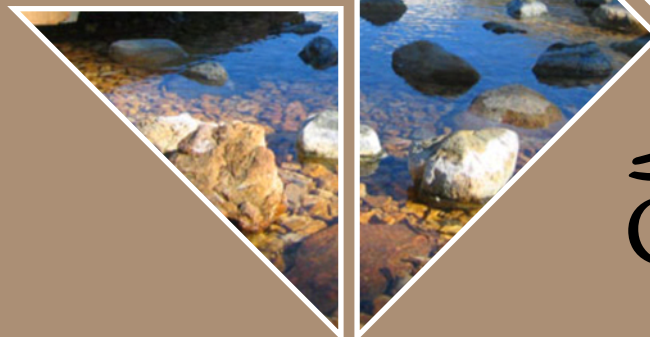


# COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended June 30, 2011

City of the  
*Arts*



  
Costa Mesa  
CALIFORNIA



## **Outdoor Sculpture**

Costa Mesa is home to the California Scenario, a unique sculpture garden by the legendary Isamu Noguchi. The area also hosts special art exhibits, such as the magnificent works of artist Mark di Suvero, and features a striking variety of public art by other prominent artists, including Joan Miro, Jean Dubuffet and Henry Moore.

CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2011

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

CITY OF COSTA MESA, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i
List of Principal Officials	vii
Organizational Chart	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting	ix
 <b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
 Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
 Proprietary Funds:	
Statement of Net Assets	26
Statement of Revenues, Expenses and Changes in Net Assets	27
Statement of Cash Flows	28
 Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	29
Notes to the Basic Financial Statements	31

CITY OF COSTA MESA, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2011

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	74
Low and Moderate Income Housing Special Revenue Fund	76
Special Gas Tax Special Revenue Fund	77
HOME Program Special Revenue Fund	78
Notes to Required Supplementary Information	79
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	82
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Proposition 172 Fund	88
Air Quality Improvement Fund	89
Community Development Fund	90
Supplemental Law Enforcement Services Fund	91
Narcotics Forfeiture Fund	92
Local Law Enforcement Block Grant Fund	93
Office of Traffic Safety Fund	94
Homelessness Prevention Fund	95
Major and Nonmajor Debt Service Funds:	
Comparative Balance Sheet – Nonmajor Debt Service	98
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service	99
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Redevelopment Agency Debt Service Fund	100

CITY OF COSTA MESA, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2011

TABLE OF CONTENTS, (CONTINUED)

		<u>Page</u>
Major and Nonmajor Capital Projects Funds:		
Combining Balance Sheet		102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		104
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:		
Capital Improvements Fund		106
Measure “M” Construction Fund		107
Parking Districts Fund		108
Drainage Fees Fund		109
Traffic Impact Fees Fund		110
Fire System Development Fees Fund		111
Redevelopment Projects Fund		112
Park Development Fund		113
Internal Service Funds:		
Combining Statement of Net Assets		116
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets		117
Combining Statement of Cash Flows		118
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities		120
Combining Statement of Changes in Fiduciary Assets and Liabilities		121
STATISTICAL SECTION:	<u>Table</u>	
Net Assets by Component – Last Ten Fiscal Years	1	124
Change in Net Assets – Last Ten Fiscal Years	2	125
Fund Balances of Governmental Funds – Last Ten Fiscal Years	3	126
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years	4	127
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	5	128
Taxable Sales by Category – Last Ten Calendar Years	6	129
Principal Sales Tax Remitters by Category – Current Year and Nine Years Ago	7	130
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	8	131

CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2011

TABLE OF CONTENTS, (CONTINUED)

	<u>Table</u>	<u>Page</u>
Property Tax Levies and Collections-General Fund – Last Ten Fiscal Years	9	132
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	10	133
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	11	134
Principal Property Taxpayers – Current Year and Nine Years Ago	12	135
Ratio of General Bonded Debt Outstanding and Legal Debt Margin – Last Ten Fiscal Years	13	136
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	14	137
Direct and Overlapping Governmental Activities Debt	15	138
Demographic and Economic Statistics – Last Ten Calendar Years	16	139
Principal Employers - Current Year and Nine Years Ago	17	140
Operating Indicators by Function/Program – Last Ten Fiscal Years	18	141
Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	19	142
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	20	143

# CITY OF COSTA MESA CALIFORNIA



## INTRODUCTORY SECTION







# CITY OF COSTA MESA

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

FROM THE OFFICE OF THE DIRECTOR OF FINANCE—CITY TREASURER

December 9, 2011

Honorable Mayor, Councilmembers, and Chief Executive Officer:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa for the fiscal year ended June 30, 2011, 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.

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

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

The City of Costa Mesa's financial statements for the year ended June 30, 2011, have been audited by Mayer Hoffman McCann P.C., an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Costa Mesa's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

The City of Costa Mesa, incorporated in 1953, has an estimated population of 113,440 and has a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the new world-renowned Henry and Renee Segerstrom Concert Hall, the Orange County Performing Arts Center and the Orange County Fairgrounds.

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

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

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

The City of Costa Mesa maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds for which annual budgets were not adopted.

Budgetary control for management purposes is maintained as authorized by Council at the department functional level within individual funds.

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

## **ECONOMIC CONDITION**

The City of Costa Mesa, 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 un-funded mandates or service/regulatory requirements and also, have eliminated or redistributed significant sources of revenue. The City continues to meet these challenges to ensure a high level of service to our residents.

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

In FY 2010-11, the City reduced expenditures while its strong economic base and an increase in the Transient Occupancy Tax (TOT) rate, increased revenues over the prior year resulting in a General Fund operating surplus of \$3.7 million. This is the first surplus for the City's General Fund in the last three fiscal years and is a welcome result of an enormous amount of hard work and commitment from the community, City Council and City employees. This surplus also helped increase the General Fund's overall cash position compared to fiscal year ended June 30, 2010. This increase provides the City the greatest amount of cash flexibility throughout the year.

The largest increase of revenues was in Sales Tax in the amount of \$5.7 million. Sales Tax revenues had decreased approximately 25% over the previous three fiscal years, so this 16% increase is a positive rebound. While most City departments reduced expenditures, the largest reductions were from the salary and benefit line items. Staffing reductions and employee contributions towards PERS payments has helped reduce expenditures by \$8.1 million.

## **MAJOR (AND FUTURE) DEVELOPMENT INITIATIVES**

### **Major Developments:**

*New Sonic Burger* – City Council approved plans for a 1,585 square foot drive-through restaurant with a 4,515 carhop canopy, and a 1,120 square foot patio canopy to accommodate carhop service at 3095 Harbor Boulevard. The project involved the demolition of the old Long John Silver's restaurant. Sonic Burger opened August 2011.

*The Grove at Mesa Del Mar* – Planning Commission approved the small-lot, 24-unit residential development bounded by El Camino Drive, Mendoza Drive and Coronado Drive. This residential development features two, two-story floor plans with 3 and 4-bedrooms and attached garages. The homes range from 2,165 to 2,383 square feet. The project was completed in two phases in 2011.

*Costa Mesa Center* – Major renovation plans were processed for the commercial retail center located at the southwest corner of West 17<sup>th</sup> Street and Orange Avenue. The plans consisted of three retail buildings including Von's, CVS Pharmacy, and a multi-tenant building. It involved the demolition of two buildings (Von's and adjacent retail shops) and the construction of a larger Vons grocery store and a new retail building. The development was completed in 2011.

*Forever 21* – Tenant Improvement plans were processed for 45,377 square feet of space within the basement and lower-level of Sears Department Store at South Coast Plaza located at 3333 Bristol Street. The extensive improvements made way for the new two-story fashion retail store, which opened June 2011.

*Fixtures Living* – The Planning Commission approved plans for the retailer of kitchen, bathroom and outdoor high quality appliances at South Coast Collection located at 3303 Hyland Avenue, Suite D. The store opened June 2011.

### **Future Developments:**

The Planning Commission approved a new commercial center on Harbor Boulevard which includes:

- *Fresh and Easy* – A second new approximately 13,969 square foot supermarket located at 3151 Harbor Boulevard.
- *Chick-Fil-A* – A new 4,543 square foot fast-food restaurant located at 3181 Harbor Boulevard.
- *McDonalds* – A remodel of an existing fast-food restaurant at 3141 Harbor Boulevard, which will add an additional drive-thru lane to facilitate on-site circulation.
- *A new retail building* – A 7,500 square foot multi-tenant commercial facility.
- *Taco Bell* – The addition of a new 2,733 square-foot fast-food restaurant at 3115 Harbor Boulevard.
- *Auto Zone* – A new auto parts retailer located at 3105 Harbor Boulevard.

The aforementioned projects are also expected to open by summer of 2012.

*Mesa Verde Senior Residential Community* – City Council approved plans for the development of a 7.55 acre site located at 1500 Mesa Verde Drive East for the construction of a 224 unit senior residential rental development with on-site amenities. This project is anticipated to be completed in 2013.

*El Corazon and The Saddle Ranch Chop House Restaurants* – Planning Commission approved two new restaurants at Triangle Square at the southeast corner of Newport Boulevard and 19<sup>th</sup> Street.

