enforcement Services Fund	\$(5,426)
Office of Traffic Safety Fund	(927)

**(11) Defined Benefit Pension Plans**

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

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

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Total</u>
Net pension liability	\$ 100,020,354	\$ 125,529,417	\$ 75,347,795	\$ 300,897,566
Deferred outflows of resources - pension	17,405,518	25,130,430	16,351,451	58,887,399
Deferred inflows of resources - pension	934,100	1,965,670	3,099,517	5,999,287
Pension expense	13,613,633	16,410,017	8,499,023	38,522,673

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

**Plan Descriptions**

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

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced

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benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous (Agent Multiple-Employer)		
	Prior to March 11, 2012	On or After March 11, 2012	On or After January 1, 2013
Hire Date			
Benefit formula	2.5% @55	2.0%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates	32.762%	32.762%	5.75%
		Police Safety (Agent Multiple-Employer)	
		On or After March 11, 2012	On or After January 1, 2013
Hire Date			
Benefit formula		3%@50	2.7%@57
Benefit vesting schedule		5 years of service	5 years of service
Benefit payments		monthly for life	monthly for life
Retirement age		50	50 - 57
Monthly benefits, as a % of eligible compensation		3%	2.0% to 2.7%
Required employee contribution rates		9%	11.50%
Required employer contribution rates		55.611%	11.66%



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	Fire Safety (Cost Sharing Multiple-Employer)		
	Prior to December 30, 2012	On or After December 30, 2012	On or After January 1, 2013
Hire Date			
Benefit formula	3.0%@50	2.0%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9%	9%	11.50%
Required employer contribution rates:			
Normal cost rate	21.230%	14.785%	11.50%
Payment of unfunded liability	\$ 3,598,366	\$ 416	\$ 416

### Employees Covered

At June 30, 2018, the following employees were covered by each plan's benefit terms:

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
Inactive employees or beneficiaries currently receiving benefits	503	182	147
Inactive employees entitled to but not yet receiving benefits	661	74	-
Active employees	323	113	70
Total	<u>1,487</u>	<u>369</u>	<u>217</u>

### Contributions

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

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**(b) Net Pension Liability**

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2017, based on an annual actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous	Police & Fire Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Salary Increases	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

- (1) Varies by entry age, service, and type of employment
- (2) The Mortality Table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website
- (3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Change of Assumptions**

In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is deemed not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 section.

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11 + (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	0.90%
Total	100.00%		

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

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

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**Subsequent Events**

In February 2018, the CalPERS Board approved the reduction of the amortization period from 30 years to 20 years effective June 30, 2019.

**Changes in Net Pension Liability**

The changes in the net pension liability for the Miscellaneous (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2017, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
<b>Balance at June 30, 2016 (Valuation Date)</b>	<u>\$ 256,776,873</u>	<u>\$ 166,745,362</u>	<u>\$ 90,031,511</u>
<b>Changes in the Year:</b>			
Service cost	3,659,618	-	3,659,618
Interest on the total pension liability	18,996,998	-	18,996,998
Differences between actual and expected experience	(1,038,444)	-	(1,038,444)
Changes in assumptions	15,484,252	-	15,484,252
Contributions - employer	-	6,712,045	(6,712,045)
Contributions - employees	-	1,936,240	(1,936,240)
Net investment income	-	18,711,484	(18,711,484)
Administrative expenses	-	(246,188)	246,188
Benefit payments, including refunds of employee contributions	(14,720,378)	(14,720,378)	-
<b>Net Changes</b>	<u>22,382,046</u>	<u>12,393,203</u>	<u>9,988,843</u>
<b>Balance at June 30, 2017 (Measurement Date)</b>	<u>\$ 279,158,919</u>	<u>\$ 179,138,565</u>	<u>\$ 100,020,354</u>

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The changes in the net pension liability for the Police Safety (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2017, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
<b>Balance at June 30, 2016</b> <b>(Valuation Date)</b>	<u>\$ 270,021,419</u>	<u>\$ 157,818,781</u>	<u>\$ 112,202,638</u>
<b>Changes in the Year:</b>			
Service cost	4,475,641	-	4,475,641
Interest on the total pension liability	20,072,034	-	20,072,034
Differences between actual and expected experience	(2,148,051)	-	(2,148,051)
Changes in assumptions	17,608,748	-	17,608,748
Contributions - employer	-	7,592,902	(7,592,902)
Contributions - employees	-	2,012,546	(2,012,546)
Net investment income	-	17,309,154	(17,309,154)
Administrative expenses	-	(233,009)	233,009
Benefit payments, including refunds of employee contributions	(13,984,335)	(13,984,335)	-
<b>Net Changes</b>	<u>26,024,037</u>	<u>12,697,258</u>	<u>13,326,779</u>
<b>Balance at June 30, 2017</b> <b>(Measurement Date)</b>	<u>\$ 296,045,456</u>	<u>\$ 170,516,039</u>	<u>\$ 125,529,417</u>

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net pension liability of the Fire Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Fire Safety	<u>\$ 75,347,795</u>

The net pension liability of the Fire Safety Plan is measured as of June 30, 2017. The total pension liability for this Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and rolled forward to June 30, 2017 using standard

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update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for this Plan as of the measurement dates of June 30, 2016 and 2017 was as follows:

	<u>Fire Safety</u>
Proportion - June 30, 2016	1.31572%
Proportion - June 30, 2017	<u>1.26101%</u>
Change - Increase (Decrease)	-0.05471%

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

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

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 137,078,605	\$ 168,277,492	\$ 103,095,740
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 100,020,354	\$ 125,529,417	\$ 75,347,795
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 69,611,195	\$ 90,863,781	\$ 52,665,234

**Pension Plans Fiduciary Net Position**

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

For the year ended June 30, 2018, the City recognized pension expense of \$13,613,633, \$16,410,017 and \$8,499,023 for the Miscellaneous, Police Safety, and Fire Safety Plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,913,866	\$ -
Differences between expected and actual experience	-	(934,100)
Change in assumptions	8,445,956	-
Net differences between projected and actual earnings on plan investments	2,045,696	-
Total	<u>\$ 17,405,518</u>	<u>\$ (934,100)</u>

	Police Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,098,773	\$ -
Differences between expected and actual experience	1,985,441	(1,534,322)
Change in assumptions	12,577,677	(431,348)
Net differences between projected and actual earnings on plan investments	2,468,539	-
Total	<u>\$ 25,130,430</u>	<u>\$ (1,965,670)</u>

	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,040,152	\$ -
Differences between expected and actual experience	579,165	(151,004)
Change in assumptions	8,399,342	(644,420)
Change in employer's proportion	501,407	(1,393,420)
Differences between projected and actual investment earnings	1,831,385	-
Differences between employer's contributions and Change in employer's proportion	-	(910,673)
Total	<u>\$ 16,351,451</u>	<u>\$ (3,099,517)</u>

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At June 30, 2018, deferred outflows of resources in the amounts of \$6,913,866, \$8,098,773, and \$5,040,152 were related to contributions subsequent to the measurement date for the Miscellaneous, Police Safety and Fire Safety Plans, respectively. They will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Miscellaneous	Police Safety	Fire Safety
2019	\$ 5,967,779	\$ 5,368,476	\$ 1,823,060
2020	4,068,748	7,705,075	4,551,194
2021	947,935	3,236,232	2,909,136
2022	(1,426,910)	(1,243,796)	(1,071,608)
2023	-	-	-
Thereafter	-	-	-

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

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

**Plan Description**

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

The Police 1% Supplemental Retirement Plan is a single employer defined benefit plan. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@age 50 benefit plan. The number of participants at June 30, 2018 was 19. The average monthly benefit being paid is \$900.14. The retirement benefit is 1% of the highest 12-month earnings for credited services up to 25 years. Maximum benefit is 75% of the highest 12-month earnings for service retirement including all public plan pension benefits but not including Social Security. The 75% is proportionately reduced for less than 25 years of Costa Mesa Police Department service.

**Contributions**

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



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**(b) Pension Liability**

The City's pension liability for the Plan is measured as the total pension liability, as the pension plan has no fiduciary net position. The pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Methods and Assumptions**

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	3.5% per annum. This discount rate is the mid-point, rounded to 5 basis points, of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.
Payroll Growth	N/A; all participants have retired
Inflation Rate	2.75% per year
Cost Method	Entry Age Normal as a level percentage of payroll
Employer Funding Policy	Pay-as-you-go
Census Data	Census information was provided by the Plan Sponsor as of June 2018.
Mortality	Rates are based on CalPERS Safety Police Plan of the City of Costa Mesa annual valuation report as of June 30, 2016. Annual sample rate are as shown below:

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

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

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**Discount Rate**

The discount rate used to measure the total pension liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the fiscal year. Therefore, the long-term expected rate of return 0.00% was used to discount funded projected benefit payments and the municipal bond rate 3.50% was used to discount unfunded projected benefit payments to determine the total pension liability. The single effective discount rate was 3.50%.

Note the discount rate changed from 3.40% as of June 30, 2017 to 3.50% as of June 30, 2018 measurement date.

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

<b>Balance at June 30, 2017</b>	\$ 2,527,726
<b>Changes in the Year:</b>	
Interest on the total pension liability	82,454
Differences between the actual and expected experience	(9,704)
Changes in assumptions	(18,938)
Benefit payments, including refunds of employee contributions	(205,233)
<b>Net Changes</b>	<u>(151,421)</u>
<b>Balance at June 30, 2018</b>	<u>\$ 2,376,305</u>

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

The following presents the total pension liability, calculated using the discount rate of 3.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	2.50%
Pension Liability	\$ 2,577,867
Current Discount Rate	3.50%
Pension Liability	\$ 2,376,305
1% Increase	4.50%
Pension Liability	\$ 2,200,182

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

For the year ended June 30, 2018, the City recognized pension expense of \$36,709. At June 30, 2018, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

**(13) Defined Contribution Plan**

On January 1, 2000, the City adopted a Defined Contribution Plan (Plan) for part-time employees that work under 1,000 hours during the fiscal year and do not meet the eligibility requirements to be enrolled in the California Public Employee Retirement System (CalPERS). The Plan is administered by the Public Agency Retirement Services (PARS). As of June 30, 2018, there were 111 active participants in the Plan. Both the City and employees are required to each contribute 3.75% of gross wages. The City's contribution to the defined contribution plan for the year ended June 30, 2018 was \$47,194.

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

**Plan Description**

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

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**Employees Covered**

As of the June 30, 2017 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	409
Inactive employees or beneficiaries currently receiving benefits	382
Inactive employees entitled to, but not yet receiving benefits	<u>-</u>
Total	<u><u>791</u></u>

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made under the City Council and labor agreement requirements is on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year ended June 30, 2018, the City contributed \$1,852,436 to the Plan. The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

The City's total OPEB liability was measured as of June 30, 2017 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 3.40% per annum. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Inflation Rate: 2.75% per year

Aggregate Payroll Increases: 3.00% per year. This assumption is used to amortize the unfunded actuarial accrued liability and to determine the Entry Age Normal actuarial liabilities.

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

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

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

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**Changes in the Total OPEB Liability**

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

Balance at June 30, 2017	\$ 56,858,361
Changes recognized for the measurement period:	
Service cost	1,229,918
Interest	1,622,474
Changes of assumptions	(3,959,316)
Contributions - employer	(2,318,709)
Net investment income	-
Benefit payments	-
Administrative expense	-
Net Changes	<u>(3,425,633)</u>
Balance at June 30, 2018 (Measurement Date June 30, 2017)	<u><u>\$ 53,432,728</u></u>

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

The following presents the City's OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.40%)	Current Discount Rate (3.40%)	1% Increase (4.40%)
OPEB Liability	\$ 60,998,147	\$ 53,432,728	\$ 47,287,685

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

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (5%HMO/5.5%PPO decreasing to 4%HMO/4%PPO)	Current Healthcare Cost Trend Rates (6%HMO/6.5%PPO) decreasing to 5%HMO/5%PPO)	1% Increase (7%HMO/7.5%PPO decreasing to 6%HMO/6%PPO)
OPEB Liability	\$ 50,244,273	<u>\$ 53,432,728</u>	<u>\$ 57,917,774</u>

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

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The initial amortization period for deferred inflows and deferred outflows is three years.

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,066,347. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,852,436	\$ -
Changes in assumptions	-	(2,639,544)
<b>Total</b>	<b>\$ 1,852,436</b>	<b>\$ (2,639,544)</b>

The \$1,852,436 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,319,772)
2020	(1,319,772)
2021	-
2022	-
2023	-
Thereafter	-

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**(15) Post Employment Benefits-RHS (Defined Contribution)**

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City’s contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City’s contribution. The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended starting November 7, 2010. For the Costa Mesa Police Association, effective July 2014, a 1% employee contribution is required to the plan, but no employer contribution is required. The City’s contribution to the defined contribution post retirement plan for the year ended June 30, 2018 was \$0.

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

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) is as follows at June 30, 2018:

	Function	Expenditures	Appropriations	Excess
Supplemental Law Enforcement Services Fund	Protection of Persons and property	\$ 294,384	\$ 258,090	\$ 36,294

**(17) Risk Management**

For the fiscal year ended June 30, 2018, the City participated in the California Municipal Excess Liability (“CAMEL”) Program. The membership of CAMEL consists of approximately 21 cities with similar interests and needs regarding liability insurance. The Board of Directors sets the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers’ Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$14,029,661 for lawsuits and other claims arising in the ordinary course of business. The City is also self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$25,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$11,489,350 for workers’ compensation and \$2,540,311 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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2018

30, 2018 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:

Fiscal Year	Beginning Balance	Claims Incurred and Changes in Estimates	Claim Payments	Ending Balance
2016 - 17	\$ 10,593,740	\$ 10,718,819	\$ (5,604,413)	\$ 15,708,146
2017 - 18	15,708,146	576,460	(2,254,945)	14,029,661

The City is currently the subject of a number of lawsuits related to sober living facilities within Costa Mesa. These cases are in the discovery phase and are not scheduled for trial until mid-2019. At this time, the probability of an unfavorable outcome ranges from remote to probable, however City Council has not given direction on whether to vigorously defend these cases or attempt to settle. Without direction, it is difficult to estimate the potential exposure to the City. Professional standards require a loss contingency to be accrued if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2018, there is no liability accrued because the amount of the loss cannot be reasonably estimated at this time.