- El Corazon will occupy 5,600 square feet of indoor space and 5,000 square feet of outdoor dining area.
- The “Saddle Ranch” restaurant will occupy 7,900 square feet of indoor space and 3,500 square feet of outdoor dining area. The Saddle Ranch Chop House is a destination restaurant, where guests can come for a meal, experience the mechanical bull, and enjoy the outdoor fire pits.

Both restaurants are expected to open in 2012.

## **DEBT ADMINISTRATION**

The City accounts for general debt service in four different funds. Sources of revenues for retirement of outstanding bonded indebtedness include general property and sales taxes as well as tax increment financing authority captured tax revenues.

In March 2008, the City's issuer credit ratings were upgraded by both Standard and Poor's Corporation and Moody's Investor Services. The Standard and Poor's issuer credit rating was upgraded from AA- to AA and the Moody's Investor Services issuer credit rating was upgraded from Aa3 to Aa2 on the City's general obligation bond issues. In March 2010, Standard and Poor's Rating Services affirmed its "AA" rating and a stable outlook on the City's Public Financing Authority's outstanding certificates of participation. In May 2011, Moody's Investor Service downgraded the issuer rating for the City from Aa2 to Aa3. The General Fund Lease Obligations were downgraded from Aa2 to A1.

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

## **FINANCIAL REPORTING AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for its CAFR for the fiscal year ended June 30, 2010. This was the fifteen consecutive years that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to the GFOA to determine its eligibility for the Certificate.

## ACKNOWLEDGEMENTS

Special recognition is extended to the entire Finance Department staff for the continued, dedicated, and efficient services that they provide daily to all City departments. Special appreciation is also extended specifically to the Accounting division staff that contributed to and participated in the coordination and preparation of this Comprehensive Annual Financial Report. 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, Mayer Hoffman McCann P.C. for their expertise and advice. Members of the City Council have continued to express their interest and support to the Finance Department in the planning of responsible and proactive financial operations for the City. Through the team effort of its City Council, Chief Executive Officer, Department Directors, and employees, the City will continue the high level of service currently provided to the citizens of our community. Due to the consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Costa Mesa has been able to maintain a sound financial base from which to operate.

Respectfully submitted,



BOBBY YOUNG

Director of Finance & I.T.



# City of Costa Mesa List of Principal Officials

June 30, 2011

## Mayor

Gary Monahan

## City Council

Eric R. Bever

Wendy B. Leece

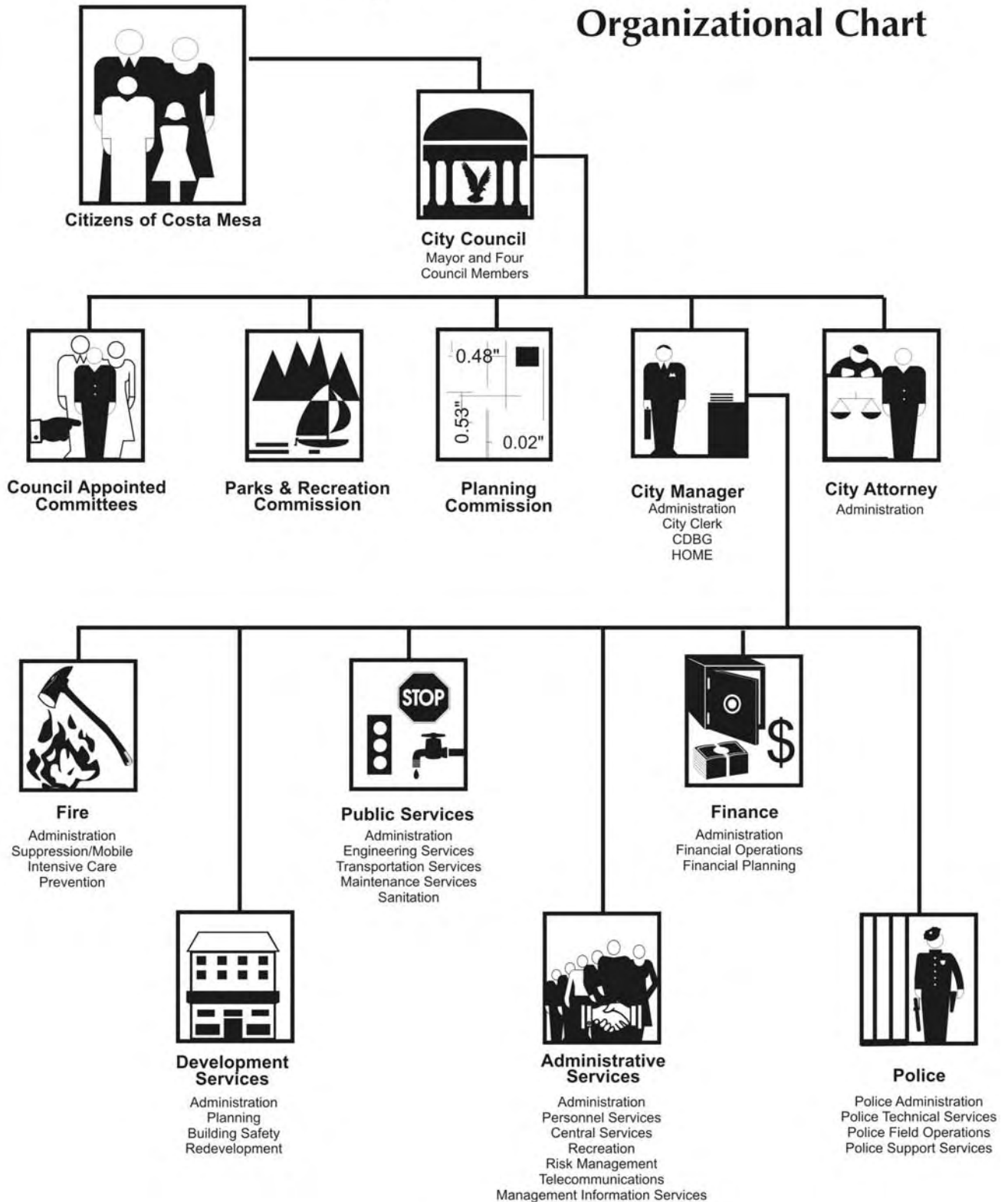
Stephen M. Mensinger

James M. Righeimer

Chief Executive Officer-----	Thomas R. Hatch
Interim Assistant Chief Executive Officer-----	Peter Naghavi
City Attorney (Contract)-----	Thomas P. Duarte
Interim Development Services Director-----	Khanh Nguyen
Finance & I.T. Director-----	Bobby Young
Interim Public Services Director-----	Ernesto Munoz
Interim Fire Chief-----	Thomas Arnold
Police Chief-----	Thomas E. Gaszi

# City of Costa Mesa, California

## Organizational Chart



Visit our Web site at [www.ci.costa-mesa.ca.us](http://www.ci.costa-mesa.ca.us)



# 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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# CITY OF COSTA MESA CALIFORNIA



## FINANCIAL SECTION





## Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

City Council  
City of Costa Mesa, California

### INDEPENDENT AUDITORS' REPORT

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, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Costa Mesa, California. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's basic financial statements for the year ended June 30, 2010 and, in our report dated December 8, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, of the City of Costa Mesa, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Costa Mesa's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, individual nonmajor fund financial schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and individual nonmajor and certain major fund financial schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2011 on our consideration of the City of Costa Mesa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McLean P.C.*

Irvine, California  
December 8, 2011

# CITY OF COSTA MESA CALIFORNIA



## MANAGEMENT'S DISCUSSION AND ANALYSIS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Costa Mesa for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–vi of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

## FINANCIAL HIGHLIGHTS

- The assets of the City of Costa Mesa primary government exceeded its liabilities at the close of fiscal year 2011 by \$281,701,623 (*net assets*). Of this amount, \$42,251,930 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,946,276 from the prior fiscal year restated total of \$278,755,347.
- As of the close of fiscal year 2011, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$74,423,429, an increase of \$7,949,692 in comparison with the prior year.
- At the end of 2011, unassigned fund balance for the general fund was \$5,915,735 or 6.46% of total general fund expenditures of \$91,523,999.
- The City of Costa Mesa's total debt had a net decrease of \$4,941,189 or 7.1 % during fiscal year 2011. This decrease was primarily attributable to a principal payment on the outstanding bonds payable and a reduction in the employee leave benefits payable due to staffing reductions.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Costa Mesa's basic financial statements. The City of Costa Mesa's basic financial statements 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 of Costa Mesa's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Costa Mesa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Costa Mesa is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Costa Mesa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Costa Mesa include general government, public safety, community programs, public services, redevelopment and interest on long-term debt. The City of Costa Mesa has no business-type activities or discretely presented component units.

The basic government-wide financial statements can be found on pages 14-15 of this report.

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

The City of Costa Mesa maintains twenty-four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Low and Mod Income Housing Fund, Park Development Fees Fund, Special Gas Tax Fund, Home Program Fund and the Redevelopment Agency Debt Service Fund, of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Costa Mesa adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

## **Proprietary Funds**

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Equipment Replacement Fund and the Self Insurance – Worker's Compensation/ General Liability/ Unemployment Funds, each of which are considered to be non-major funds of the City of Costa Mesa. Each of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these non-major 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 26-28 of this report.

## **Fiduciary Funds.**

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Costa Mesa's own programs and services. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 29 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-72 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 of Costa Mesa. Required supplementary information can be found on pages 73-79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 81-118 of this report.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Costa Mesa, assets exceeded liabilities by \$281,701,623 at the close of the fiscal year ended June 30, 2011.