**(18) Pledged Revenue**

The City and its component units has 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:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Mello-Roos CFD 91-1	\$ 241,400	\$ 219,086	90.76%

**(19) Golf Course Lease Agreement**

The City has entered into an agreement with Mesa Verde Partners (MVP) under which MVP will operate and collect user fees from the Costa Mesa Country Club through August 31, 2029.



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2018

The agreement requires MVP to pay a percentage of gross receipts that MVP receives from green fees, driving range, cart rental, sale from proshop, food beverages, and the rental of banquet and meeting rooms, or a flat minimum monthly rate, whichever is greater. The percentage of gross receipts varies from 6 percent to 35 percent depending on the revenue type, and the minimum rent is adjusted every two years. The minimum rent for the period of September 1, 2017 to August 31, 2018 is \$147,000 per month. In fiscal year 2018, the City received a total of \$2,260,743 from the golf course operations, \$2,158,401 of which is reported in the General Fund and the remaining \$102,342 in the Golf Course Improvements Capital Projects Fund. The City reports the golf course and related equipment under capital assets in the government-wide financial statements.

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

The dissolution of all California redevelopment agencies occurred as of February 1, 2012 under the provisions and process set forth in Division 24, Part 1.8, Section 34160, et seq. and Part 1.85, Section 34170, et seq. of the Health and Safety Code (HSC and Dissolution Law). As of that date, the Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) succeeded to the former Costa Mesa Redevelopment Agency (former Agency) and administers the enforceable obligations and other requirements of the Dissolution Law. During the initial years of the dissolution process and in connection with the non-housing due diligence review, the State Department of Finance (DOF) disallowed as an enforceable obligation the outstanding loan from the City of Costa Mesa to the Costa Mesa Redevelopment Agency in the amount of \$9,278,545 that was sourced from the City's General Fund (City/Agency Loan), which loan had originally been established within two years of the formation of the former agency in the 1970s and was evidenced through a series of promissory notes. Based on DOF's disapproval of the City/Agency Loan and the uncertainty in DOF's reinstatement and authorization of annual repayments of such loan if reinstated, in fiscal year 2012-13 the City wrote-off the outstanding balance of the City/Agency Loan.

Under the Dissolution Law, on May 24, 2013 the DOF issued a Finding of Completion to the Successor Agency, which allowed the Successor Agency and City to seek reinstatement of the City/Agency Loan under HSC Section 34191.4 and, if approved, listing the reinstated loan on the Successor Agency's annual recognized obligation payment schedules (ROPS) for repayment. The reinstated City/Agency Loan was reviewed and approved by the local oversight board upon its finding that the loan had been made for legitimate redevelopment purposes under HSC Section 34191.4, then that action was reviewed and approved by the DOF.

Separate from, albeit concurrent with, that loan reinstatement process, on October 9, 2013, the City filed a lawsuit in the Sacramento Superior Court, Case No. 34-2013-80001675, against the DOF and the Orange County Auditor-Controller. The lawsuit sought, among other relief, alternatively that the City/Agency loan met the definition of an enforceable obligation because it was originally made within two years of the formation of the former Agency, an order that DOF approve annual loan repayments to the City on all future ROPS submitted by the Successor Agency, and an order that the Orange County Auditor Controller refund a \$2,492,747 payment the City made on May 1, 2013. At this time, the status of the lawsuit is still on file and active,

On April 17, 2014, the local Oversight Board approved the finding that the City/Agency Loan was for legitimate redevelopment purposes under HSC Section 34191.4; then, on May 6, 2014, the DOF sent a letter affirming the Oversight Board's decision that the loan was for legitimate redevelopment purpose and approved reinstatement of the loan under that certain Amended and Restated Loan Agreement.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2018

Subsequent to the write-off of the City/Agency Loan in FY 2012-13, the City has adjusted the loan for principal/interest additions and principal repayments from the annual ROPS approved by the DOF. In fiscal year 2017-18, the City restated the loan balance on its financial statements. As of June 30, 2018, the Successor Agency's loan payable balance was \$8,648,181.

A summary of changes in long-term liabilities in the Successor Agency for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017 as restated	Additions	Reductions	Balance at June 30, 2018	Portion Due Within One Year	Portion Due Beyond One Year
Loans Payable	\$ 8,973,077	\$ 231,954	\$ (556,850)	\$ 8,648,181	\$ 962,362	\$ 7,685,819
Total loans payable	<u>\$ 8,973,077</u>	<u>\$ 231,954</u>	<u>\$ (556,850)</u>	<u>\$ 8,648,181</u>	<u>\$ 962,362</u>	<u>\$ 7,685,819</u>

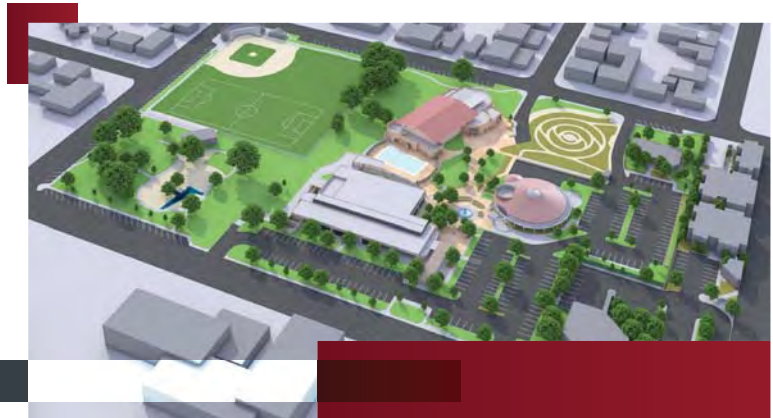
**(21) Restatement of Prior Year Financial Statements**

Certain prior period adjustments were made to the beginning net position/fund balance of the government-wide financial statements and certain individual funds. The following schedule summarizes the impact to the beginning net position/fund balance as follows:

	General Fund	Governmental Non-Major Funds	Internal Service Funds	Successor Agency	Government- Wide
Net position at beginning of the year as previously, reported	\$63,065,129	\$25,575,579	\$1,052,528	\$ 700,812	\$87,535,526
OPEB liability adjustment regarding the implementation of GASB 75	-	-	-	-	(50,259,042)
Recording of an allowance for certain loans receivable outstanding	-	(1,902,288)	-	-	(1,902,288)
To record loan payable to the General Fund per the ROPS	-	-	-	(8,973,077)	-
Adjustment to record accrued payroll at the beginning of the fiscal year	(1,002,922)	(29,919)	(7,630)	-	(1,040,471)
Record capital asset adjustment	-	-	-	-	(1,667,709)
Net position at beginning of the year, as restated	<u>\$62,062,207</u>	<u>\$23,643,372</u>	<u>\$1,044,898</u>	<u>\$(8,272,265)</u>	<u>\$32,666,016</u>

# CITY OF COSTA MESA CALIFORNIA

REQUIRED SUPPLEMENTARY  
INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION



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

Last Ten Fiscal Years\*

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
Plan's proportion of the net pension liability	0.86630%	0.85980%	0.78750%	0.75976%
Plan's proportionate share of the net pension liability	\$ 53,906,245	\$ 59,018,969	\$ 68,144,130	\$ 75,347,795
Plan's covered payroll	\$ 9,348,967	\$ 8,616,507	\$ 9,235,056	\$ 9,116,708
Plan's proportionate share of the net pension liability as a percentage of covered payroll	576.60%	684.95%	737.89%	826.48%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	70.20%	78.40%	74.06%	71.74%
Plan's proportionate share of aggregate employer contributions	\$ 4,567,080	\$ 4,600,229	\$ 4,087,020	\$ 5,040,152

Notes to schedule:

Benefit changes:

There were no changes in benefits terms that applied to all members of the Public Agency Pool.

Changes in assumptions:

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

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

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

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The accounting discount rate reduced from 7.65% to 7.15%.

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

CITY OF COSTA MESA, CALIFORNIA  
SCHEDULE OF CONTRIBUTIONS  
FIRE SAFETY PLAN  
Last Ten Fiscal Years\*

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

Notes to schedule:

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense; including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

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

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

CITY OF COSTA MESA, CALIFORNIA  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
MISCELLANEOUS PLAN  
Last Ten Fiscal Years\*

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

Notes to schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

\* The fiscal year ended June 30, 2015 was the first year of implementation. Information for the last 10 years is not available.

CITY OF COSTA MESA, CALIFORNIA  
SCHEDULE OF CONTRIBUTIONS  
MISCELLANEOUS PLAN  
Last Ten Fiscal Years\*

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

Notes to schedule:

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense; including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

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

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



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

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

Notes to schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

\* The fiscal year ended June 30, 2015 was the first year of implementation. Information for the last 10 years is not available.

CITY OF COSTA MESA, CALIFORNIA  
SCHEDULE OF CONTRIBUTIONS  
POLICE SAFETY PLAN  
Last Ten Fiscal Years\*

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

Notes to schedule:

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
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Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense; including inflation.
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

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

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

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

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

Note the discount rate changed from 3.40% as of June 30, 2017 to 3.50% as of June 30, 2018 measurement date.

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

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

Measurement date	June 30, 2017
Total OPEB liability	
Service cost	\$ 1,229,918
Interest on the total OPEB liability	1,622,474
Actual and expected experience difference	-
Changes in assumptions	(3,959,316)
Changes in benefit terms	-
Benefit payments	(2,318,709)
Net change in total OPEB liability	(3,425,633)
Total OPEB liability - beginning	56,858,361
Total OPEB liability - ending	\$ 53,432,728
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 41,026,788
OPEB liability as a percentage of covered-employee payroll	130.24%

Notes to schedule:

Changes in assumptions: The discount rate as of the June 30, 2016 measurement date was 2.85%. The discount rate as of the June 30, 2018 measurement date was 3.40%.

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

\* Fiscal year 2018 was the first year of implementation, therefore only one year is shown.

## **GENERAL FUND**

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

CITY OF COSTA MESA, CALIFORNIA  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 56,906,000	\$ 56,906,000	\$ 54,656,183	\$ (2,249,817)	\$ 56,556,867
Property tax	38,689,926	38,689,926	40,262,978	1,573,052	37,776,080
Transient occupancy tax	9,250,000	9,250,000	8,819,617	(430,383)	8,924,854
Franchise tax	4,798,473	4,798,473	4,965,515	167,042	4,593,631
Business license tax	960,805	960,805	919,450	(41,355)	918,928
<b>Total taxes</b>	<b>110,605,204</b>	<b>110,605,204</b>	<b>109,623,743</b>	<b>(981,461)</b>	<b>108,770,360</b>
Licenses and permits	3,341,608	3,341,608	3,837,564	495,956	2,933,305
Fines and forfeitures	1,535,000	1,535,000	1,560,015	25,015	1,352,205
<b>Intergovernmental:</b>					
Motor vehicle in-lieu	48,000	48,000	60,031	12,031	51,340
Grants and other reimbursements	540,836	579,441	961,699	382,258	537,164
<b>Total intergovernmental</b>	<b>588,836</b>	<b>627,441</b>	<b>1,021,730</b>	<b>394,289</b>	<b>588,504</b>
Charges for services	5,000,326	5,000,326	3,903,050	(1,097,276)	3,718,787
Rental	2,859,749	2,859,749	2,770,873	(88,876)	2,791,744
Investment income (loss)	250,000	250,000	(30,982)	(280,982)	(161,368)
Miscellaneous	1,493,850	1,678,850	1,344,221	(334,629)	1,475,498
<b>Total revenues</b>	<b>125,674,573</b>	<b>125,898,178</b>	<b>124,030,214</b>	<b>(1,867,964)</b>	<b>121,469,035</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	447,093	500,381	477,230	23,151	373,305
<b>City manager:</b>					
Administration	3,996,215	4,335,288	4,263,274	72,014	3,976,241
City clerk	978,473	953,373	800,629	152,744	1,107,754
Personnel services	1,420,912	1,421,704	1,451,215	(29,511)	1,495,274
Risk management services	2,466,225	2,473,190	2,523,738	(50,548)	2,519,532
City attorney	1,020,000	1,020,000	1,261,322	(241,322)	1,281,304
Financial services	3,068,400	3,070,800	2,811,833	258,967	2,640,724
Information technology	3,509,453	3,655,735	3,149,795	505,940	2,941,696
<b>Development services</b>					
administration	904,207	972,125	998,918	(26,793)	695,094
<b>Facilities and equipment</b>					
maintenance	10,978,893	11,371,518	11,139,981	231,537	9,307,174
Non-departmental	(2,753,822)	(3,641,272)	170,420	(3,811,692)	180,168
<b>Total general government</b>	<b>26,036,049</b>	<b>26,132,842</b>	<b>29,048,355</b>	<b>(2,915,513)</b>	<b>26,518,266</b>

CITY OF COSTA MESA, CALIFORNIA  
General Fund  
(continued)  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2018  
(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	45,241,406	45,695,734	43,628,690	2,067,044	39,789,936
Fire protection	22,834,130	23,093,455	23,508,286	(414,831)	22,109,184
Building and safety	2,171,031	2,040,081	1,697,669	342,412	1,875,497
Total protection of persons and property	<u>70,246,567</u>	<u>70,829,270</u>	<u>68,834,645</u>	<u>1,994,625</u>	<u>63,774,617</u>
Community programs:					
Community recreation	5,902,138	6,205,815	5,702,654	503,161	5,124,464
Planning	1,797,184	2,105,107	1,566,803	538,304	1,604,503
Community improvement	1,530,306	2,022,986	1,338,006	684,980	1,424,410
Total community programs	<u>9,229,628</u>	<u>10,333,908</u>	<u>8,607,463</u>	<u>1,726,445</u>	<u>8,153,377</u>
Public services:					
Administration	2,049,323	2,061,709	2,073,089	(11,380)	1,459,129
Engineering	2,460,381	2,659,989	2,576,496	83,493	2,295,948
Transportation	2,774,330	2,957,311	2,523,522	433,789	2,344,881
Total public services	<u>7,284,034</u>	<u>7,679,009</u>	<u>7,173,107</u>	<u>505,902</u>	<u>6,099,958</u>
Total expenditures	<u>112,796,278</u>	<u>114,975,029</u>	<u>113,663,570</u>	<u>1,311,459</u>	<u>104,546,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,878,295</u>	<u>10,923,149</u>	<u>10,366,644</u>	<u>(556,505)</u>	<u>16,922,817</u>
Other financing sources (uses):					
Transfers in	-	-	366,359	366,359	935
Transfers out	(16,048,791)	(17,646,549)	(17,571,130)	75,419	(18,331,084)
Total other financing sources (uses)	<u>(16,048,791)</u>	<u>(17,646,549)</u>	<u>(17,204,771)</u>	<u>441,778</u>	<u>(18,330,149)</u>
Net change in fund balance	<u>(3,170,496)</u>	<u>(6,723,400)</u>	<u>(6,838,127)</u>	<u>(114,727)</u>	<u>(1,407,332)</u>
Fund balance at beginning of year, as restated	<u>62,062,207</u>	<u>62,062,207</u>	<u>62,062,207</u>	<u>-</u>	<u>64,472,461</u>
Fund balance at end of year	<u>\$ 58,891,711</u>	<u>\$ 55,338,807</u>	<u>\$ 55,224,080</u>	<u>\$ (114,727)</u>	<u>\$ 63,065,129</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to Required Supplementary Information  
Year ended June 30, 2018

**(1) Budgetary Data**

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

Special Revenue Fund:

Rental Rehabilitation Program Fund

Debt Service Funds:

Financing Authority Debt Service Fund

Public Financing Authority Debt Service Fund

Capital Project Fund:

Golf Course Improvements Fund

The City Council adopts an annual budget submitted by the City Manager prior to the beginning of each new fiscal year. Public hearings are conducted prior to budget adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the City Council. Interfunctional budget adjustments are approved by the City Manager. Expenditures may not legally exceed appropriations at the department functional level. At fiscal year-end all operating budget appropriations lapse.



# CITY OF COSTA MESA CALIFORNIA

SUPPLEMENTARY  
SCHEDULES



## SUPPLEMENTARY SCHEDULES



## MAJOR AND NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

#### **Gas Tax Fund**

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

#### **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.

#### **Proposition 172 Fund**

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

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

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

#### **Community Development Fund**

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

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

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

#### **Rental Rehabilitation Program Fund**

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

#### **Narcotics Forfeiture Fund**

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

**Local Law Enforcement Block Grant Fund**

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

**Office of Traffic Safety Fund**

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

**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.

**CAPITAL PROJECTS FUNDS**

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

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

**Lions Park Capital Improvements Fund**

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

**Capital Improvements Fund**

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

**Measure "M2" Fund**

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

**Park Development Fund**

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

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

**Parking Districts Fund**

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

**Golf Course Improvements Fund**

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

**Drainage Fees Fund**

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

**Traffic Impact Fees Fund**

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

**Fire System Development Fees Fund**

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

**Jack Hammett Sports Complex Fund**

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

**DEBT SERVICE FUNDS**

Debt Service Funds are used to account for accumulated resources for and payment of general long-term debt. The following have been classified as nonmajor funds in the accompanying fund financial statements:

**Public Financing Authority Debt Service Fund**

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

**Financing Authority Debt Service Fund**

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

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2018  
 (With Comparative Data for Prior Year)

	Special Revenue			
	Gas Tax	HOME Program	Proposition 172	Air Quality Improvement
<u>Assets:</u>				
Cash and investments	\$ 7,417,584	\$ 246,073	\$ -	\$ 332,906
Cash and investments with fiscal agents	-	-	-	-
Due from other governments	241,715	-	79,109	37,546
Accounts receivable	-	-	-	-
Interest receivable	17,488	580	-	785
Loans receivable	-	1,312,085	-	-
<b>Total assets</b>	<b>\$ 7,676,787</b>	<b>\$ 1,558,738</b>	<b>\$ 79,109</b>	<b>\$ 371,237</b>
<u>Liabilities:</u>				
Accounts payable	\$ 91,005	\$ 7	\$ 6,642	\$ 15,603
Accrued liabilities	10,297	1,003	14,374	-
Retentions payable	219,616	-	-	596
Deposits payable	-	-	-	-
Due to other funds	-	-	49,937	-
Due to other governments	-	1,312,085	-	-
<b>Total liabilities</b>	<b>320,918</b>	<b>1,313,095</b>	<b>70,953</b>	<b>16,199</b>
<u>Deferred Inflows of Resources:</u>				
Unavailable revenues	27,794	-	-	-
<u>Fund Balances:</u>				
Restricted for:				
Protection of persons or property	-	-	8,156	-
Community programs	-	245,643	-	-
Public services	7,328,075	-	-	355,038
Debt service	-	-	-	-
Assigned for:				
Protection of persons and property	-	-	-	-
Public services	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>7,328,075</b>	<b>245,643</b>	<b>8,156</b>	<b>355,038</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 7,676,787</b>	<b>\$ 1,558,738</b>	<b>\$ 79,109</b>	<b>\$ 371,237</b>

Special Revenue

Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Housing Authority
\$ -	\$ -	\$ 130,346	\$ 497,308	\$ 31,830	\$ -	\$ 1,736,821
-	-	-	-	-	-	25,605
299,323	-	-	-	-	66,158	-
-	-	-	-	-	-	75,929
-	-	307	1,172	75	-	4,092
-	-	156,438	-	-	-	1,445,607
<u>\$ 299,323</u>	<u>\$ -</u>	<u>\$ 287,091</u>	<u>\$ 498,480</u>	<u>\$ 31,905</u>	<u>\$ 66,158</u>	<u>\$ 3,288,054</u>
\$ 76,658	\$ -	\$ -	\$ 2,885	\$ -	\$ 950	\$ 65,849
3,055	5,426	-	-	-	6,944	2,947
20,472	-	-	-	-	-	-
-	-	-	385,487	-	-	21,605
111,783	-	-	-	-	59,191	-
-	-	156,438	-	-	-	-
<u>211,968</u>	<u>5,426</u>	<u>156,438</u>	<u>388,372</u>	<u>-</u>	<u>67,085</u>	<u>90,401</u>
44,677	-	-	-	-	-	4,000
-	-	-	110,108	31,905	-	-
42,678	-	130,653	-	-	-	3,193,653
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(5,426)	-	-	-	(927)	-
<u>42,678</u>	<u>(5,426)</u>	<u>130,653</u>	<u>110,108</u>	<u>31,905</u>	<u>(927)</u>	<u>3,193,653</u>
<u>\$ 299,323</u>	<u>\$ -</u>	<u>\$ 287,091</u>	<u>\$ 498,480</u>	<u>\$ 31,905</u>	<u>\$ 66,158</u>	<u>\$ 3,288,054</u>

(continued)

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2018  
 (With Comparative Data for Prior Year)

	Capital Projects			
	Parking Districts	Golf Course Improvements	Drainage Fees	Traffic Impact Fees
<u>Assets:</u>				
Cash and investments	\$ 71,555	\$ 81,527	\$ 1,643,015	\$ 4,241,513
Cash and investments with fiscal agents	-	-	-	-
Due from other governments	7	-	-	-
Accounts receivable	-	10,454	-	45,766
Interest receivable	169	192	3,874	10,000
Loans receivable	-	-	-	-
	<u>\$ 71,731</u>	<u>\$ 92,173</u>	<u>\$ 1,646,889</u>	<u>\$ 4,297,279</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ 391,317	\$ 1,227
Accrued liabilities	-	-	-	-
Retentions payable	-	-	53,082	2,611
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>444,399</u>	<u>3,838</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable revenues	-	-	-	34,192
<u>Fund Balances:</u>				
Restricted for:				
Protection of persons or property	-	-	-	-
Community programs	-	-	-	-
Public services	-	-	-	-
Debt service	-	-	-	-
Assigned for:				
Protection of persons and property	-	-	-	-
Public services	71,731	92,173	1,202,490	4,259,249
Unassigned	-	-	-	-
	<u>71,731</u>	<u>92,173</u>	<u>1,202,490</u>	<u>4,259,249</u>
Total fund balances (deficit)	<u>71,731</u>	<u>92,173</u>	<u>1,202,490</u>	<u>4,259,249</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 71,731</u>	<u>\$ 92,173</u>	<u>\$ 1,646,889</u>	<u>\$ 4,297,279</u>



Capital Projects		Debt Service				Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Public Financing Authority	Financing Authority	2018	2017		
\$ 150,626	\$ 150,079	\$ -	\$ -	\$ 16,731,183	\$ 18,920,561		
-	-	1,100,489	48,108	1,174,202	4,386,549		
-	-	-	-	723,858	285,093		
-	165,750	-	-	297,899	58,242		
355	354	-	-	39,443	49,603		
-	-	-	-	2,914,130	6,822,154		
<u>\$ 150,981</u>	<u>\$ 316,183</u>	<u>\$ 1,100,489</u>	<u>\$ 48,108</u>	<u>\$ 21,880,715</u>	<u>\$ 30,522,202</u>		
\$ -	\$ -	\$ -	\$ -	\$ 652,143	\$ 568,117		
-	-	-	-	44,046	395,273		
-	-	-	-	296,377	88,752		
-	14,190	-	-	421,282	22,998		
-	-	-	-	220,911	333,155		
-	-	-	-	1,468,523	3,487,412		
-	14,190	-	-	3,103,282	4,895,707		
-	150,750	-	-	261,413	50,916		
-	-	-	-	150,169	89,505		
-	-	-	-	3,612,627	5,370,345		
-	-	-	-	7,683,113	8,857,894		
-	-	1,100,489	48,108	1,148,597	5,186,549		
150,981	-	-	-	150,981	357,655		
-	151,243	-	-	5,776,886	5,962,610.0		
-	-	-	-	(6,353)	(248,979)		
<u>150,981</u>	<u>151,243</u>	<u>1,100,489</u>	<u>48,108</u>	<u>18,516,020</u>	<u>25,575,579</u>		
<u>\$ 150,981</u>	<u>\$ 316,183</u>	<u>\$ 1,100,489</u>	<u>\$ 48,108</u>	<u>\$ 21,880,715</u>	<u>\$ 30,522,202</u>		

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Special Revenue			
	Gas Tax	HOME Program	Proposition 172	Air Quality Improvement
Revenues:				
Taxes	\$ -	\$ -	\$ 1,065,729	\$ -
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	3,087,417	116,116	-	146,530
Investment income (loss)	23,384	16	-	227
Rental income	-	-	-	-
Miscellaneous	-	290,228	-	-
Total revenues	<u>3,110,801</u>	<u>406,360</u>	<u>1,065,729</u>	<u>146,757</u>
Expenditures:				
Current:				
Protection of persons and property	-	-	799,138	-
Community programs	-	275,943	-	-
Public services	4,368,210	-	-	56,061
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total expenditures	<u>4,368,210</u>	<u>275,943</u>	<u>799,138</u>	<u>56,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,257,409)</u>	<u>130,417</u>	<u>266,591</u>	<u>90,696</u>
Other financing sources (uses):				
Issuance of bonds	-	-	-	-
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(1,257,409)</u>	<u>130,417</u>	<u>266,591</u>	<u>90,696</u>
Fund balances (deficit) at beginning of the year, as restated	<u>8,585,484</u>	<u>115,226</u>	<u>(258,435)</u>	<u>264,342</u>
Fund balances (deficit) at end of year	<u>\$ 7,328,075</u>	<u>\$ 245,643</u>	<u>\$ 8,156</u>	<u>\$ 355,038</u>

Special Revenue

Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program	Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Housing Authority
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,019
-	-	-	-	-	-	-
-	-	-	52,215	-	-	-
1,278,624	244,056	-	-	-	186,498	-
(5)	-	(64)	201	92	-	15,618
-	-	-	-	-	-	380,711
30,000	-	32,000	-	-	-	105,944
1,308,619	244,056	31,936	52,416	92	186,498	687,292
-	294,384	-	-	-	187,425	-
1,353,112	-	-	-	-	-	651,875
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,353,112	294,384	-	-	-	187,425	651,875
(44,493)	(50,328)	31,936	52,416	92	(927)	35,417
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	48,590	-	-	-	-	-
-	-	-	-	-	-	-
-	48,590	-	-	-	-	-
(44,493)	(1,738)	31,936	52,416	92	(927)	35,417
87,171	(3,688)	98,717	57,692	31,813	-	3,158,236
<u>\$ 42,678</u>	<u>\$ (5,426)</u>	<u>\$ 130,653</u>	<u>\$ 110,108</u>	<u>\$ 31,905</u>	<u>\$ (927)</u>	<u>\$ 3,193,653</u>

(continued)