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

### City of Costa Mesa's Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$107,944,871	\$102,958,207
Capital assets	<u>243,898,654</u>	<u>270,458,895</u>
<b>Total Assets</b>	<u>351,843,525</u>	<u>373,417,102</u>
Long-term debt outstanding	64,856,862	69,798,051
Other liabilities	<u>5,285,040</u>	<u>5,790,080</u>
<b>Total Liabilities</b>	<u>70,141,902</u>	<u>75,588,131</u>
Net assets:		
Invested in capital assets, net of debt	209,554,571	232,204,195
Restricted	29,895,122	25,598,846
Unrestricted	<u>42,251,930</u>	<u>40,025,930</u>
<b>Total net Assets</b>	<u>\$281,701,623</u>	<u>\$297,828,971</u>

At the end of the 2011 fiscal year, the City of Costa Mesa is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental activities. During the 2011 fiscal year, the City's total net assets increased by \$2,946,276 from the prior fiscal year restated net assets total of \$278,755,347.

## City of Costa Mesa's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$10,577,256	\$10,858,749
Operating contributions and grants	6,717,009	5,699,857
Capital contributions and grants	6,233,234	6,441,397
General revenues:		
Taxes:		
Property taxes, levied for general purpose	24,626,634	23,885,560
Sales taxes	40,953,224	35,267,341
Transient occupancy tax	5,344,968	4,268,984
Franchise taxes	4,240,255	3,945,159
Business license tax	866,442	858,567
Other taxes	-	-
Other intergovernmental	9,112,000	9,117,466
Investment earnings	2,499,790	4,016,384
Miscellaneous revenues	<u>860,972</u>	<u>1,784,618</u>
Total revenues	<u>112,031,784</u>	<u>106,144,082</u>
<b>Expenses:</b>		
General government	22,942,186	24,640,217
Public safety	58,600,881	65,999,456
Community Programs	5,585,317	6,957,413
Public Services	18,051,024	20,338,489
Redevelopment	862,541	1,225,993
Interest on long-term debt	<u>3,043,559</u>	<u>3,243,198</u>
Total expenses	<u>109,085,508</u>	<u>122,404,766</u>
 Change in net assets	 2,946,276	 (16,260,684)
 <b>Net assets at beginning of year, as restated</b>	 <u>278,755,347</u>	 <u>314,089,655</u>
 <b>Net assets at end of year</b>	 <u>\$281,701,623</u>	 <u>\$297,828,971</u>

## Governmental Activities

Governmental activities increased the City of Costa Mesa's net assets by \$2,946,276, which accounted for 100% of the total increase in the net assets. Key elements of this increase are as follows:

- Sales tax revenues increased by \$5,685,883 or 16.1% from fiscal year 2010. This change was due primarily to the moderate economic recovery and to an increase in consumer confidence. Also, property tax collections increased by \$741,074 due to the stability in the housing market.
- Franchise tax revenues increased by \$295,096 or 7.5% from fiscal year 2010. This increase resulted from an increase in solid waste haulers franchise fees due to increased commercial construction activity. Also, transient occupancy tax revenue increased by \$1,075,984 or 25.2% from the prior fiscal year. This change is a result of a voter approved increase in the transient occupancy rate from 6% to 8%.
- Investment income decreased by \$1,516,594 or 37.8% over the prior fiscal year. This decrease was a result of the overall reduction on the rate of return of the City's investment portfolio.
- The City's governmental expenses for public safety in fiscal year 2011 decreased by \$7,398,575 or 11.2% from the prior fiscal year. The decrease was attributed to freezing positions, reduction of overtime and employees' 5% contribution to their retirement. Public Services expenses decreased by \$2,287,465 or 11.3% from the prior fiscal year. This decrease was due primarily to the City taking necessary measures in eliminating the budget deficit by reducing or postponing roadway improvement and major construction projects.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of the end of the 2011 fiscal year, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$74,423,429, an increase of \$7,949,692 in comparison with the prior fiscal year. Of this total amount:

- \$13,347,177 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.
- \$34,165,657 represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external resource provides or through enabling legislation.

- \$16,125,000 represents *committed fund balance* which includes amounts that can be used only for the specific purposes determined by formal action of the City Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same voting consensus.
- \$17,047,242 represents *assigned fund balance* which includes amounts that are designated or expressed by Council but does not require formal action like a resolution or ordinance.
- The remaining (\$6,261,647) constitutes *unassigned fund balance*.

The general fund is the chief operating fund of the City of Costa Mesa. At the end of fiscal year 2011, fund balance of the City of Costa Mesa's general fund increased by \$3,755,465. While total fund balance amounted to \$45,275,530, the unassigned fund balance of the general fund was \$5,915,735. Key factors in this change are as follows:

- Sales tax, the General Fund's largest single source of revenue, increased by \$5,656,883 or 16.4% over the prior fiscal year. Since these revenues are supported by a large and diverse sales tax base, they are more volatile to market conditions. They had been impacted the most during the recessionary period (negative market conditions) and may increase the most during periods of positive market conditions. This increase was primarily a result of the moderate economic recovery and the increase in consumer confidence.
- Franchise tax revenue increased by \$295,096 or 7.5% from fiscal year 2010. This increase resulted from an increase in the solid waste hauler franchise fees collected due to an increase in commercial construction activity.
- Transient occupancy tax revenues increased by \$1,075,984 or 25.2% over the prior fiscal year. This change is a result of a voter approved increase in the transient occupancy tax rate from 6% to 8%.
- Revenues from investment income decreased by \$971,342 or 37.4% over the prior fiscal year. This decrease was a result in an overall reduction on the rate of return of the City's investment portfolio.
- Overall, total revenues in the General Fund increased by \$3,773,228 or 4.2%. The increase is directly attributed to the moderate economic recovery and the voter approved 2% increase in the transient occupancy tax rate.
- While many department expenditures reduced compared to the prior fiscal year, the largest reduction was in overall salaries and benefits. Due to layoffs in July 2010, departmental reorganizations and contributions by employees to retirement benefits, total salaries and benefits were reduced by \$7.5 million.
- Expenditures for Police and Fire services decreased by \$4,934,666 or 8.5% from the prior fiscal year. This decrease resulted from layoffs, continued vacant positions, furloughs, retirements and employee contributions to retirement benefits.
- Overall, total expenditures in the General Fund decreased by \$8,152,267 or 8.6%.

## **Major Funds**

The Redevelopment Agency Debt Service Fund has an accumulated fund deficit of \$9,696,303. The deficit exists since GAAP requires the debt service funds to record advances from other funds as a liability. At June 30, 2011, the balance in advances from other funds is \$10,434,212. This advance from the General Fund provided resources to the Redevelopment Agency that allowed the Agency to complete redevelopment projects in the project area during the initial years of the project area when tax increment revenue was insufficient to support the project expenditures. The fund deficit decreased during the fiscal year by the amount of \$440,371.

The Low and Moderate Income Housing Fund has \$3,021,679 in fund balance as of the end of the fiscal year which represents a net increase of \$482,773 or 19.0% from the prior fiscal year. This increase occurred as a decline in the number of loans issued through the First Time Buyer Assistance Program.

The Special Gas Tax Fund has \$11,902,944 in fund balance as of the end of the fiscal year which represents an increase of \$1,798,448 or 17.8% from the prior fiscal year. The increase was primarily a result of cost savings on budgeted street projects.

The HOME Program Fund has an \$119,275 fund balance deficit at the end of the fiscal year which represents a net increase of \$57,164 from the prior fiscal year. The increased deficit resulted from decrease in governmental funding and the timing of the drawdown requests.

The Park Development Fund has a \$2,343,237 fund balance deficit at the end of the fiscal year which represents an increase of \$242,754 from the prior fiscal year. The increased deficit resulted from continued decline in park development fees collected.

## **Proprietary Funds**

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

The City utilizes internal service funds which are a propriety fund type. Unrestricted net assets of the Internal Service Funds at the end of the year amounted to \$2,228,622. The decrease in total net assets for the fiscal year amounted to \$2,144,861.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During FY 10-11, actual revenues were \$10 million more than originally estimated and \$3.4 million more than adjusted during the City's mid-year budget review. Therefore, the City had recognized potential increases during the fiscal year and adjusted the budget as necessary. Major revenue line items are typically adjusted once during the fiscal year at the mid year budget review.

Actual expenditures were \$3.3 million less than originally estimated and \$3.5 million less than the final adjusted budget. This difference is mostly attributed to attrition savings created by vacant positions and City employees making contributions toward retirement benefits. Due to the expansive workload required, the City does not normally adjust the budget for attrition savings.

## 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, 2011, amounts to \$243,898,654 net of accumulated depreciation. This investment in capital assets includes land, building improvements and structures, machinery and equipment, park systems and facilities, median improvements, roads, highways, storm drains and bridges. The City's investment in capital assets for the current fiscal year decreased by 9.8% or \$26,560,241 over the prior fiscal year. The significant decrease is due to a prior period adjustment of infrastructure assets that should not have been capitalized.