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Capital Projects			
	Parking Districts	Golf Course Improvements	Drainage Fees	Traffic Impact Fees
Revenues:				
Taxes	\$ 10,405	\$ -	\$ -	\$ -
Charges for services	-	-	113,610	878,865
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income (loss)	91	526	9,519	4,203
Rental income	-	102,342	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>10,496</u>	<u>102,868</u>	<u>123,129</u>	<u>883,068</u>
Expenditures:				
Current:				
Protection of persons and property	-	-	-	-
Community programs	-	-	-	-
Public services	-	353,000	1,101,378	1,227
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total expenditures	<u>-</u>	<u>353,000</u>	<u>1,101,378</u>	<u>1,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,496</u>	<u>(250,132)</u>	<u>(978,249)</u>	<u>881,841</u>
Other financing sources (uses):				
Issuance of bonds	-	-	-	-
Premium on bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer in	-	-	-	-
Transfer out	(923)	-	-	-
Total other financing sources (uses)	<u>(923)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,573	(250,132)	(978,249)	881,841
Fund balances (deficit) at beginning of the year, as restated	<u>62,158</u>	<u>342,305</u>	<u>2,180,739</u>	<u>3,377,408</u>
Fund balances (deficit) at end of year	<u>\$ 71,731</u>	<u>\$ 92,173</u>	<u>\$ 1,202,490</u>	<u>\$ 4,259,249</u>

Capital Projects		Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Public Financing Authority	Financing Authority	2018	2017
\$ -	\$ -	\$ -	\$ -	\$ 1,261,153	\$ 1,184,328
-	-	-	-	992,475	649,287
-	-	-	-	52,215	477
-	-	-	-	5,059,241	3,459,601
1,061	493	10,175	397	65,934	264,212
-	150,750	-	-	633,803	497,478
-	-	1,283	-	459,455	678,786
1,061	151,243	11,458	397	8,524,276	6,734,169
82,735	-	-	-	1,363,682	2,367,086
-	-	-	-	2,280,930	1,243,179
-	-	-	-	5,879,876	3,125,962
-	-	4,070,000	-	4,070,000	2,755,000
-	-	456,264	574,779	1,031,043	980,504
-	-	-	344,858	344,858	-
-	-	2,302,225	-	2,302,225	-
82,735	-	6,828,489	919,637	17,272,614	10,471,731
(81,674)	151,243	(6,817,031)	(919,240)	(8,748,338)	(3,737,562)
-	-	-	11,228,397	11,228,397	-
-	-	-	3,694,172	3,694,172	-
-	-	-	(14,530,520)	(14,530,520)	-
-	-	3,096,927	575,299	3,720,816	3,635,689
(125,000)	-	(365,956)	-	(491,879)	(935)
(125,000)	-	2,730,971	967,348	3,620,986	3,634,754
(206,674)	151,243	(4,086,060)	48,108	(5,127,352)	(102,808)
357,655	-	5,186,549	-	23,643,372	25,678,387
\$ 150,981	\$ 151,243	\$ 1,100,489	\$ 48,108	\$ 18,516,020	\$ 25,575,579

CITY OF COSTA MESA, CALIFORNIA  
Gas Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 3,183,686	\$ 3,087,417	\$ (96,269)	\$ 2,194,782
Investment income	50,000	23,384	(26,616)	84,427
Miscellaneous	-	-	-	99,337
Total revenues	<u>3,233,686</u>	<u>3,110,801</u>	<u>(122,885)</u>	<u>2,378,546</u>
Expenditures:				
Current:				
Public services	7,675,592	4,368,210	3,307,382	2,877,643
Total expenditures	<u>7,675,592</u>	<u>4,368,210</u>	<u>3,307,382</u>	<u>2,877,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,441,906)</u>	<u>(1,257,409)</u>	<u>3,184,497</u>	<u>(499,097)</u>
Net change in fund balance	(4,441,906)	(1,257,409)	3,184,497	(499,097)
Fund balance at beginning of year, as restated	<u>8,585,484</u>	<u>8,585,484</u>	-	<u>9,092,649</u>
Fund balance at end of year	<u>\$ 4,143,578</u>	<u>\$ 7,328,075</u>	<u>\$ 3,184,497</u>	<u>\$ 8,593,552</u>

CITY OF COSTA MESA, CALIFORNIA  
HOME Program Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 517,416	\$ 116,116	\$ (401,300)	\$ 232,746
Investment income	-	16	16	488
Miscellaneous	-	290,228	290,228	41,000
Total revenues	<u>517,416</u>	<u>406,360</u>	<u>(111,056)</u>	<u>274,234</u>
Expenditures:				
Current:				
Community programs	<u>1,094,807</u>	<u>275,943</u>	<u>818,864</u>	<u>255,032</u>
Total expenditures	<u>1,094,807</u>	<u>275,943</u>	<u>818,864</u>	<u>255,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(577,391)</u>	<u>130,417</u>	<u>707,808</u>	<u>19,202</u>
Net change in fund balance	<u>(577,391)</u>	<u>130,417</u>	<u>707,808</u>	<u>19,202</u>
Fund balance at beginning of year, as restated	<u>115,226</u>	<u>115,226</u>	<u>-</u>	<u>97,254</u>
Fund balance at end of year	<u>\$ (462,165)</u>	<u>\$ 245,643</u>	<u>\$ 707,808</u>	<u>\$ 116,456</u>

CITY OF COSTA MESA, CALIFORNIA  
Proposition 172 Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 1,126,187	\$ 1,065,729	\$ (60,458)	\$ 1,035,022
Total revenues	<u>1,126,187</u>	<u>1,065,729</u>	<u>(60,458)</u>	<u>1,035,022</u>
Expenditures:				
Current:				
Protection of persons and property	894,258	799,138	95,120	1,144,937
Total expenditures	<u>894,258</u>	<u>799,138</u>	<u>95,120</u>	<u>1,144,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>231,929</u>	<u>266,591</u>	<u>34,662</u>	<u>(109,915)</u>
Net change in fund balance	231,929	266,591	34,662	(109,915)
Fund balance (deficit) at beginning of year, as restated	<u>(258,435)</u>	<u>(258,435)</u>	<u>-</u>	<u>(139,064)</u>
Fund balance (deficit) at end of year	<u>\$ (26,506)</u>	<u>\$ 8,156</u>	<u>\$ 34,662</u>	<u>\$ (248,979)</u>



CITY OF COSTA MESA, CALIFORNIA  
 Air Quality Improvement Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 141,854	\$ 146,530	\$ 4,676	\$ 146,347
Investment income	2,500	227	(2,273)	1,725
Total revenues	144,354	146,757	2,403	148,072
Expenditures:				
Current:				
Public services	645,274	56,061	589,213	35,116
Total expenditures	645,274	56,061	589,213	35,116
Excess (deficiency) of revenues over (under) expenditures	(500,920)	90,696	591,616	112,956
Net change in fund balance	(500,920)	90,696	591,616	112,956
Fund balance at beginning of year	264,342	264,342	-	151,386
Fund balance at end of year	\$ (236,578)	\$ 355,038	\$ 591,616	\$ 264,342

CITY OF COSTA MESA, CALIFORNIA  
Community Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 1,150,000	\$ 1,278,624	\$ 128,624	\$ 488,435
Investment income (loss)	-	(5)	(5)	463
Miscellaneous	-	30,000	30,000	29,000
Total revenues	<u>1,150,000</u>	<u>1,308,619</u>	<u>158,619</u>	<u>517,898</u>
Expenditures:				
Current:				
Community programs	<u>2,366,794</u>	<u>1,353,112</u>	<u>1,013,682</u>	<u>517,020</u>
Total expenditures	<u>2,366,794</u>	<u>1,353,112</u>	<u>1,013,682</u>	<u>517,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,216,794)</u>	<u>(44,493)</u>	<u>1,172,301</u>	<u>878</u>
Net change in fund balance	(1,216,794)	(44,493)	1,172,301	878
Fund balance at beginning of year, as restated	<u>87,171</u>	<u>87,171</u>	-	<u>89,527</u>
Fund balance at end of year	<u>\$ (1,129,623)</u>	<u>\$ 42,678</u>	<u>\$ 1,172,301</u>	<u>\$ 90,405</u>

CITY OF COSTA MESA, CALIFORNIA  
Supplemental Law Enforcement Services Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 209,500	\$ 244,056	\$ 34,556	\$ 220,436
Total revenues	209,500	244,056	34,556	220,436
Expenditures:				
Current:				
Protection of persons and property	258,090	294,384	(36,294)	338,071
Total expenditures	258,090	294,384	(36,294)	338,071
Excess (deficiency) of revenues over (under) expenditures	(48,590)	(50,328)	(1,738)	(117,635)
Other financing sources (uses):				
Transfer in	48,590	48,590	-	117,635
Total other financing sources (uses)	48,590	48,590	-	117,635
Net change in fund balance	-	(1,738)	(1,738)	-
Fund balance at beginning of year as restated	(3,688)	(3,688)	-	-
Fund balance at end of year	\$ (3,688)	\$ (5,426)	\$ (1,738)	\$ -

CITY OF COSTA MESA, CALIFORNIA  
Narcotics Forfeiture Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>				
Fines and forfeitures	\$ -	\$ 52,215	\$ 52,215	\$ 477
Investment income	4,400	201	(4,199)	5,418
<b>Total revenues</b>	<b>4,400</b>	<b>52,416</b>	<b>48,016</b>	<b>5,895</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Protection of persons and property	387,066	-	387,066	706,307
<b>Total expenditures</b>	<b>387,066</b>	<b>-</b>	<b>387,066</b>	<b>706,307</b>
Excess (deficiency) of revenues over (under) expenditures	(382,666)	52,416	435,082	(700,412)
<b>Net change in fund balance</b>	<b>(382,666)</b>	<b>52,416</b>	<b>435,082</b>	<b>(700,412)</b>
Fund balance at beginning of year	57,692	57,692	-	758,104
<b>Fund balance at end of year</b>	<b>\$ (324,974)</b>	<b>\$ 110,108</b>	<b>\$ 435,082</b>	<b>\$ 57,692</b>

CITY OF COSTA MESA, CALIFORNIA  
Local Law Enforcement Block Grand Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 17,000	\$ -	\$ (17,000)	\$ 34,465
Investment income	-	92	92	110
Total revenues	17,000	92	(16,908)	34,575
Expenditures:				
Current:				
Protection of persons and property	-	-	-	34,464
Total expenditures	-	-	-	34,464
Excess (deficiency) of revenues over (under) expenditures	17,000	92	(16,908)	111
Net change in fund balance	17,000	92	(16,908)	111
Fund balance at beginning of year	31,813	31,813	-	31,702
Fund balance at end of year	\$ 48,813	\$ 31,905	\$ (16,908)	\$ 31,813

CITY OF COSTA MESA, CALIFORNIA  
Office of Traffic Safety Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 290,000	\$ 186,498	\$ (103,502)	\$ 142,390
Total revenues	290,000	186,498	(103,502)	142,390
Expenditures:				
Current:				
Protection of persons and property	290,000	187,425	102,575	143,307
Total expenditures	290,000	187,425	102,575	143,307
Excess (deficiency) of revenues over (under) expenditures	-	(927)	(927)	(917)
Other financing sources (uses):				
Transfers out	-	-	-	(464)
Total other financing sources (uses)	-	-	-	(464)
Net change in fund balance	-	(927)	(927)	(1,381)
Fund balance at beginning of year	-	-	-	1,381
Fund balance at end of year	\$ -	\$ (927)	\$ (927)	\$ -

CITY OF COSTA MESA, CALIFORNIA  
Housing Authority Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 139,212	\$ 185,019	\$ 45,807	\$ 139,212
Investment income	10,000	15,618	5,618	31,035
Rental income	388,000	380,711	(7,289)	400,671
Miscellaneous	100,000	105,944	5,944	352,076
Total revenues	<u>637,212</u>	<u>687,292</u>	<u>50,080</u>	<u>922,994</u>
Expenditures:				
Current:				
Community programs	<u>677,150</u>	<u>651,875</u>	<u>25,275</u>	<u>471,127</u>
Total expenditures	<u>677,150</u>	<u>651,875</u>	<u>25,275</u>	<u>471,127</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,938)</u>	<u>35,417</u>	<u>75,355</u>	<u>451,867</u>
Net change in fund balance	<u>(39,938)</u>	<u>35,417</u>	<u>75,355</u>	<u>451,867</u>
Fund balance at beginning of year, as restated	<u>3,158,236</u>	<u>3,158,236</u>	<u>-</u>	<u>4,612,900</u>
Fund balance at end of year	<u>\$ 3,118,298</u>	<u>\$ 3,193,653</u>	<u>\$ 75,355</u>	<u>\$ 5,064,767</u>

CITY OF COSTA MESA, CALIFORNIA  
Parking Districts Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 8,429	\$ 10,405	\$ 1,976	\$ 10,094
Investment income	255	91	(164)	545
Total revenues	<u>8,684</u>	<u>10,496</u>	<u>1,812</u>	<u>10,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,684</u>	<u>10,496</u>	<u>1,812</u>	<u>10,639</u>
Other financing sources (uses):				
Transfers out	-	(923)	(923)	(471)
Total other financing sources (uses)	<u>-</u>	<u>(923)</u>	<u>(923)</u>	<u>(471)</u>
Net change in fund balance	8,684	9,573	889	10,168
Fund balance at beginning of year	<u>62,158</u>	<u>62,158</u>	<u>-</u>	<u>51,990</u>
Fund balance at end of year	<u>\$ 70,842</u>	<u>\$ 71,731</u>	<u>\$ 889</u>	<u>\$ 62,158</u>



CITY OF COSTA MESA, CALIFORNIA  
 Drainage Fees Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 252,000	\$ 113,610	\$ (138,390)	\$ 549,871
Investment income	9,600	9,519	(81)	18,965
Miscellaneous	-	-	-	117,373
<b>Total revenues</b>	<b>261,600</b>	<b>123,129</b>	<b>(138,471)</b>	<b>686,209</b>
Expenditures:				
Current:				
Public services	2,143,634	1,101,378	1,042,256	66,950
<b>Total expenditures</b>	<b>2,143,634</b>	<b>1,101,378</b>	<b>1,042,256</b>	<b>66,950</b>
Excess (deficiency) of revenues over (under) expenditures	(1,882,034)	(978,249)	903,785	619,259
Net change in fund balance	(1,882,034)	(978,249)	903,785	619,259
Fund balance at beginning of year	2,180,739	2,180,739	-	1,561,480
Fund balance at end of year	<u>\$ 298,705</u>	<u>\$ 1,202,490</u>	<u>\$ 903,785</u>	<u>\$ 2,180,739</u>

CITY OF COSTA MESA, CALIFORNIA  
 Traffic Impact Fees Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 200,000	\$ 878,865	\$ 678,865	\$ 99,416
Investment income	13,000	4,203	(8,797)	30,967
Total revenues	<u>213,000</u>	<u>883,068</u>	<u>670,068</u>	<u>130,383</u>
Expenditures:				
Current:				
Public Services	1,650,481	1,227	1,649,254	62,148
Total expenditures	<u>1,650,481</u>	<u>1,227</u>	<u>1,649,254</u>	<u>62,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,437,481)</u>	<u>881,841</u>	<u>2,319,322</u>	<u>68,235</u>
Net change in fund balance	(1,437,481)	881,841	2,319,322	68,235
Fund balance at beginning of year	<u>3,377,408</u>	<u>3,377,408</u>	-	<u>3,309,173</u>
Fund balance at end of year	<u>\$ 1,939,927</u>	<u>\$ 4,259,249</u>	<u>\$ 2,319,322</u>	<u>\$ 3,377,408</u>

CITY OF COSTA MESA, CALIFORNIA  
 Fire System Development Fees Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 2,700	\$ 1,061	\$ (1,639)	\$ 3,309
Total revenues	<u>2,700</u>	<u>1,061</u>	<u>(1,639)</u>	<u>3,309</u>
Expenditures:				
Current:				
Protection of persons and property	100,000	82,735	17,265	-
Total expenditures	<u>100,000</u>	<u>82,735</u>	<u>17,265</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(97,300)</u>	<u>(81,674)</u>	<u>15,626</u>	<u>3,309</u>
Other financing sources (uses):				
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(222,300)	(206,674)	15,626	3,309
Fund balance at beginning of year	<u>357,655</u>	<u>357,655</u>	<u>-</u>	<u>354,346</u>
Fund balance at end of year	<u>\$ 135,355</u>	<u>\$ 150,981</u>	<u>\$ 15,626</u>	<u>\$ 357,655</u>

CITY OF COSTA MESA, CALIFORNIA  
 Jack Hammett Sports Complex Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	\$ 493	\$ 493	\$ -
Rental income	-	150,750	150,750	-
Total revenues	-	151,243	151,243	-
Net change in fund balance	-	151,243	151,243	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ 151,243	\$ 151,243	\$ -

CITY OF COSTA MESA, CALIFORNIA  
Lions Park Capital Improvements Fund - Major Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	\$ 109,958	\$ 109,958	\$ -
Total revenues	-	109,958	109,958	-
Expenditures:				
Current:				
Public services	18,506,603	5,368,907	13,137,696	-
Total expenditures	18,506,603	5,368,907	13,137,696	-
Excess (deficiency) of revenues over (under) expenditures	(18,506,603)	(5,258,949)	13,247,654	-
Other financing sources (uses):				
Issuance of bonds	18,506,603	18,506,603	-	-
Total other financing sources (uses)	18,506,603	18,506,603	-	-
Net change in fund balance	-	13,247,654	13,247,654	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ 13,247,654	\$ 13,247,654	\$ -

CITY OF COSTA MESA, CALIFORNIA  
 Capital Improvements Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>				
Intergovernmental	\$ 950,000	\$ 1,114,165	\$ 164,165	\$ 3,046,662
Investment income	140,000	95,805	(44,195)	220,057
Miscellaneous	281,836	278,063	(3,773)	-
<b>Total revenues</b>	<b>1,371,836</b>	<b>1,488,033</b>	<b>116,197</b>	<b>3,266,719</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public services	28,511,799	16,782,722	11,729,077	11,198,303
<b>Total expenditures</b>	<b>28,511,799</b>	<b>16,782,722</b>	<b>11,729,077</b>	<b>11,198,303</b>
Excess (deficiency) of revenues over (under) expenditures	(27,139,963)	(15,294,689)	11,845,274	(7,931,584)
<b>Other financing sources (uses):</b>				
Transfers in	8,309,903	8,283,644	(26,259)	12,421,395
Transfers out	-	-	-	(1,326,000)
<b>Total other financing sources (uses)</b>	<b>8,309,903</b>	<b>8,283,644</b>	<b>(26,259)</b>	<b>11,095,395</b>
<b>Net change in fund balance</b>	<b>(18,830,060)</b>	<b>(7,011,045)</b>	<b>11,819,015</b>	<b>3,163,811</b>
Fund balance at beginning of year	21,299,215	21,299,215	-	18,135,404
Fund balance at end of year	<u>\$ 2,469,155</u>	<u>\$ 14,288,170</u>	<u>\$ 11,819,015</u>	<u>\$ 21,299,215</u>

CITY OF COSTA MESA, CALIFORNIA  
Measure "M2" Fund - Major Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 5,529,455	\$ 3,363,345	\$ (2,166,110)	\$ 5,620,539
Investment income	12,750	12,201	(549)	50,620
Miscellaneous income	-	-	-	15,931
Total revenues	<u>5,542,205</u>	<u>3,375,546</u>	<u>(2,166,659)</u>	<u>5,687,090</u>
Expenditures:				
Current:				
Public services	<u>12,939,501</u>	<u>4,542,486</u>	<u>8,397,015</u>	<u>1,256,272</u>
Total expenditures	<u>12,939,501</u>	<u>4,542,486</u>	<u>8,397,015</u>	<u>1,256,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,397,296)</u>	<u>(1,166,940)</u>	<u>6,230,356</u>	<u>4,430,818</u>
Net change in fund balance	<u>(7,397,296)</u>	<u>(1,166,940)</u>	<u>6,230,356</u>	<u>4,430,818</u>
Fund balance at beginning of year	<u>5,433,243</u>	<u>5,433,243</u>	<u>-</u>	<u>1,002,425</u>
Fund balance at end of year	<u>\$ (1,964,053)</u>	<u>\$ 4,266,303</u>	<u>\$ 6,230,356</u>	<u>\$ 5,433,243</u>

CITY OF COSTA MESA, CALIFORNIA  
 Park Development Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2018  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 2,500,000	\$ 4,657,896	\$ 2,157,896	\$ 1,541,038
Investment income (loss)	15,000	(8,310)	(23,310)	47,040
Total revenues	<u>2,515,000</u>	<u>4,649,586</u>	<u>2,134,586</u>	<u>1,588,078</u>
Expenditures:				
Current:				
Public services	5,174,120	2,558,467	2,615,653	13,612
Debt service:				
Interest	20,021	10,810	9,211	11,879
Total expenditures	<u>5,194,141</u>	<u>2,569,277</u>	<u>2,624,864</u>	<u>25,491</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,679,141)</u>	<u>2,080,309</u>	<u>4,759,450</u>	<u>1,562,587</u>
Net change in fund balance	(2,679,141)	2,080,309	4,759,450	1,562,587
Fund balance at beginning of year	<u>3,119,362</u>	<u>3,119,362</u>	<u>-</u>	<u>1,556,775</u>
Fund balance at end of year	<u>\$ 440,221</u>	<u>\$ 5,199,671</u>	<u>\$ 4,759,450</u>	<u>\$ 3,119,362</u>



## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods and services provided by one City department to another City department on a cost-reimbursement basis.

### **Equipment Replacement Fund**

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

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

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

### **Information Technology Replacement Fund**

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

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2018  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2018	2017
<u>Assets:</u>					
Current assets:					
Cash and investments	\$ 1,198,428	\$ 10,802,627	\$ 3,245,004	\$ 15,246,059	\$ 9,973,387
Accounts receivable	390	72,844	-	73,234	2,034
Interest receivable	2,825	25,469	7,651	35,945	27,342
Inventories	130,447	-	-	130,447	93,297
Total current assets	1,332,090	10,900,940	3,252,655	15,485,685	10,096,060
Capital assets:					
Construction in progress	68,615	-	49,678	118,293	-
Motorized equipment	13,465,967	-	-	13,465,967	12,815,959
Other equipment	2,411,941	-	-	2,411,941	2,332,987
Accumulated depreciation	(8,561,843)	-	-	(8,561,843)	(8,087,209)
Net capital assets	7,384,680	-	49,678	7,434,358	7,061,737
Total assets	8,716,770	10,900,940	3,302,333	22,920,043	17,157,797
<u>Liabilities:</u>					
Current liabilities:					
Accounts payable	191,610	360,318	2,450	554,378	397,123
Accrued liabilities	11,501	-	-	11,501	-
Claims payable	-	2,454,615	-	2,454,615	1,120,815
Total current liabilities	203,111	2,814,933	2,450	3,020,494	1,517,938
Long-term liabilities:					
Claims payable	-	11,575,046	-	11,575,046	14,587,331
Total long-term liabilities	-	11,575,046	-	11,575,046	14,587,331
Total liabilities	203,111	14,389,979	2,450	14,595,540	16,105,269
<u>Net Position:</u>					
Investment in capital assets	7,384,680	-	49,678	7,434,358	7,061,737
Unrestricted (deficit)	1,128,979	(3,489,039)	3,250,205	890,145	(6,009,209)
Total net position (deficit)	\$ 8,513,659	\$ (3,489,039)	\$ 3,299,883	\$ 8,324,503	\$ 1,052,528

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, 2018  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2018	2017
Operating revenues:					
Charges for services	\$ 1,591,318	\$ 5,667,967	\$ 250,003	\$ 7,509,288	\$ 7,426,740
Total operating revenues	1,591,318	5,667,967	250,003	7,509,288	7,426,740
Operating expenses:					
Allocated administrative costs	695,739	323,426	-	1,019,165	1,241,402
Depreciation	951,494	-	-	951,494	847,266
Consulting costs	-	-	-	-	27,713
Fuel and repair parts	1,038,067	-	-	1,038,067	962,611
Claims and premiums	-	2,927,868	-	2,927,868	10,104,413
Total operating expenses	2,685,300	3,251,294	-	5,936,594	13,183,405
Operating income (loss)	(1,093,982)	2,416,673	250,003	1,572,694	(5,756,665)
Nonoperating revenues (expenses):					
Investment income (loss)	8,195	(2,466)	6,098	11,827	76,088
Contributions	-	-	-	-	32,232
Gain (loss) on sale of equipment	2,894	-	-	2,894	(31,232)
Total nonoperating revenues (expenses)	11,089	(2,466)	6,098	14,721	77,088
Income (loss) before transfers	(1,082,893)	2,414,207	256,101	1,587,415	(5,679,577)
Transfers in	950,200	4,741,990	-	5,692,190	4,926,000
Transfers out	-	-	-	-	(1,326,000)
Total transfers	950,200	4,741,990	-	5,692,190	3,600,000
Change in net position	(132,693)	7,156,197	256,101	7,279,605	(2,079,577)
Net position (deficit) at beginning of year, (as restated)	8,646,352	(10,645,236)	3,043,782	1,044,898	3,132,105
Net position (deficit) at end of year	\$ 8,513,659	\$ (3,489,039)	\$ 3,299,883	\$ 8,324,503	\$ 1,052,528

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2018  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance- Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2018	2017
<b>Cashflows from operating activities:</b>					
Cash received from customers and user departments	\$ 1,592,962	\$ 5,595,123	\$ 250,003	\$ 7,438,088	\$ 7,425,601
Cash payments to suppliers for goods and services	(916,858)	(4,909,645)	(21,238)	(5,847,741)	(6,506,923)
Cash payments to employees for services	(691,868)	-	-	(691,868)	(687,074)
Net cash provided by (used for) operating activities	(15,764)	685,478	228,765	898,479	231,604
<b>Cash flows from noncapital financing activities:</b>					
Cash received from other funds	950,200	4,741,990	-	5,692,190	4,926,000
Cash paid to other funds	-	-	-	-	(1,326,000)
Net cash provided by (used for) noncapital financing activities	950,200	4,741,990	-	5,692,190	3,600,000
<b>Cash flows from capital and related financing activities:</b>					
Cash received from disposal of assets	37,545	-	-	37,545	106,344
Acquisition of capital assets	(1,309,088)	-	(49,678)	(1,358,766)	(1,523,992)
Net cash provided by (used for) capital and related financing activities	(1,271,543)	-	(49,678)	(1,321,221)	(1,417,648)
<b>Cash flows from investing activities:</b>					
Investment income received	9,590	(13,214)	6,848	3,224	62,602
Net cash provided by (used for) investing activities	9,590	(13,214)	6,848	3,224	62,602
Net increase (decrease) in cash and cash equivalents	(327,517)	5,414,254	185,935	5,272,672	2,476,558
Cash and cash equivalents at beginning of year	1,525,945	5,388,373	3,059,069	9,973,387	7,496,829
Cash and cash equivalents at end of year	\$ 1,198,428	\$ 10,802,627	\$ 3,245,004	\$ 15,246,059	\$ 9,973,387
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	(1,093,982)	2,416,673	250,003	1,572,694	(5,756,665)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	951,494	-	-	951,494	847,266
(Increase) decrease in accounts receivable	1,644	(72,844)	-	(71,200)	(1,139)
(Increase) decrease in prepaid items	-	-	-	-	4,612
(Increase) decrease in inventories	(37,150)	-	-	(37,150)	15,408
Increase (decrease) in accounts payable	158,359	20,134	(21,238)	157,255	19,594
Increase (decrease) in accrued liabilities	3,871	-	-	3,871	(11,878)
Increase (decrease) in claims payable	-	(1,678,485)	-	(1,678,485)	5,114,406
Net cash provided by (used for) operating activities	\$ (15,764)	\$ 685,478	\$ 228,765	\$ 898,479	\$ 231,604