Major capital asset events during the 2011 fiscal year included a variety of street construction projects Citywide. Some of the major street projects this fiscal year included:

- Resurfacing and/or rehabilitation of concrete streets and walkways.
- Resurfacing, crack seal and/or slurry seal of asphalt streets.
- Alley-way improvements.
- Traffic mitigation improvements.
- Preventive maintenance of curbs, gutters and storm drains.

During the fiscal year, capital assets not being depreciated decreased by \$992,356 and capital assets being depreciated increased by \$4,783,060. Construction in progress as of the fiscal year end totaled \$2,879,994 and includes some of the following projects:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Fairview Park Improvements	700029	\$ 1,267,875	1,234,104	33,771
FP Wetlands/Riparian	700067	2,828,443	1,054,840	1,773,603
Brentwood Park Expansion	700077	<u>460,000</u>	<u>265,393</u>	<u>194,607</u>
Total		<u>\$4,556,318</u>	<u>2,554,337</u>	<u>2,001,981</u>

### City of Costa Mesa's Capital Assets at Year-End (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$32,515,441	\$32,515,441
Land rights related to streets	29,291,575	29,291,575
Construction in progress	2,879,994	10,424,986
Building improvements and structures	30,898,260	32,282,253
Machinery and equipment	9,413,639	10,688,084
Park System	9,718,671	9,978,966
Infrastructure- roads	112,845,818	127,635,206
Infrastructure- storm drains	<u>16,335,256</u>	<u>17,642,384</u>
Totals	<u>\$243,898,654</u>	<u>\$270,458,895</u>

Additional information on the City of Costa Mesa's capital assets can be found in note 6 on pages 50-51 of this report.

## Long-Term Debt

At year-end, the City has a number of debt issues outstanding. These issues include the Public Finance Authority (PFA) 2003 Refunding Certificates of Participation (\$8.4 million outstanding), the PFA 1998 Refunding Revenue Bonds (\$2.4 million outstanding), the 2003 Redevelopment Agency Tax Allocation Refunding Bonds (\$4.1 million outstanding), the PFA 2006 Lease Revenue Refunding Bonds (\$1.8 million outstanding), the PFA 2007 Certificates of Participation issued for construction of the police facility expansion (\$26.3 million outstanding), and \$1.8 million of capitalized lease obligations. Long-term liabilities had a net decrease of \$4.9 million as the result of the payment of normally scheduled principal maturities on bonds and lease obligations.

### City of Costa Mesa's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Bonds payable	\$ 43,230,000	\$ 47,065,000
Other liabilities	19,846,027	20,391,313
Capitalized lease obligations	<u>1,780,835</u>	<u>2,341,738</u>
Totals	<u>\$64,856,862</u>	<u>\$69,798,051</u>

Additional information on the City of Costa Mesa's long-term debt can be found in notes 7 through 11 on pages 52-59 of this report.

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

During the previous three fiscal years, the City had depleted its General Fund fund balance by approximately \$32 million. While the FY 10-11 surplus is welcome and needed, the City should remain cautious about current economic conditions. Given the volatility of the City's sales tax base, declines in the economy may affect the City sooner than other surrounding cities. While adopting the FY 11-12 budget, the City remained conservative of revenue estimates and maintained control over budgeted appropriations. Should the economic conditions continue to improve, this philosophy will allow the City to more completely rebound from the recessionary period the City, State and Nation have seen over the last few years.

## REQUEST FOR INFORMATION

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

# CITY OF COSTA MESA CALIFORNIA



## GOVERNMENT-WIDE FINANCIAL STATEMENTS



## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### **Statement of Net Assets**

The *statement of net assets* presents information on all of the City of Costa Mesa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Costa Mesa is improving or deteriorating.

### **Statement of Activities**

The *statement of activities* presents information to show how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 Assets

June 30, 2011

(With Comparative Data for Prior Year)

	Governmental Activities	
	2011	2010
Assets:		
Cash and investments (note 2)	\$ 76,586,973	71,848,864
Cash and investments with fiscal agent (note 2)	6,248,007	6,223,291
Due from other governments	10,288,113	9,183,440
Accounts receivable	833,741	1,374,342
Interest receivable	441,558	658,692
Loans receivable	9,595,644	9,527,350
Rent receivable	1,331,764	1,304,509
Inventories	163,030	177,486
Prepaid items	69,412	33,463
Investment in joint venture (note 21)	2,386,629	2,626,770
Capital assets (note 6):		
Land	32,515,441	32,515,441
Land rights related to streets	29,291,575	29,291,575
Construction in progress	2,879,994	10,424,986
Other capital assets, net of accumulated depreciation	179,211,644	198,226,893
Total assets	<u>351,843,525</u>	<u>373,417,102</u>
Liabilities:		
Accounts payable	1,604,156	1,372,176
Accrued liabilities	1,936,573	1,871,534
Accrued interest payable	502,535	541,484
Retentions payable	338,060	1,212,970
Deposits payable	903,716	791,916
Long-term liabilities:		
Portion due within one year:		
Claims payable (notes 7, 9 and 19)	3,052,865	3,219,240
Bonds payable (notes 7 and 8)	3,985,000	3,835,000
Capital leases payable (notes 7 and 10)	722,926	560,903
Employee leave benefits payable (notes 7 and 9)	2,200,000	1,150,000
Police retirement 1% supplemental (notes 7 and 9)	229,966	-
Portion due beyond one year:		
Claims payable (notes 7, 9 and 19)	6,892,695	6,840,723
Bonds payable (notes 7 and 8)	39,245,000	43,230,000
Capital leases payable (notes 7 and 10)	1,057,909	1,780,835
Employee leave benefits payable (notes 7 and 9)	3,238,852	5,149,026
Net OPEB obligation (notes 7, 9 and 16)	1,926,696	1,407,942
Police retirement 1% supplemental (notes 7 and 9)	2,304,953	2,624,382
Total liabilities	<u>70,141,902</u>	<u>75,588,131</u>
Net assets:		
Invested in capital assets, net of related debt	209,554,571	232,204,195
Restricted for:		
Protection of persons and property	1,303,260	1,040,371
Community programs	2,292,260	6,475,370
Public services	26,299,602	18,083,105
Unrestricted	42,251,930	40,025,930
Total net assets	<u>\$ 281,701,623</u>	<u>297,828,971</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2011

(With Comparative Data for Prior Year)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2011	2010
Governmental activities:						
General government	\$ 22,942,186	-	-	-	(22,942,186)	(24,640,217)
Protection of persons and property	58,600,881	2,660,989	1,383,479	-	(54,556,413)	(61,979,490)
Community programs	5,585,317	5,290,235	2,536,971	-	2,241,889	1,239,505
Public services	18,051,024	2,626,032	2,796,559	6,233,234	(6,395,199)	(9,555,370)
Redevelopment	862,541	-	-	-	(862,541)	(1,225,993)
Interest on long-term debt	3,043,559	-	-	-	(3,043,559)	(3,243,198)
<b>Total governmental activities</b>	<b>\$ 109,085,508</b>	<b>10,577,256</b>	<b>6,717,009</b>	<b>6,233,234</b>	<b>(85,558,009)</b>	<b>(99,404,763)</b>
General revenues:						
Taxes:						
					24,626,634	23,885,560
					40,953,224	35,267,341
					5,344,968	4,268,984
					4,240,255	3,945,159
					866,442	858,567
					9,112,000	9,117,466
					2,499,790	4,016,384
					860,972	1,784,618
					<u>88,504,285</u>	<u>83,144,079</u>
					2,946,276	(16,260,684)
					<u>278,755,347</u>	<u>314,089,655</u>
					<u>\$ 281,701,623</u>	<u>297,828,971</u>

See accompanying notes to basic financial statements.



# CITY OF COSTA MESA CALIFORNIA



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

#### **SPECIAL REVENUE FUNDS**

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

##### **Low and Moderate Income Housing Fund**

Established per Section 33334.3 of the Health and Safety Code to account for 20% of tax increment received by the Costa Mesa Redevelopment Agency which is to be expended for the purpose of increasing, improving, and preserving the low- and moderate-income housing available at affordable housing costs to persons and families of low or moderate income and to very low income households.

##### **Special Gas Tax Fund**

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

##### **Home Program Fund**

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.

#### **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulated or resources for, and payment of, general long-term debt. The following has been classified as a major fund in the accompanying fund financial statements:

##### **Redevelopment Debt Service Fund**

This fund accounts for the accumulation of monies for payment of the 2003 Tax Allocation Refunding Bonds, the promissory note due upon demand to the City of Costa Mesa and other developer loans. All tax increments received are placed in this fund and are used to retire debt (bonded or loans) in accordance with the Health and Safety Code.