## **AGENCY FUNDS**

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

### **Deposits Fund**

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

### **Community Facilities District Fund**

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

### **Costa Mesa Foundation Fund**

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

CITY OF COSTA MESA, CALIFORNIA  
 Agency Funds  
 Combining Statement of Fiduciary Assets and Liabilities  
 June 30, 2018  
 (With Comparative Data for Prior Year)

	Deposits	Community Facilities District	Costa Mesa Foundation	Totals	
				2018	2017
<u>Assets:</u>					
Cash and investments	\$ 2,745,403	\$ 5,065	\$ 236,606	\$ 2,987,074	\$ 2,999,005
Accounts receivable	11,297	-	-	11,297	12,671
Interest receivable	-	-	552	552	329
Prepaid items	-	-	8,544	8,544	14,914
Total assets	<u>\$ 2,756,700</u>	<u>\$ 5,065</u>	<u>\$ 245,702</u>	<u>\$ 3,007,467</u>	<u>\$ 3,026,919</u>
 <u>Liabilities:</u>					
Accounts payable	\$ 1,128,306	\$ -	\$ 200	\$ 1,128,506	\$ 553,518
Deposits payable	1,628,394	-	245,502	1,873,896	2,473,401
Held for bondholders	-	5,065	-	5,065	-
Total liabilities	<u>\$ 2,756,700</u>	<u>\$ 5,065</u>	<u>\$ 245,702</u>	<u>\$ 3,007,467</u>	<u>\$ 3,026,919</u>

CITY OF COSTA MESA, CALIFORNIA  
Agency Funds  
Combining Statement of Changes in Fiduciary Assets and Liabilities  
For the fiscal year ended June 30, 2018

	Balance at July 1, 2017	Additions	Deletions	Balance at July 30, 2018
<u>DEPOSITS</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,879,233	\$ 24,227,012	\$ (24,360,842)	\$ 2,745,403
Accounts receivable	12,671	40,157	(41,531)	11,297
Prepaid items	1,189	-	(1,189)	-
Total assets	<u>\$ 2,893,093</u>	<u>\$ 24,267,169</u>	<u>\$ (24,403,562)</u>	<u>\$ 2,756,700</u>
<u>Liabilities:</u>				
Accounts payable	\$ 553,518	\$ 5,836,613	\$ (5,261,825)	\$ 1,128,306
Deposits payable	2,339,575	24,163,004	(24,874,185)	1,628,394
Total liabilities	<u>\$ 2,893,093</u>	<u>\$ 29,999,617</u>	<u>\$ (30,136,010)</u>	<u>\$ 2,756,700</u>
<u>COMMUNITY FACILITIES DISTRICT</u>				
<u>Assets:</u>				
Cash and investments	\$ -	\$ 246,465	\$ (241,400)	\$ 5,065
Total assets	<u>\$ -</u>	<u>\$ 246,465</u>	<u>\$ (241,400)</u>	<u>\$ 5,065</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 241,400	\$ (241,400)	\$ -
Held for bondholders	-	246,465	(241,400)	5,065
Total liabilities	<u>\$ -</u>	<u>\$ 487,865</u>	<u>\$ (482,800)</u>	<u>\$ 5,065</u>
<u>COSTA MESA FOUNDATION</u>				
<u>Assets:</u>				
Cash and investments	\$ 119,772	\$ 172,784	\$ (55,950)	\$ 236,606
Interest receivable	329	551	(328)	552
Prepaid Items	13,725	8,544	(13,725)	8,544
Total assets	<u>\$ 133,826</u>	<u>\$ 181,879</u>	<u>\$ (70,003)</u>	<u>\$ 245,702</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 57,799	\$ (57,599)	\$ 200
Deposits payable	133,826	207,517	(95,841)	245,502
Total liabilities	<u>\$ 133,826</u>	<u>\$ 265,316</u>	<u>\$ (153,440)</u>	<u>\$ 245,702</u>

CITY OF COSTA MESA, CALIFORNIA  
Agency Funds  
Combining Statement of Changes in Fiduciary Assets and Liabilities  
For the fiscal year ended June 30, 2018

TOTALS - ALL AGENCY FUNDS

	Balance at July 1, 2017	Additions	Deletions	Balance at July 30, 2018
<u>Assets:</u>				
Cash and investments	\$ 2,999,005	\$ 24,646,261	\$ (24,658,192)	\$ 2,987,074
Accounts receivable	12,671	40,157	(41,531)	11,297
Interest receivable	329	551	(328)	552
Prepaid items	14,914	8,544	(14,914)	8,544
Total assets	<u>\$ 3,026,919</u>	<u>\$ 24,695,513</u>	<u>\$ (24,714,965)</u>	<u>\$ 3,007,467</u>
<u>Liabilities:</u>				
Accounts payable	\$ 553,518	\$ 6,135,812	\$ (5,560,824)	\$ 1,128,506
Deposits payable	2,473,401	24,370,521	(24,970,026)	1,873,896
Held for bondholders	-	246,465	(241,400)	5,065
Total liabilities	<u>\$ 3,026,919</u>	<u>\$ 30,752,798</u>	<u>\$ (30,772,250)</u>	<u>\$ 3,007,467</u>



# CITY OF COSTA MESA CALIFORNIA

STATISTICAL SECTION



STATISTICAL SECTION



## STATISTICAL SECTION

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

### **FINANCIAL TRENDS**

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

**TABLES 1 - 4**

### **REVENUE CAPACITY**

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

**TABLES 5 - 12**

### **DEBT CAPACITY**

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

**TABLES 13 - 15**

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

**TABLES 16 - 17**

### **OPERATING INFORMATION**

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

**TABLES 18 - 20**

**TABLE 1**

**CITY OF COSTA MESA, CALIFORNIA**

**NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 238,167,532	\$ 232,204,195	\$ 209,554,571	\$ 207,954,876	\$ 204,884,524	\$ 211,291,261	\$ 211,133,458	\$ 216,195,466	\$ 219,280,752	\$ 235,177,233
Restricted										
Protection of Persons and Property	407,718	1,040,371	1,303,260	2,519,015	2,329,840	1,441,906	552,573	1,022,546	217,303	150,169
Community programs	5,909,972	6,475,370	2,292,260	10,262,006	8,713,244	9,622,339	8,892,751	12,793,475	9,588,998	3,767,377
Public services	18,531,911	18,083,105	26,299,602	28,568,791	26,485,938	21,642,345	17,660,289	15,495,090	20,253,747	13,625,826
Redevelopment	-	-	-	-	-	-	-	-	-	-
Unrestricted	50,034,265	40,025,930	42,251,930	44,741,840	43,798,620	51,403,839	(170,836,260)	(159,357,224)	(161,805,274)	(224,657,548)
Total governmental activities net position	<u>\$ 313,051,398</u>	<u>\$ 297,828,971</u>	<u>\$ 281,701,623</u>	<u>\$ 294,046,528</u>	<u>\$ 286,212,166</u>	<u>\$ 295,401,690</u>	<u>\$ 67,402,811</u>	<u>\$ 86,149,353</u>	<u>\$ 87,535,526</u>	<u>\$ 28,063,057</u>

Source: Government-Wide Financial Statements

TABLE 2

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

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental Activities										
General government	\$ 29,708,604	\$ 24,640,217	\$ 22,942,186	\$ 19,977,655	\$ 22,655,452	\$ 23,396,581	\$ 25,225,607	\$ 24,631,010	\$ 28,474,037	\$ 31,695,402
Protection of persons and property	64,718,615	65,999,456	58,600,881	61,788,930	63,383,715	62,634,432	64,184,047	63,956,413	70,786,483	86,777,544
Community programs	10,953,425	6,957,413	5,585,317	4,310,750	6,519,916	6,784,867	10,189,480	4,639,743	12,069,675	10,126,755
Public services	22,068,699	20,338,489	18,051,024	18,873,545	20,508,217	22,768,197	21,549,681	22,498,495	21,415,061	20,062,183
Redevelopment	375,499	1,225,993	862,541	911,704	-	-	-	-	-	-
Interest on long-term debt	3,426,155	3,243,198	3,043,559	2,683,598	1,726,008	1,273,152	1,210,723	1,081,605	974,233	1,082,361
Total primary government expenses	<u>131,250,997</u>	<u>122,404,766</u>	<u>109,085,508</u>	<u>108,546,182</u>	<u>114,793,308</u>	<u>116,857,229</u>	<u>122,359,538</u>	<u>116,807,266</u>	<u>133,719,489</u>	<u>149,744,245</u>
<b>Program Revenues</b>										
Governmental Activities										
Charges for services:										
Protection of persons and property	3,236,412	3,266,143	2,660,989	2,635,880	2,739,881	2,338,910	2,299,476	2,707,819	2,819,809	3,805,473
Community programs	6,075,951	5,617,827	5,290,235	5,268,839	5,856,107	6,229,677	7,498,348	8,232,995	7,577,878	9,536,570
Public services	1,839,433	1,974,779	2,626,032	2,861,971	2,646,611	2,680,625	3,089,801	3,721,366	3,232,506	5,046,984
Redevelopment	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	10,276,030	5,699,857	6,717,009	8,832,089	8,443,327	8,534,673	8,562,955	4,907,815	4,487,089	6,661,653
Capital grants and contributions	8,938,881	6,441,397	6,233,234	4,555,065	5,140,960	6,148,876	5,143,592	3,370,260	7,114,471	4,755,573
Total primary government revenues	<u>30,366,707</u>	<u>23,000,003</u>	<u>23,527,499</u>	<u>24,153,844</u>	<u>24,826,886</u>	<u>25,932,761</u>	<u>26,594,172</u>	<u>22,940,255</u>	<u>25,231,753</u>	<u>29,806,253</u>
Total primary government net expense	<u>\$ (100,884,290)</u>	<u>\$ (99,404,763)</u>	<u>\$ (85,558,009)</u>	<u>\$ (84,392,338)</u>	<u>\$ (89,966,422)</u>	<u>\$ (90,924,468)</u>	<u>\$ (95,765,366)</u>	<u>\$ (93,867,011)</u>	<u>\$ (108,487,736)</u>	<u>\$ (119,937,992)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes:										
Property taxes	\$ 25,327,904	\$ 23,885,560	\$ 24,626,634	\$ 21,564,340	\$ 23,192,755	\$ 22,984,093	\$ 24,139,297	\$ 26,168,612	\$ 37,925,385	\$ 40,373,351
Sales and use taxes	39,488,414	35,267,341	40,953,224	43,077,849	46,743,795	50,329,310	52,117,128	58,524,162	57,591,889	58,037,365
Transient occupancy tax	4,719,158	4,268,984	5,344,968	6,524,510	7,257,695	7,676,090	7,995,154	8,622,505	8,924,854	8,819,617
Franchise taxes	4,174,172	3,945,159	4,240,255	4,471,326	4,818,972	4,891,465	4,885,925	5,060,402	4,593,631	4,965,515
Business license tax	860,491	858,567	866,442	888,967	917,633	916,285	954,408	973,521	918,928	919,450
Other intergovernmental, unrestricted	9,215,927	9,117,466	9,112,000	8,594,277	8,814,644	9,229,059	5,660,305	11,209,989	51,340	60,031
Investment income	1,649,319	4,016,384	2,499,790	1,377,209	640,159	1,772,900	1,692,528	1,871,216	496,650	256,438
Miscellaneous	850,080	1,784,618	860,972	978,394	181,943	495,154	949,533	913,351	1,333,610	1,903,266
Settlements	-	-	-	-	1,452,623	121,971	-	-	-	-
Extraordinary items:										
Gain on transfer of assets to Successor Agency	-	-	-	9,260,371	-	-	-	-	-	-
(Loss) on advance to Successor Agency	-	-	-	-	(11,888,159)	-	-	-	-	-
Total primary government	<u>86,285,465</u>	<u>83,144,079</u>	<u>88,504,285</u>	<u>96,737,243</u>	<u>82,132,060</u>	<u>98,416,327</u>	<u>98,394,278</u>	<u>113,343,758</u>	<u>111,836,287</u>	<u>115,335,033</u>
Change in Net Position	<u>\$ (14,598,825)</u>	<u>\$ (16,260,684)</u>	<u>\$ 2,946,276</u>	<u>\$ 12,344,905</u>	<u>\$ (7,834,362)</u>	<u>\$ 7,491,859</u>	<u>\$ 2,628,912</u>	<u>\$ 19,476,747</u>	<u>\$ 3,348,551</u>	<u>\$ (4,602,959)</u>

Source: Government-Wide Financial Statements

**TABLE 3**

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

	Fiscal Years									
	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 15,140,564	\$ 14,421,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	33,716,155	27,098,389	-	-	-	-	-	-	-	-
Nonspendable	-	-	13,334,328	13,917,262	3,137,794	3,430,104	4,165,795	2,486,085	2,253,843	2,038,518
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000
Assigned	-	-	9,900,467	10,347,804	10,131,615	10,016,092	11,325,819	13,820,663	13,819,088	13,730,832
Unassigned	-	-	5,915,735	7,419,860	16,252,032	20,629,130	22,199,337	32,040,713	30,867,198	23,329,730
Total general fund	<u>\$ 48,856,719</u>	<u>\$ 41,520,065</u>	<u>\$ 45,275,530</u>	<u>\$ 47,809,926</u>	<u>\$ 45,646,441</u>	<u>\$ 50,200,326</u>	<u>\$ 53,815,951</u>	<u>\$ 64,472,461</u>	<u>\$ 63,065,129</u>	<u>\$ 55,224,080</u>
All other governmental funds										
Reserved	\$ 10,576,691	\$ 9,357,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	13,042,672	14,952,556	-	-	-	-	-	-	-	-
Capital projects funds	15,658,912	10,780,360	-	-	-	-	-	-	-	-
Debt services funds	(9,579,072)	(10,136,674)	-	-	-	-	-	-	-	-
Nonspendable	-	-	12,849	-	-	-	-	-	-	-
Restricted	-	-	34,165,657	31,441,902	29,302,059	25,097,114	20,914,771	19,309,083	28,056,898	30,108,463
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	7,146,775	7,095,166	9,162,682	11,741,220	19,147,805	23,738,380	27,619,480	25,415,708
Unassigned	-	-	(12,177,382)	(2,572,973)	(2,892,237)	(2,288,538)	(368,083)	(139,064)	(248,979)	(6,353)
Total all other governmental funds	<u>\$ 29,699,203</u>	<u>\$ 24,953,672</u>	<u>\$ 29,147,899</u>	<u>\$ 35,964,095</u>	<u>\$ 35,572,504</u>	<u>\$ 34,549,796</u>	<u>\$ 39,694,493</u>	<u>\$ 42,908,399</u>	<u>\$ 55,427,399</u>	<u>\$ 55,517,818</u>

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

Source: Fund Financial Statements

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

	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 74,570,140	\$ 68,225,614	\$ 76,031,925	\$ 76,526,993	\$ 82,930,849	\$ 86,797,242	\$ 90,091,915	\$ 99,349,202	\$ 99,464,729	\$ 110,884,896
Licenses and permits	1,168,026	1,289,600	1,557,797	1,903,361	1,997,057	2,085,348	2,313,296	2,983,081	2,933,305	3,837,564
Fines and forfeits	2,965,960	2,868,066	2,104,816	3,508,181	4,483,240	3,614,144	1,367,190	1,609,134	1,352,682	1,612,230
Intergovernmental	26,359,128	21,137,881	21,681,418	19,838,941	19,213,168	21,769,293	22,010,125	17,612,288	23,205,265	10,558,481
Charges for services	4,179,547	4,156,944	4,478,711	4,167,896	4,320,932	4,721,191	6,117,030	6,668,445	5,909,112	9,553,421
Rental	3,189,975	2,838,744	2,900,049	3,054,100	2,987,055	3,021,585	3,113,662	3,336,053	3,289,222	3,404,676
Investment income	1,627,547	3,537,379	2,284,183	1,189,168	533,469	1,712,058	1,771,527	1,775,765	420,561	244,606
Return on equity	-	-	-	-	2,551,815	-	-	-	-	-
Settlements	-	-	-	-	1,452,623	121,971	-	-	-	-
Miscellaneous	2,342,611.00	2,566,138	1,069,225	1,376,946	892,970	1,177,245	2,206,428	1,679,917	2,170,215	2,081,739
<b>Total revenues</b>	<b>116,402,934</b>	<b>106,620,366</b>	<b>112,108,124</b>	<b>111,565,586</b>	<b>121,363,178</b>	<b>125,020,077</b>	<b>128,991,173</b>	<b>135,013,885</b>	<b>138,745,091</b>	<b>142,177,613</b>
<b>Expenditures</b>										
General government	29,619,695	25,276,998	21,739,252	20,974,387	21,982,783	23,893,450	24,699,226	25,102,067	26,518,266	29,048,355
Protection of persons and property	68,691,164	61,884,416	56,207,290	59,993,364	60,468,091	64,047,209	61,096,404	64,426,376	66,141,703	70,198,327
Community programs	11,550,616	6,296,711	6,259,971	6,125,337	6,166,791	6,442,241	8,821,298	8,019,356	9,410,168	10,888,393
Public services	27,954,239	17,216,338	11,849,471	13,613,312	16,781,751	22,863,385	21,860,252	19,836,633	21,680,495	42,305,565
Redevelopment	375,499	1,225,993	862,541	911,704	-	-	-	-	-	-
Debt service:										
Principal	4,393,687	4,064,842	4,395,904	4,525,739	3,872,050	2,450,000	2,540,000	2,650,000	2,755,000	4,070,000
Interest	3,460,555	3,244,528	3,082,508	2,734,050	1,741,101	1,296,111	1,213,671	1,109,037	992,383	1,041,853
Other charges	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	344,858
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	2,302,225
<b>Total expenditures</b>	<b>146,045,455</b>	<b>119,209,826</b>	<b>104,396,937</b>	<b>108,877,893</b>	<b>111,012,567</b>	<b>120,992,396</b>	<b>120,230,851</b>	<b>121,143,469</b>	<b>127,498,015</b>	<b>160,199,576</b>
Excess of revenues over (under) expenditures	(29,642,521)	(12,589,460)	7,711,187	2,687,693	10,350,611	4,027,681	8,760,322	13,870,416	11,247,076	(18,021,963)
<b>Other financing sources (uses):</b>										
Transfers in	7,123,168	9,160,286	8,460,300	5,099,168	6,212,460	8,597,756	14,253,945	12,852,940	16,058,019	12,370,819
Transfers out	(7,158,081)	(8,653,011)	(8,221,795)	(5,099,168)	(6,212,460)	(9,094,260)	(14,253,945)	(12,852,940)	(19,658,019)	(18,063,009)
Extraordinary Gain (loss)	-	-	-	5,645,371	(11,888,159)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-	-	29,735,000
Premium on debt issue	-	-	-	-	-	-	-	-	-	3,694,172
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	(14,530,520)
Bond proceeds	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(34,913)</b>	<b>507,275</b>	<b>238,505</b>	<b>5,645,371</b>	<b>(11,888,159)</b>	<b>(496,504)</b>	<b>-</b>	<b>-</b>	<b>(3,600,000)</b>	<b>13,206,462</b>
<b>Net change in fund balances</b>	<b>\$ (29,677,434)</b>	<b>\$ (12,082,185)</b>	<b>\$ 7,949,692</b>	<b>\$ 8,333,064</b>	<b>\$ (1,537,548)</b>	<b>\$ 3,531,177</b>	<b>\$ 8,760,322</b>	<b>\$ 13,870,416</b>	<b>\$ 7,647,076</b>	<b>\$ (4,815,501)</b>
Debt service as a percentage of noncapital expenditures	6.25%	6.43%	7.45%	7.03%	5.40%	3.44%	3.37%	3.38%	3.18%	5.90%

Source: Fund Financial Statements

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

Fiscal Years	Sales	Property	Transient Occupancy	Franchise	Business License	Proposition 172	Total
2009	\$ 38,659,256	\$ 25,327,904	\$ 4,719,158	\$ 4,174,172	\$ 860,491	\$ 829,159	\$ 74,570,140
2010	34,516,828	23,885,560	4,268,984	3,945,159	858,567	750,513	68,225,611
2011	40,173,714	24,626,634	5,344,968	4,240,255	866,442	779,510	76,031,523
2012	42,234,307	21,564,340	6,524,510	4,471,326	888,967	843,542	76,526,993
2013	45,830,107	23,192,755	7,257,695	4,818,972	917,633	913,688	82,930,850
2014	49,264,634	22,984,093	7,676,090	4,891,465	916,285	1,064,676	86,797,243
2015	51,115,064	24,139,297	7,995,154	4,885,926	954,408	1,002,064	90,091,914
2016	57,593,561	26,168,612	8,622,505	5,060,402	973,521	930,601	99,349,202
2017	56,556,867	27,435,427	8,924,854	4,593,631	918,928	1,035,022	99,464,729
2018	54,656,183	40,458,402	8,819,617	4,965,515	919,450	1,065,729	110,884,896

Source: Required Supplementary Information



**TABLE 6**

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

	Calendar Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Apparel stores	\$ 432,965	\$ 383,716	\$ 436,980	\$ 484,036	\$ 604,936	\$ 681,348	\$ 715,097	\$ 727,073	\$ 754,197	\$ 714,478
General merchandise	582,091	534,936	540,920	568,293	591,832	599,163	615,702	618,702	582,500	565,635
Food stores	102,519	96,251	92,575	93,721	94,377	87,225	88,872	103,225	90,941	88,385
Eating and drinking establishments	358,069	325,087	337,684	371,523	387,667	421,830	443,384	469,465	496,041	515,683
Building materials	192,021	143,602	145,342	142,575	150,604	180,198	193,248	205,343	224,225	236,497
Auto dealers and supplies	560,317	488,122	536,390	577,755	613,669	670,976	753,804	858,187	924,641	1,006,804
Service stations	203,309	157,149	196,497	240,892	269,067	263,352	245,432	215,707	190,969	200,170
Other retail stores	918,095	797,163	853,264	924,979	961,488	972,383	1,025,424	1,047,009	1,050,063	1,116,930
All other outlets	822,086	697,731	758,854	778,329	839,005	914,501	1,015,134	1,112,851	1,206,829	1,157,415
	<u>\$ 4,171,472</u>	<u>\$ 3,623,757</u>	<u>\$ 3,898,506</u>	<u>\$ 4,182,103</u>	<u>\$ 4,512,645</u>	<u>\$ 4,790,976</u>	<u>\$ 5,096,097</u>	<u>\$ 5,357,562</u>	<u>\$ 5,520,406</u>	<u>\$ 5,601,997</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>	2017			2008		
	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>
All other outlets	\$ 1,157,415	1	20.66%	\$ 822,086	2	19.71%
Other retail stores	1,116,930	2	19.94%	918,095	1	22.01%
Auto dealers and supplies	1,006,804	3	17.97%	560,317	4	13.43%
Apparel stores	714,478	4	12.75%	432,965	5	10.38%
General merchandise	565,635	5	10.10%	582,091	3	13.95%
Eating and drinking establishments	515,683	6	9.21%	358,069	6	8.58%
Building materials	236,497	7	4.22%	192,021	8	4.60%
Service stations	200,170	8	3.57%	203,309	7	4.87%
Food stores	88,385	9	1.58%	102,519	9	2.46%

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**

<u>Fiscal Years</u>	<u>City Local Rate</u>	<u>Orange County Rate</u>	<u>State of California Rate</u>	<u>Total Sales Tax Rate</u>
2009	1.00	0.50	7.25	8.75
2010	1.00	0.50	7.25	8.75
2011	1.00	0.50	7.25	8.75
2012	1.00	0.50	6.25	7.75
2013	1.00	0.50	6.50	8.00
2014	1.00	0.50	6.50	8.00
2015	1.00	0.50	6.50	8.00
2016	1.00	0.50	6.50	8.00
2017	1.25	0.50	6.00	7.75
2018	1.25	0.50	6.00	7.75

Source: State of California Board of Equalization

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the		Collected for Subsequent Years (2)	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2009	\$ 21,276,710	\$ 20,363,004	95.71%	\$ 920,531	\$ 21,283,534	100.03%
2010	21,092,684	17,122,170	81.18%	911,902	18,034,072	85.50%
2011	20,670,091	20,059,681	97.05%	594,003	20,653,684	99.92%
2012	20,574,309	19,958,891	97.01%	408,220	20,367,111	98.99%
2013	21,112,082	20,599,679	97.57%	382,281	20,981,960	99.38%
2014	22,178,464	21,732,926	97.99%	285,325	22,018,251	99.28%
2015	23,405,838	22,897,171	97.83%	242,634	23,139,805	98.86%
2016	24,960,369	24,222,713	97.04%	227,104	24,449,817	97.95%
2017	26,330,538	25,640,344	97.38%	216,963	25,857,308	98.20%
2018	27,825,846	27,272,459	98.01%	198,624	27,471,083	98.73%

(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 2017/2018 Combined Tax Rolls

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

Fiscal Years	Residential Property	Commerical Property	Industrial Property	Miscellaneous Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>	Taxable Assessed Value as a Percentage of Actual Taxable Value
2009	\$ 8,164,306,671	\$ 2,553,080,097	\$ 1,129,832,358	\$ 2,518,888,713	\$ -	\$ 14,366,107,839	0.17342%	\$ 14,366,107,839	100.00%
2010	8,171,208,423	3,383,235,481	1,196,215,357	1,682,015,788	-	14,432,675,049	0.17241%	14,432,675,049	100.00%
2011	8,347,650,226	3,466,364,532	1,138,864,468	1,163,583,656	-	14,116,462,882	0.17154%	14,116,462,882	100.00%
2012	8,557,101,277	3,394,223,104	1,100,996,492	1,065,596,839	-	14,117,917,712	0.17226%	14,117,917,712	100.00%
2013	8,704,306,093	3,479,681,880	1,122,815,201	1,070,250,329	-	14,377,053,503	0.17288%	14,377,053,503	100.00%
2014	9,101,889,466	3,566,114,710	1,117,794,289	1,140,508,581	-	14,926,307,046	0.15040%	14,926,307,046	100.00%
2015	9,745,389,688	3,633,678,888	1,126,437,386	1,206,217,946	-	15,711,723,908	0.15035%	15,711,723,908	100.00%
2016	10,456,976,124	3,766,616,981	1,190,970,066	1,118,171,362	-	16,532,734,533	0.15038%	16,532,734,533	100.00%
2017	11,033,602,522	3,918,807,590	1,336,961,702	1,180,683,099	-	17,470,054,913	0.15014%	17,470,054,913	100.00%
2018	11,685,011,850	4,096,390,455	1,500,236,782	1,222,877,713	-	18,504,516,800	0.15009%	18,504,516,800	100.00%

<sup>(1)</sup> In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed vaule of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction or at the purchase price (market value) or economic value of 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 2008/2009- 2017/2018 Combined Tax Rolls.