#### **CAPITAL PROJECTS FUND**

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

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

### **Nonmajor Governmental Funds**

Nonmajor governmental funds constitute all other governmental funds whose assets, liabilities, revenues or expenditures do not exceed 10% of the governmental funds total. These funds include nine Special Revenue Funds, one Debt Service Fund and eight Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Balance Sheet

June 30, 2011

(With Comparative Data for Prior Year)

	Special Revenue			
	General	Low and Mod Income Housing	Special Gas Tax	HOME Program
<u>Assets</u>				
Cash and investments	\$ 27,310,476	3,105,288	12,098,392	-
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	7,030,430	4,348	-	168,372
Accounts receivable	571,610	-	-	-
Interest receivable	90,536	3,418	39,912	-
Loans receivable	-	5,107,320	-	3,838,729
Rent receivable	211,140	-	-	-
Due from other funds (note 3)	410,915	-	-	-
Advances to other funds (note 4)	14,086,448	-	-	-
Inventories	46,875	-	-	-
Prepaid items	55,750	813	-	-
	<u>\$ 49,814,180</u>	<u>8,221,187</u>	<u>12,138,304</u>	<u>4,007,101</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,557,393	25,084	63,370	41,744
Accrued liabilities	1,312,591	-	-	2,877
Retentions payable	-	-	171,990	-
Deposits payable	798,921	-	-	4,795
Due to other funds (note 3)	15,000	59,604	-	149,150
Advances from other funds (note 4)	-	-	-	-
Deferred revenue	854,745	5,114,820	-	3,927,810
	<u>4,538,650</u>	<u>5,199,508</u>	<u>235,360</u>	<u>4,126,376</u>
Fund balances (note 12):				
Nonspendable:				
Prepaid items/loan deposits	55,750	-	-	-
Inventories	46,875	-	-	-
Advances to other funds	13,231,703	-	-	-
Restricted for:				
Protection of persons and property	-	-	-	-
Community programs	-	-	-	-
Public services	-	-	11,902,944	-
Redevelopment	-	3,021,679	-	-
Debt service	-	-	-	-
Committed	16,125,000	-	-	-
Assigned	9,900,467	-	-	-
Unassigned	5,915,735	-	-	(119,275)
	<u>45,275,530</u>	<u>3,021,679</u>	<u>11,902,944</u>	<u>(119,275)</u>
Total fund balances (deficit)	<u>\$ 49,814,180</u>	<u>8,221,187</u>	<u>12,138,304</u>	<u>4,007,101</u>
Total liabilities and fund balances	<u>\$ 49,814,180</u>	<u>8,221,187</u>	<u>12,138,304</u>	<u>4,007,101</u>

See accompanying notes to the basic financial statements.

<u>Debt Service</u>	<u>Capital Project</u>	Nonmajor Governmental Funds	<u>Totals</u>	
			2011	2010
<u>Redevelopment Agency</u>	<u>Park Development</u>			
-	1,488,255	19,596,800	63,599,211	57,129,117
704,300	-	5,543,707	6,248,007	6,223,291
17,393	-	3,067,570	10,288,113	9,183,440
-	-	22,228	593,838	1,370,962
1,216	4,926	1,360,039	1,500,047	1,483,230
-	-	649,595	9,595,644	9,527,350
-	-	1,120,624	1,331,764	1,304,509
15,000	-	-	425,915	433,650
-	-	161,638	14,248,086	14,945,785
-	-	-	46,875	38,233
-	-	12,849	69,412	33,463
<u>737,909</u>	<u>1,493,181</u>	<u>31,535,050</u>	<u>107,946,912</u>	<u>101,673,030</u>
-	16,527	784,348	2,488,466	2,015,269
-	-	608,693	1,924,161	1,854,885
-	6,017	160,053	338,060	1,212,970
-	-	100,000	903,716	791,916
-	-	202,161	425,915	433,650
10,434,212	3,813,874	-	14,248,086	14,945,785
-	-	3,297,704	13,195,079	13,944,818
<u>10,434,212</u>	<u>3,836,418</u>	<u>5,152,959</u>	<u>33,523,483</u>	<u>35,199,293</u>
-	-	12,849	68,599	487,567
-	-	-	46,875	38,233
-	-	-	13,231,703	14,281,411
-	-	715,383	715,383	579,153
-	-	4,356	4,356	-
-	-	9,147,269	21,050,213	16,378,357
-	-	2,215,319	5,236,998	4,106,573
-	-	7,158,707	7,158,707	7,233,991
-	-	-	16,125,000	17,020,045
-	-	7,146,775	17,047,242	17,808,373
<u>(9,696,303)</u>	<u>(2,343,237)</u>	<u>(18,567)</u>	<u>(6,261,647)</u>	<u>(11,459,966)</u>
<u>(9,696,303)</u>	<u>(2,343,237)</u>	<u>26,382,091</u>	<u>74,423,429</u>	<u>66,473,737</u>
<u>737,909</u>	<u>1,493,181</u>	<u>31,535,050</u>	<u>107,946,912</u>	<u>101,673,030</u>





CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

Fund balances of governmental funds \$ 74,423,429

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

Capital Related Items

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

Cost of capital assets	527,681,420
Accumulated depreciation	(288,620,214)

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 Assets:

Bonds payable	(43,230,000)
Capital leases payable	(797,790)
Employee benefits leave payable	(5,438,851)
OPEB	(1,926,696)
Police 1% Retirement Supplemental	(2,534,919)

Accrued Interest

Accrued liabilities in the Statement of Net Assets differ from the amount reported in governmental funds due to accrued interest on outstanding debt payable. (502,535)

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 Assets because they primarily service governmental activities of the City. 7,066,071

Investment in Joint Venture

The City of Costa Mesa 50% interest in the unrestricted net assets of the joint venture with City of Newport Beach for the Airborne Law Enforcement program. 2,386,629

Deferred Revenue

Certain revenues that do not provide current financial resources are reported as deferred revenues in the funds. 13,195,079

Net assets of governmental activities \$ 281,701,623

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the fiscal year ended June 30, 2011

(With Comparative Data for Prior Year)

	Special Revenue			
	General	Low and Mod Income Housing	Special Gas Tax	HOME Program
Revenues:				
Taxes	\$ 71,374,376	834,048	-	-
Licenses and permits	1,557,797	-	-	-
Fines and forfeits	1,743,743	-	-	-
Intergovernmental	9,663,534	-	2,734,146	326,481
Charges for services	3,696,642	-	-	-
Rental	2,801,058	-	-	-
Investment income	1,625,086	15,360	192,948	-
Miscellaneous	805,648	73,719	-	40,164
Total revenues	<u>93,267,884</u>	<u>923,127</u>	<u>2,927,094</u>	<u>366,645</u>
Expenditures:				
Current:				
General government	21,739,252	-	-	-
Protection of persons and property	54,498,001	-	-	-
Community programs	3,792,038	-	-	423,809
Public services	5,551,649	-	1,128,646	-
Redevelopment	-	440,354	-	-
Debt service:				
Principal	560,904	-	-	-
Interest and fiscal charges	88,138	-	-	-
Total expenditures	<u>86,229,982</u>	<u>440,354</u>	<u>1,128,646</u>	<u>423,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,037,902</u>	<u>482,773</u>	<u>1,798,448</u>	<u>(57,164)</u>
Other financing sources (uses):				
Transfers in (note 5)	2,011,580	-	-	-
Transfers out (note 5)	(5,294,017)	-	-	-
Total other financing sources (uses)	<u>(3,282,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,755,465	482,773	1,798,448	(57,164)
Fund balances (deficit) at beginning of year	<u>41,520,065</u>	<u>2,538,906</u>	<u>10,104,496</u>	<u>(62,111)</u>
Fund balances (deficit) at end of year	<u>\$ 45,275,530</u>	<u>3,021,679</u>	<u>11,902,944</u>	<u>(119,275)</u>

See accompanying notes to the basic financial statements.

<u>Debt Service</u>	<u>Capital Project</u>		<u>Totals</u>	
<u>Redevelopment Agency</u>	<u>Park Development</u>	<u>Nonmajor Governmental Funds</u>	<u>2011</u>	<u>2010</u>
3,043,202	-	780,299	76,031,925	68,225,614
-	-	-	1,557,797	1,289,600
-	-	361,073	2,104,816	2,868,066
-	-	8,957,257	21,681,418	21,137,881
-	69,145	712,924	4,478,711	4,156,944
-	-	98,991	2,900,049	2,838,744
4,094	31,715	414,980	2,284,183	3,537,379
15,000	-	134,694	1,069,225	2,566,138
<u>3,062,296</u>	<u>100,860</u>	<u>11,460,218</u>	<u>112,108,124</u>	<u>106,620,366</u>
-	-	-	21,739,252	25,276,998
-	-	1,709,289	56,207,290	61,884,416
-	-	2,044,124	6,259,971	6,296,711
-	99,782	5,069,394	11,849,471	17,216,338
-	-	422,187	862,541	1,225,993
510,000	-	3,325,000	4,395,904	4,064,842
1,046,213	243,832	1,704,325	3,082,508	3,244,528
<u>1,556,213</u>	<u>343,614</u>	<u>14,274,319</u>	<u>104,396,937</u>	<u>119,209,826</u>
<u>1,506,083</u>	<u>(242,754)</u>	<u>(2,814,101)</u>	<u>7,711,187</u>	<u>(12,589,460)</u>
(1,065,712)	-	6,448,720	8,460,300	9,160,286
	-	(1,862,066)	(8,221,795)	(8,653,011)
<u>(1,065,712)</u>	<u>-</u>	<u>4,586,654</u>	<u>238,505</u>	<u>507,275</u>
440,371	(242,754)	1,772,553	7,949,692	(12,082,185)
<u>(10,136,674)</u>	<u>(2,100,483)</u>	<u>24,609,538</u>	<u>66,473,737</u>	<u>78,555,922</u>
<u>(9,696,303)</u>	<u>(2,343,237)</u>	<u>26,382,091</u>	<u>74,423,429</u>	<u>66,473,737</u>



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

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

For the fiscal year ended June 30, 2011

Net changes in fund balances - total governmental funds	\$ 7,949,692
Amounts reported for governmental activities in the Statement of Activities are different because:	
<u>Capital Related Items</u>	
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net assets decrease by the amount of depreciation expense charged for the year.	
Capital outlay	4,036,409
Depreciation expense	(10,770,820)
<u>Long-Term Debt Transactions</u>	
Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.	
Net changes in employee benefits leave payable	860,175
Principal payments - bonds	3,835,000
Principal payments - capital leases	560,903
OPEB	(518,754)
Police Retirement 1% Supplemental	89,463
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	38,949
<u>Internal Service Funds</u>	
Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds' costs for the year.	
	(2,144,861)
<u>Investment in Joint Venture</u>	
The current year change in the City's interest in the Airborne Law Enforcement operation with the City of Newport Beach.	
	(240,141)
<u>Deferred Revenue</u>	
Certain revenues that do not provide current financial resources are reported as deferred revenue in the funds.	
	(749,739)
Change in net assets of governmental activities	<u>\$ 2,946,276</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Net Assets

June 30, 2011

(With Comparative Data for Prior Year)

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and investments (note 2)	\$ 12,987,762	14,719,747
Accounts receivable	239,902	3,380
Interest receivable	42,549	65,446
Inventories	116,155	139,253
Total current assets	<u>13,386,368</u>	<u>14,927,826</u>
Capital assets:		
Motorized equipment	11,947,678	12,064,049
Other equipment	330,993	319,940
Accumulated depreciation	<u>(7,441,222)</u>	<u>(6,794,333)</u>
Net capital assets	<u>4,837,449</u>	<u>5,589,656</u>
Total assets	<u>18,223,817</u>	<u>20,517,482</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	216,730	246,894
Accrued liabilities	12,412	16,649
Capital lease payable	182,187	-
Claims payable	<u>3,052,865</u>	<u>3,219,240</u>
Total current liabilities	<u>3,464,194</u>	<u>3,482,783</u>
Long-term liabilities:		
Capital lease payable	800,857	983,044
Claims payable	<u>6,892,695</u>	<u>6,840,723</u>
Total long-term liabilities	<u>7,693,552</u>	<u>7,823,767</u>
Total liabilities	<u>11,157,746</u>	<u>11,306,550</u>
Net assets:		
Invested in capital assets, net of related debt	3,854,405	4,606,612
Unrestricted	<u>3,211,666</u>	<u>4,604,320</u>
Total net assets	<u>\$ 7,066,071</u>	<u>9,210,932</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets

For the fiscal year ended June 30, 2011

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2011</u>	<u>2010</u>
Operating revenues:		
Charges for services	\$ 3,577,727	2,522,227
Total operating revenues	<u>3,577,727</u>	<u>2,522,227</u>
Operating expenses:		
Allocated administrative costs	835,439	1,036,050
Depreciation	757,294	735,237
Fuel and repair parts	1,106,023	906,088
Claims and premiums	3,005,025	3,207,395
Total operating expenses	<u>5,703,781</u>	<u>5,884,770</u>
Operating income (loss)	<u>(2,126,054)</u>	<u>(3,362,543)</u>
Nonoperating revenues (expenses):		
Investment income	215,607	435,142
Gain (loss) on sale of equipment	4,091	38,707
Total nonoperating revenues (expenses)	<u>219,698</u>	<u>473,849</u>
Income (loss) before transfers	<u>(1,906,356)</u>	<u>(2,888,694)</u>
Transfers in (note 5)	-	-
Transfers out (note 5)	<u>(238,505)</u>	<u>(507,275)</u>
Total transfers	<u>(238,505)</u>	<u>(507,275)</u>
Change in net assets	(2,144,861)	(3,395,969)
Net assets at beginning of year	<u>9,210,932</u>	<u>12,606,901</u>
Net assets at end of year	<u>\$ 7,066,071</u>	<u>9,210,932</u>

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Cash Flows

For the fiscal year ended June 30, 2011

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2011	2010
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 3,341,205	2,544,385
Cash payments to suppliers for goods and services	(4,272,344)	(6,676,420)
Cash payments to employees for services	(799,849)	(851,445)
Net cash provided by (used for) operating activities	<u>(1,730,988)</u>	<u>(4,983,480)</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	-	-
Cash paid to other funds	(238,505)	(507,275)
Net cash provided by (used for) noncapital financing activities	<u>(238,505)</u>	<u>(507,275)</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	16,360	43,807
Acquisition of capital assets	(17,355)	(43,262)
Net cash provided by (used for) capital and related financing activities	<u>(995)</u>	<u>545</u>
Cash flows from investing activities:		
Investment income received	238,503	507,275
Net cash provided by (used for) investing activities	<u>238,503</u>	<u>507,275</u>
Net increase (decrease) in cash and cash equivalents	(1,731,985)	(4,982,935)
Cash and cash equivalents at beginning of year	14,719,747	19,702,682
Cash and cash equivalents at end of year	<u>\$ 12,987,762</u>	<u>14,719,747</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (2,126,054)	(3,362,543)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	757,294	735,237
(Increase) decrease in inventories	23,098	(23,905)
(Increase) decrease in accounts receivable	(236,522)	22,158
(Increase) decrease in prepaid items	-	6,434
Increase (decrease) in accounts payable	(30,164)	(130,307)
Increase (decrease) in accrued liabilities	(4,237)	4,590
Increase (decrease) in claims payable	(114,403)	(2,235,144)
Net cash provided by (used for) operating activities	<u>\$ (1,730,988)</u>	<u>(4,983,480)</u>

Non-cash investing, capital and financing activities:

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

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA  
 Fiduciary Funds  
 Statement of Fiduciary Assets and Liabilities  
 June 30, 2011  
 (With Comparative Data for Prior Year)

	Agency Funds	
	2011	2010
<u>Assets</u>		
Cash and investments (note 2)	\$ 7,084,415	6,893,155
Due from other governments	153,270	346,368
Accounts receivable	6,325	6,641
Interest receivable	14,627	17,140
Inventories	96,041	167,074
Prepaid items	4,412	88,010
	<u>\$ 7,359,090</u>	<u>7,518,388</u>
<u>Liabilities</u>		
Accounts payable	\$ 689,565	209,587
Deposits payable	2,570,484	3,196,536
Due to other governments	4,099,041	4,112,265
	<u>\$ 7,359,090</u>	<u>7,518,388</u>

See accompanying notes to the basic 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, 2011

(1) Summary of Significant Accounting Policies

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

(a) Description of Reporting Entity

The City of Costa Mesa was incorporated on June 29, 1953 as a general law city under the Government Code of the State of California. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among the 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 interfund data of the City. The following organizations are considered to be component units of the City:

Costa Mesa Redevelopment Agency

The Costa Mesa Redevelopment Agency (Agency) was established on January 17, 1972 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Costa Mesa. 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 Agency. Upon completion, separate financial statements of the Agency can be obtained at City Hall.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

(a) Description of Reporting Entity, (Continued)

Costa Mesa Public Financing Authority

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

Costa Mesa Community Facilities District No. 91-1

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

(b) Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

Fund Financial Statements

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

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

Governmental Funds

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

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

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

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) 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 net current assets. 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 net current assets.



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

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

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables.

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

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

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

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary 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 their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives us essentially equal values. Nonoperating revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for the 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 reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenditures.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

The City's agency funds are fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(c) Fund Classifications

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

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

*Low and Moderate Income Housing Fund* – This special revenue fund was established per Section 33334.3 of the Health and Safety Code to account for 20% of the tax increment received by the Costa Mesa Redevelopment Agency which is to be expended for the purpose of increasing, improving and preserving the low and moderate income housing available at affordable housing costs to persons and families of low or moderate income and very low income households.

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

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

*Redevelopment Agency Fund* – This debt service fund is used to account for the accumulation of monies for payment of the 2003 Tax Allocation Refunding Bonds, the promissory note due upon demand to the City of Costa Mesa and other developer loans. All tax increments received are placed in this fund and are used to retire debt (bonded or loans) in accordance with the Health and Safety Code.

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

(c) Fund Classifications (Continued)

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

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

*Agency Funds* – 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.

(d) Cash and Investments

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

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

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

(e) Cash Equivalents

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(f) Advances to Other Funds

Long-term interfund advances are recorded as a receivable and as reserved fund balance by the advancing governmental fund and as a liability in the receiving fund.

(g) Inventories

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

(h) Prepays

The City uses the consumption method to record prepaid items.

(i) Capital Assets

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(j) Fund Balances

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the fund balances of governmental funds now reflect the classifications described below. Prior year amounts have been restated to reflect the designations required by GASB No. 54.

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

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

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the 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 the specific purposes determined by formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than City Council.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

(j) Fund Balances (Continued)

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

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

(k) Employee Leave Benefits

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

Employees having a regular or probationary appointment accrue sick leave credit at the rate of 20% of the standard average work week for each full month of continuous service. Employees may accumulate up to a maximum of 480 hours of sick leave credit in a primary sick leave bank. Upon reaching the maximum, the bi-weekly benefit of 3.69 hours is distributed as follows at the employee's option at 1/2 of the benefit: a) paid at employee's current hourly base rate of pay; or b) converted into vacation hours. The remaining 1/2 benefit is placed in a secondary sick leave bank which may be used only in the event of a verified non-industrial disability which resulted in an absence of 60 consecutive calendar days. An amount of sick leave equal to the hours used from the primary bank for the said disability may be transferred from the secondary bank to the primary bank provided the transfer does not result in the primary bank having in excess of 480 hours. Upon either separation from the City with a minimum of 20 years continuous service or eligibility for retirement benefits, the employees receive pay at their current hourly rate for 1/2 of the sick leave in their primary bank, except for police management which receives 50% of primary and secondary sick leave banks.