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

Fiscal Year	City Direct Rates					Overlapping Rates		
	Basic Rate	General Obligation Debt Service	Redevelopment Debt Service <sup>(2)</sup>	Redevelopment Program	Total Direct Rate <sup>(1)</sup>	County of Orange Debt	School District Debt	Special Districts Debt
2009	0.14879	-	0.00430	1.00000	0.17342	0.36649	0.67550	0.00615
2010	0.14879	-	0.00430	1.00000	0.17241	0.36649	0.48300	0.00595
2011	0.14879	-	0.00370	1.00000	0.17154	0.36649	0.48300	0.00535
2012	0.14879	-	0.00370	1.00000	0.17226	0.36649	0.48300	0.00535
2013	0.14879	-	-	-	0.17288	0.36649	0.48300	0.00535
2014	0.14879	-	-	-	0.15040	0.36649	0.48300	0.00535
2015	0.14879	-	-	-	0.15035	0.36649	0.48300	0.00515
2016	0.14879	-	-	-	0.15038	0.36649	0.48300	0.00515
2017	0.14879	-	-	-	0.15014	0.36649	0.48300	0.00515
2018	0.14879	-	-	-	0.15009	0.36649	0.48300	0.00515

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

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

Source: HdL Coren & Cone, Orange County Assessor 2008/2009 - 2017/2018 Combined Tax Rolls.

TABLE 12

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

Taxpayer	2017-2018			2008-2009		
	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue
Irvine Company LLC	\$ 593,195	1	1.87%			
Trust Costa Mesa Courtyards LLC	436,920	2	1.37%			
South Coast Plaza	429,153	3	1.35%	\$ 371,427	5	1.50%
PR II of MCC South Coast Properties Owner	356,267	4	1.12%			
1901 Newport LLC Royal Street	323,227	5	1.02%	393,439	2	1.59%
United Dominion Realty LP	295,433	6	0.93%			
Triangle Center	285,342	7	0.90%			
Behringer Harvard Pacifica Proj Owner	282,552	8	0.89%			
BRE LLC	268,582	9	0.84%			
Advanced Group	230,294	10	0.72%			
CFRI Greenlaw Triangle Square LLC				458,077	1	1.85%
RREEF America Reit II Corp. CCCC2				392,314	3	1.59%
Maguire Properties Pacific Arts Plaza LLP				384,274	4	1.55%
Teachers Retirement System				295,787	6	1.20%
Automobile Club of Southern California				207,644	7	0.84%
RTS-Sunflower LLC Irvine Company LLC				187,515	8	0.76%
Casden Lakes LP				170,177	9	0.69%
Los Angeles Times Communications LLC				154,050	10	0.62%
Total	\$ 3,500,964		11.01%	\$ 3,014,704		12.18%

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Source: HdL Coren & Cone, Orange County Assessor 2017/2018 & 2008/2009 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General bonded debt outstanding										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment bonds (1)	5,145,000	4,650,000	4,140,000	3,615,000	-	-	-	-	-	-
Total	<u>\$ 5,145,000</u>	<u>\$ 4,650,000</u>	<u>\$ 4,140,000</u>	<u>\$ 3,615,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percentage of taxable assessed value	0.0356%	0.0329%	0.0293%	0.0256%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Per capita	\$ 6.53	\$ 9.90	\$ 8.85	\$ 8.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amounts set aside to repay general debt	704,300	704,300	704,300	704,300	-	-	-	-	-	-
Total net debt applicable to debt limit	4,440,700	3,945,700	3,435,700	2,910,700	-	-	-	-	-	-
Legal debt limit (3.75% of Assessed Value)	583,264,697	585,910,407	574,243,802	575,152,015	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945
Legal debt margin	578,823,997	581,964,707	570,808,102	572,241,315	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945
Legal debt margin as a percentage of the debt limit	99.24%	99.33%	99.40%	99.49%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Source: City of Costa Mesa Finance Department



**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		Percentage of Total Taxable Assessed Value	Per Capita	Other Governmental Activities Debt			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bond <sup>(1)</sup>			Revenue Bonds	Certificates of Participation	Lease Purchase Financing			
2009	-	\$ 5,145,000	0.0356%	6.53	\$ 16,980,000	\$ 28,465,000	\$ 1,898,535	\$ 52,488,535	1.50%	\$ 1,745.60
2010	-	4,650,000	0.0329%	9.90	14,890,000	27,525,000	2,341,737	49,406,737	1.40%	1,636.85
2011	-	4,140,000	0.0293%	8.85	12,735,000	26,355,000	1,780,834	45,010,834	1.27%	1,491.22
2012	-	3,615,000	0.0256%	8.43	10,490,000	25,140,000	1,057,907	40,302,907	1.11%	1,224.86
2013	-	-	0.0000%	-	8,140,000	23,875,000	611,729	32,626,729	0.89%	999.53
2014	-	-	0.0000%	-	7,005,000	22,560,000	415,395	29,980,395	0.79%	886.84
2015	-	-	0.0000%	-	5,830,000	21,195,000	-	27,025,000	0.73%	832.10
2016	-	-	0.0000%	-	4,600,000	19,775,000	-	24,375,000	0.64%	732.66
2017	-	-	0.0000%	-	3,325,000	18,295,000	-	21,620,000	0.57%	649.85
2018	-	-	0.0000%	-	30,520,000	-	-	30,520,000	0.77%	887.06

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

Source: City of Costa Mesa Finance Department

**CITY OF COSTA MESA, CALIFORNIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2018**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Overlapping Tax and Assessment debt repaid with property taxes</b>			
Costa Mesa Public Financing Authority 2006 Revenue Refunding Bonds/ Costa Mesa Community Facilities District No. 91-1	\$ 785,000.00	100%	\$ 785,000.00
Newport Mesa Unified School District	266,335,606	26.335%	70,139,482
Coast Community College District	781,334,504	13.234%	103,401,808
Santa Ana Unified School District	247,026,073	3.120%	7,707,213
Rancho Santiago Community College District	246,734,249	1.324%	3,266,761
Rancho Santiago Community College District SFID No. 1	121,395,000	2.524%	3,064,010
Metropolitan Water District	60,600,000	0.676%	409,656
Subtotal overlapping Tax and Assessment debt repaid with property taxes			188,773,930
<b>Overlapping general fund debt repaid with property taxes</b>			
Coast Community College District General Fund Obligations	3,285,000	13.234%	434,737
Santa Ana Unified School District Certificates of Participation	69,817,854	3.120%	2,178,317
Orange County General Fund Obligations	210,347,000	3.321%	6,985,624
Orange County Pension Obligations	383,564,389	3.321%	12,738,173
Orange County Board of Education Certificates of Participation	13,990,000	3.321%	464,608
Subtotal overlapping general fund debt repaid with property taxes			22,801,459
City direct debt			
City of Costa Mesa General Fund Obligations <sup>(1)</sup>	29,735,000	100%	29,735,000
<b>Total direct and overlapping debt</b>			<b>\$ 241,310,389</b>

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

Source: California Municipal Statistics, Inc.

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

Year	Population <sup>(2)</sup>	Personal Income (thousands of dollars)	Per Capita Personal Income <sup>(1)</sup>	Median Age <sup>(1)</sup>	School Enrollment <sup>(3)</sup>	Orange County Unemployment Rate <sup>(4)</sup>
2009	113,955	\$ 2,087,063	\$ 18,315	32	21,178	9.30%
2010	116,341	3,498,258	30,069	33	21,353	8.50%
2011	117,178	3,536,901	30,184	33	21,444	9.20%
2012	110,757	3,644,348	32,904	33	21,619	7.90%
2013	111,358	3,711,117	33,326	33	21,944	6.10%
2014	111,846	3,650,877	32,642	34	21,683	5.20%
2015	111,835	3,780,694	33,806	34	21,540	4.30%
2016	114,603	3,722,083	32,478	34	21,392	4.40%
2017	114,044	3,794,132	33,269	34	20,801	3.80%
2018	115,296	3,966,839	34,406	35	20,853	3.30%

Source: (1) - City of Costa Mesa Finance Department / and The HdL Companies  
(2) - California State Department of Finance.  
(3) - Newport-Mesa Unified School District.  
(4) - State of California Employment Development Department as of June 30th each year.

TABLE 17

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

<u>Employer</u>	<u>2017-2018</u>			<u>2008-2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Epl Intermediate, Inc.	3,852	1	5.87%	1,000	9	1.52%
Experian Information Solutions, Inc.	3,700	2	5.64%	3,700	1	5.61%
Coast Community College District Foundation	2,900	3	4.42%	3,044	2	4.61%
Newport Mesa Unified School District	1,730	4	2.64%	2,500	3	3.79%
Automobile Club of Southern California -AAA	1,200	5	1.83%	1,500	6	2.27%
Westar Capital Associates II, LLC	1,184	5	1.80%			
California State Hospital- Fairview Develop. Center	650	7	0.99%			
Macy's	600	8	0.91%			
TTM Technologies Inc.	450	9	0.69%			
City of Costa Mesa	430	10	0.66%			
Coast Community College				2,500	3	3.83%
White Cap Construction Supply				2,200	5	3.33%
Interinsurance Exchange				1,200	7	1.82%
First Team Real Estate Inc.				1,025	8	1.55%
Los Angeles Times				1,000	9	1.52%

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Source: Avenu Insights & Analytics, 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
Number of residents served via public services programs	2,800	3,250	3,000	2,023	1,500	1,000	1,500	785	750	700
Accounts payable checks issued	12,500	12,500	10,187	9,634	9,561	9,506	9,764	9,182	9,031	8,734
Total printshop photocopies produced	4,965,000	2,260,000	2,528,476	2,746,559	1,554,927	1,691,606	1,806,965	1,619,784	1,749,460	1,996,486
<b>Protection of persons and property</b>										
<b>Police protection</b>										
Emergency calls	1,350	1,350	1,230	1,128	1,160	1,180	1,330	N/A	1,000	882
Calls responded to within 5 minutes	82%	82%	82%	76%	80%	82%	77%	N/A	66%	75%
Assigned theft cases	2,055	2,000	2,055	1,951	1,900	1,000	400	900	1,200	N/A
Percentage of theft cases cleared	25%	25%	25%	34%	25%	40%	40%	40%	60%	70%
Assigned burglary cases	1,425	1,600	1,425	1,452	1,460	800	350	400	200	N/A
Percentage of burglary cases cleared	25%	25%	25%	21%	25%	40%	40%	40%	70%	72%
Case and arrest reports processed	24,603	24,603	19,814	15,324	21,921	18,133	15,128	14,584	19,310	18,382
<b>Fire protection</b>										
Number of calls for service	9,450	9,500	9,500	9,800	10,000	11,300	11,100	12,955	12,721	12,936
Fire related responses	283	285	238	110	200	218	214	238	271	218
Emergency medical aid responses	6,700	6,700	7,200	6,400	7,000	7,818	7,250	9,366	9,374	9,603
<b>Community Programs</b>										
Number of program participants at the Downtown Recreation Center	33,843	33,357	30,903	32,404	42,411	31,018	31,521	33,446	34,939	38,247
Over-the-counter plan checks reviewed within five (5) working days	600	450	270	319	338	337	225	240	240	522
Inspection requests with 24 hours Complaint response within two (2) working days	14,850	14,850	14,250	14,345	14,345	17,460	22,560	29,100	31,040	29,585
	95%	95%	90%	90%	90%	90%	90%	90%	90%	90%
<b>Public services</b>										
Number of trees trimmed annually	8,007	7,980	4,504	7,206	7,882	8,140	7,700	7,750	6,250	6,250
Number of catch basins cleaned annually	1,260	1,165	1,165	1,165	1,165	1,165	1,165	1,165	1,115	1,100

Source: City of Costa Mesa Finance Department

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

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2015 (2)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government										
City council	5.5	5.5	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
City Manager's Office	16.56	16.00	13.00	15.75	22.00	29.75	38.41	33.30	37.59	39.74
Financial services	24.42	24.42	17.75	17.75	27.21	27.21	20.21	21.71	21.50	22.25
Information technology	-	-	-	-	-	-	10.50	12.50	12.94	13.16
Administrative services	126.21	119.86	103.05	96.47	-	-	-	-	-	-
Development services	45.00	44.50	30.00	26.50	27.59	27.00	37.25	43.50	46.23	45.95
Park and community services	-	-	-	-	-	-	53.43	70.70	74.00	80.54
146 Protection of persons and property										
Police protection	266.75	254.63	213.88	220.68	235.60	237.68	236.41	232.63	234.46	235.60
Fire protection	112.92	112.92	98.44	96.44	95.44	95.75	84.75	87.25	87.50	94.00
Public services	109	108.96	76.50	79.25	114.99	124.43	83.37	81.77	84.82	77.47
	<u>706.26</u>	<u>686.79</u>	<u>557.62</u>	<u>557.84</u>	<u>528.83</u>	<u>547.82</u>	<u>570.33</u>	<u>589.36</u>	<u>695.95</u>	<u>700.69</u>

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

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

Source: City of Costa Mesa Finance Department

**TABLE 20**

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

Function/Program	Fiscal Years									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	529.0	529.0	529.0	529.0	535.6
Streetlights	6,669	6,669	6,669	6,674	6,674	6,674	6,674	6,674	6,674	6,674
Traffic signals	122	122	124	124	123	123	124	124	124	125
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	31	31	31	31
Baseball/softball diamonds	6	6	6	6	5	5	6	6	6	6
Soccer/football fields	8	8	8	8	10	10	10	10	10	10
Community centers	3	3	3	3	3	3	4	4	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





## Lions Park Projects

Phase 1 of the City of Costa Mesa's Lions Park Project is nearing completion with the planned opening of a new 20,000-square-foot library slated to take place in April of 2019. The new two-story, LEED Gold Certified library will be operated by the County of Orange Public Library. The new facility will include two community meeting rooms, a Friends of the Library bookstore, a teen center, children's library, adult technology stations, study rooms, reader seats and book collections. The project will also add a one-acre of programmed park open space that will be used as an event lawn and provide residents with a variety of fun, family and educational events. Phase 2 of the project is scheduled to commence in Spring of 2019 which will include the renovation of the Neighborhood Community Center.