In accordance with GASB Statement No. 16, 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

(k) Employee Leave Benefits (Continued)

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

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.

(l) 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.

(m) 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.

(n) Estimations

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Assets:	
Cash and investments	\$ 76,586,973
Cash and investments with fiscal agent	6,248,007
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>7,084,415</u>
Total cash and investments	<u>\$ 89,919,395</u>

Cash and investments at June 30, 2011 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 12,175
Demand deposits	<u>827,256</u>
Total cash and deposits	<u>839,431</u>

Investments:	
Costa Mesa Community Facilities District Bonds	1,615,000
Medium Term Notes	12,366,965
Federal agency securities	20,444,731
Money market mutual funds	6,248,009
State Treasurer's Investment Pool	<u>48,405,259</u>
Total investments	<u>89,079,964</u>
Total cash and investments	<u>\$ 89,919,395</u>



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

The table below identifies the investment types that are authorized for the City of Costa Mesa by the California Government Code and the investment policies of the City of Costa Mesa and the Costa Mesa Redevelopment Agency. The table also identifies certain provisions of the California Government Code (or the City of Costa Mesa'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 of Costa Mesa, rather than the general provisions of the California Government Code or the City of Costa Mesa's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Percentage of Portfolio*</u>	<u>Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Securities	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	60%	60%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	10% of base value	None
Medium-Term Corporate Notes	Yes	5 years	30%	None
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	35%	None
Local Agency Investment Fund	Yes	N/A	\$50 Million	None

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Costa Mesa 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 of Costa Mesa'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 of Costa Mesa's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal Agency Securities	\$20,444,731	-	7,442,625	13,002,106	-
State Investment Pool (LAIF)	48,405,259	48,405,259	-	-	-
Medium Term Notes	12,366,965	3,799,285	8,567,680	-	-
Held by bond Trustee:					
Costa Mesa Community Facilities District Bonds	1,615,000	-	230,000	420,000	965,000
Money Market Mutual Funds	<u>6,248,009</u>	<u>6,248,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$89,079,964</u>	<u>58,452,553</u>	<u>16,240,305</u>	<u>13,422,106</u>	<u>965,000</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Legal</u> <u>Rating</u>	<u>Ratings at 6/30/11</u>	
			<u>Moody's</u>	<u>Standard &amp; Poors</u>
Federal Agency Securities	\$20,444,731	N/A	AAA	AAA
Medium Term Notes:				
Lehman Bros. Hldg. Corp Note	653,125	A	Default	Default
HSBC Corp. Note	3,146,160	A	A3	A
Merrill Lynch Corp. Note	2,631,775	A	A2	A
Goldman Sachs Corp. Note	3,170,625	A	A1	A
Morgan Stanley Corp. Note	2,102,780	A	A2	A
Lehman Bros. Hldg. Corp Note	662,500	A	Default	Default
State Investment Pool (LAIF)	48,405,259	N/A	Not Rated	Not Rated
Held by Bond Trustee:				
Costa Mesa Community Facilities District Bond	1,615,000	N/A	Not Rated	Not Rated
Money Market Mutual Funds	<u>6,248,009</u>	A	AAA	AAA
Total	<u>\$89,079,964</u>			

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

The City of Costa Mesa 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 of Costa Mesa's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Costa Mesa's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 123,429
General Fund	Nonmajor Redevelopment Projects Fund	78,732
General Fund	Home Fund	149,150
General Fund	Low and Moderate Housing Fund	<u>59,604</u>
	Subtotal	410,915
Redevelopment Agency Debt Service	General Fund	<u>15,000</u>
Total		<u>\$ 425,915</u>

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

(4) Advances To and From Other Funds

Advances to and from other funds at June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$10,272,574
General Fund	Park Development Fee Fund	<u>3,813,874</u>
	Subtotal	14,086,448
Nonmajor Governmental Funds	Redevelopment Agency Debt Service Fund	<u>161,638</u>
Total		<u>\$ 14,248,086</u>

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

The \$10,272,574 advance from the General Fund to the Redevelopment Agency Fund represents a note between the General Fund and the Costa Mesa Redevelopment Agency. Interest is stated at a rate of 8%. Repayment of the note is not expected in the forthcoming year, but the advance is expected to be repaid.

The \$3,813,874 advance from the General Fund to the Park Development Fee Fund is for the purchase of land. The annual interest rate is 6%. The advance is expected to be repaid with future park development fees.

The \$161,638 advance from the Community Development Fund to the Redevelopment Agency Fund represents a loan to the Costa Mesa Redevelopment Agency which bears an interest rate of 3% and, likewise, is not expected to be repaid in the forthcoming year, but is expected to be repaid.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(5) Transfers In and Out

Transfers in and out for the year ended June 30, 2011 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Nonmajor Governmental Funds	\$ 5,294,017 (a)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	88,991 (b)
Nonmajor Governmental Funds	General Fund	1,773,075 (c)
Redevelopment Agency – Debt Service Fund	Nonmajor Governmental Fund	1,065,712 (d)
Internal Service Funds	General Fund	<u>238,505 (e)</u>
		<u>\$8,460,300</u>

- (a) The General Fund transferred the following to the Nonmajor Governmental Funds:
1. \$100,000 to the Supplemental Law Enforcement Block Grant Fund for the reimbursement of public safety expenditures;
  2. \$381,898 to the Measure M Fund for reimbursement of public services expenditures;
  3. \$4,811,144 to the Finance Authority Debt Service Fund for debt service payments;
  4. \$975 to the Office of Traffic Safety Fund for public safety expenditures.
- (b) The Nonmajor Redevelopment Projects Fund transferred \$88,991 to the Community Development Block Grant for the revenues received from Costa Mesa Family Village.
- (c) The following Nonmajor Governmental Funds transferred funds back to the General Fund:
1. Parking District Fund transferred \$70 in investment earnings;
  2. Capital Improvements Fund transferred \$1,583,005 to the General Fund for reimbursement of capitalized interest incurred on the police expansion project;
  3. Golf Course Improvement Fund transferred \$190,000 to the General Fund per the revenue share agreement.
- (d) Redevelopment Debt Service Fund transferred \$1,065,712 to the Redevelopment Projects Fund to fund various project costs.
- (e) The Equipment Replacement and Self Insurance Funds (Internal Service) transferred \$238,505 of investment earnings back to the General Fund.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(6) Capital Asset

A summary of changes in capital assets follows:

	Balance at July 1, 2010 As restated, <u>(note 22)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2011</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 32,515,441	-	-	32,515,441
Land rights related to streets	29,291,575	-	-	29,291,575
Construction in progress	<u>3,872,350</u>	<u>3,523,613</u>	<u>(4,515,969)</u>	<u>2,879,994</u>
Total capital assets not being depreciated	<u>65,679,366</u>	<u>3,523,613</u>	<u>(4,515,969)</u>	<u>64,687,010</u>
Capital assets being depreciated:				
Building improvements and structures	59,289,991	633,864	-	59,923,855
Landscaping and sprinklers	9,363,689	-	-	9,363,689
Automotive equipment	13,728,424	146,690	(122,672)	13,752,442
Office furniture	458,232	28,359	-	486,591
Office machines	9,673,436	58,325	-	9,731,761
Other equipment	9,182,032	296,777	(140,388)	9,338,421
Park system	12,961,267	1,097,874	-	14,059,141
Infrastructure – roads	265,166,293	2,784,231	-	267,950,524
Infrastructure – storm drains	<u>90,666,656</u>	<u>-</u>	<u>-</u>	<u>90,666,656</u>
Total capital assets being depreciated	<u>470,490,020</u>	<u>5,046,120</u>	<u>(263,060)</u>	<u>475,273,080</u>
Less accumulated depreciation for:				
Building improvements and structure	(27,007,738)	(2,017,857)	-	(29,025,595)
Landscaping and sprinkler	(9,264,841)	(34,450)	-	(9,299,291)
Automotive equipment	(8,139,424)	(877,717)	110,405	(8,906,736)
Office furniture	(290,539)	(31,520)	-	(322,059)
Office machines	(6,611,834)	(355,047)	-	(6,966,881)
Other equipment	(7,411,091)	(373,300)	84,491	(7,699,900)
Park system	(3,633,417)	(771,451)	-	(4,404,868)
Infrastructure – roads	(149,400,959)	(5,703,747)	-	(155,104,706)
Infrastructure – storm drain	<u>(73,024,272)</u>	<u>(1,307,128)</u>	<u>-</u>	<u>(74,331,400)</u>
Total accumulated depreciation	<u>(284,784,115)</u>	<u>(11,472,217)</u>	<u>194,896</u>	<u>(296,061,436)</u>
Total capital assets being depreciated, net	<u>185,705,905</u>	<u>(6,426,097)</u>	<u>(68,164)</u>	<u>179,211,644</u>
Governmental activities capital assets, net	<u>\$251,385,271</u>	<u>(2,902,484)</u>	<u>(4,584,133)</u>	<u>243,898,654</u>



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(6) Capital Assets, (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2011:

Governmental activities:

General government	\$ 1,666,178
Protection of persons and property	1,949,381
Community programs	809,667
Public services	<u>7,046,991</u>
 Total depreciation expense-governmental activities	 <u>\$11,472,217</u>

The City has active construction projects as of June 30, 2011. The significant projects include the following:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fairview Park Improvements	700029	\$ 1,267,875	1,234,104	33,771
FP Wetlands/Riparian Habitat	700067	2,828,443	1,054,840	1,773,603
Brentwood Park Expansion	700077	<u>460,000</u>	<u>265,393</u>	<u>194,607</u>
 Total		 <u>\$4,556,318</u>	 <u>2,554,337</u>	 <u>2,001,981</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Portion Due Within One Year	Portion Due Beyond One Year
<u>Governmental Activities</u>						
Bonds:						
Redevelopment Agency 2003 Tax Allocation Refunding Bonds	\$4,650,000	-	(510,000)	4,140,000	525,000	3,615,000
Public Financing Authority 2003 Refunding Certificate of Participation	9,345,000	-	(900,000)	8,445,000	925,000	7,520,000
Public Financing Authority 2006 Refunding Revenue Refunding Bonds	1,975,000	-	(125,000)	1,850,000	130,000	1,720,000
Public Financing Authority 2007 Certificate of Participation	27,525,000	-	(1,170,000)	26,355,000	1,215,000	25,140,000
Public Financing Authority 1998 Refunding Revenue Bonds	<u>3,570,000</u>	<u>-</u>	<u>(1,130,000)</u>	<u>2,440,000</u>	<u>1,190,000</u>	<u>1,250,000</u>
Total bonds payable	<u>47,065,000</u>	<u>-</u>	<u>(3,835,000)</u>	<u>43,230,000</u>	<u>3,985,000</u>	<u>39,245,000</u>
Other liabilities:						
Claims payable	10,059,963	2,735,037	(2,849,440)	9,945,560	3,052,865	6,892,695
Employee leave benefits payable	6,299,026	5,023,455	(5,883,629)	5,438,852	2,200,000	3,238,852
Net OPEB obligation	1,407,942	2,198,079	(1,679,325)	1,926,696	-	1,926,696
Police Retirement 1% Supplemental	<u>2,624,382</u>	<u>140,503</u>	<u>(229,966)</u>	<u>2,534,919</u>	<u>229,966</u>	<u>2,304,953</u>
Total other liabilities	<u>20,391,313</u>	<u>10,097,074</u>	<u>(10,642,360)</u>	<u>19,846,027</u>	<u>5,482,831</u>	<u>14,363,196</u>
Capital leases:						
HVAC System	121,679	-	(80,383)	41,296	41,296	-
Tewinkle Park Athletic Field	1,237,014	-	(480,520)	756,494	499,443	257,051
TDA Fire Truck	<u>983,045</u>	<u>-</u>	<u>-</u>	<u>983,045</u>	<u>182,187</u>	<u>800,858</u>
Total capital leases payable	<u>2,341,738</u>	<u>-</u>	<u>(560,903)</u>	<u>1,780,835</u>	<u>722,926</u>	<u>1,057,909</u>
Total	<u>\$69,798,051</u>	<u>10,097,074</u>	<u>(15,038,263)</u>	<u>64,856,862</u>	<u>10,190,757</u>	<u>54,666,105</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(8) Bonds Payable

Costa Mesa Redevelopment Agency Bonds

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

The amount required for the bond reserve for the 2003 Tax Allocation Refunding Bonds is \$704,300. The City has \$704,300 on reserve with the fiscal agent at June 30, 2011. The principal balance outstanding at June 30, 2011 is \$4,140,000.

The annual debt service requirements for the Redevelopment Agency 2003 Tax Allocation Refunding Bonds as of June 30, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 525,000	165,362
2013	545,000	145,276
2014	565,000	123,075
2015	590,000	100,712
2016	610,000	77,450
2017	635,000	49,375
2018	<u>670,000</u>	<u>16,750</u>
Total	<u>\$4,140,000</u>	<u>678,000</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds

2007 Certificates of Participation

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

There is a reserve requirement of \$2,297,204 on the 2007 Certificate of Participation. The City has \$2,297,204 on reserve with the fiscal agent at June 30, 2011. The principal balance outstanding at June 30, 2011 is \$26,355,000.

2006 Revenue Refunding Bonds

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

There is a reserve requirement of \$224,755 on the 2006 Revenue Refunding Bonds. The City has \$224,755 on reserve with the fiscal agent at June 30, 2011. The principal balance outstanding at June 30, 2011 is \$1,850,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten days of receipt. The County remitted taxes on December 22, 2010 and April 27, 2011; the City remitted payment 21 and 6 days later, respectively.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(8) Bonds Payable, (Continued)

2003 Refunding Certificates of Participation

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

The amount required for the bond reserve for the 2003 Refunding Certificate of Participation is \$1,273,250. The City has \$1,273,250 on reserve with the fiscal agent at June 30, 2011. The principal balance outstanding at June 30, 2011 is \$8,445,000.

1998 Refunding Revenue Bonds

On May 1, 1998, the Costa Mesa Public Financing Authority issued \$13,715,000 of 1998 Refunding Revenue Bonds. The bonds mature serially from October 1, 1998 through October 1, 2012 in annual principal payments ranging from \$580,000 to \$1,250,000 and bear interest rates ranging from 4.00% to 5.00%. The bonds were issued in denominations of \$5,000. There is a reserve requirement of \$1,312,501 which is the maximum annual debt service requirement of the bond issue. At June 30, 2011, the City had \$1,312,501 on reserve with the fiscal agent. The principal balance outstanding on the bonds as on June 30, 2011 is \$2,440,000.

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

The annual debt service requirements for the Public Financing Authority Bonds as of June 30, 2011 are as follows:

Year Ending June 30	Governmental Activities							
	<u>2006</u>		<u>2003</u>		<u>1998</u>		<u>2007</u>	
	<u>Refunding Revenue</u>		<u>Refunding Certificates</u>		<u>Refunding Revenue</u>		<u>Certificates</u>	
	<u>Principal</u>	<u>Interest</u>	<u>of Participation</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>of Participation</u>	<u>Interest</u>
2012	\$ 130,000	87,054	925,000	328,250	1,190,000	92,250	1,215,000	1,056,104
2013	140,000	81,011	960,000	295,863	1,250,000	31,250	1,265,000	1,006,504
2014	145,000	74,526	990,000	261,719	-	-	1,315,000	954,904
2015	150,000	67,666	1,025,000	223,275	-	-	1,365,000	901,304
2016	160,000	60,301	1,070,000	182,713	-	-	1,420,000	845,604
2017	165,000	52,439	1,110,000	140,450	-	-	1,480,000	787,604
2018	175,000	44,086	1,155,000	89,375	-	-	1,530,000	727,404
2019	185,000	35,130	1,210,000	30,250	-	-	1,590,000	665,004
2020	190,000	25,708	-	-	-	-	1,640,000	600,404
2021	200,000	15,810	-	-	-	-	1,710,000	533,404
2022	210,000	5,355	-	-	-	-	1,775,000	462,594
2023	-	-	-	-	-	-	1,850,000	387,829
2024	-	-	-	-	-	-	1,925,000	309,248
2025	-	-	-	-	-	-	2,005,000	226,216
2026	-	-	-	-	-	-	2,090,000	138,675
2027	-	-	-	-	-	-	<u>2,180,000</u>	<u>46,870</u>
Total	<u>\$1,850,000</u>	<u>549,086</u>	<u>8,445,000</u>	<u>1,551,895</u>	<u>2,440,000</u>	<u>123,500</u>	<u>26,355,000</u>	<u>9,649,672</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(9) Other Liabilities

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note 19. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2011, is dependent on future developments, based upon information from the City's attorneys, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2011 for general liability amounted to \$3,687,223 and workers' compensation was \$6,258,337.

\$ 9,945,560

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2011 is expected to be paid primarily by the general fund in future years.

5,438,852

OPEB

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses as described in note 16. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. The net OPEB obligation at June 30, 2011 was \$1,926,696.

1,926,696

Police Retirement 1% Supplemental

The City of Costa Mesa joined the CalPERS 3%@50 plan for police employees on December 31, 2000. Prior to that date, the City sponsored the retirement plan providing a 2%@50 benefit and the Police Officer Separation Incentive Plan providing an additional 1%@50 benefit as described in note 15. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@50 plan. The net pension obligation at June 30, 2011 for the 1% enhancement was \$2,534,919.

2,534,919

Total other liabilities

\$ 19,846,027

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(10) Capital Leases Payable

On July 16, 2001, the City of Costa Mesa entered into a 10 year \$675,000 lease agreement with the Municipal Finance Corporation to provide financing for installation, retrofit and maintenance of an HVAC and lighting system of the various City facilities. The lease provides a purchase option. The obligation is due in semi-annual principal and interest payments of \$42,049. Interest is computed at a stated rate of 4.90%.

\$ 41,296

On December 6, 2005, the City of Costa Mesa entered into a 7-year lease (lease no. 05-103-AF) in the amount of \$3,183,781 for the purpose of financing capital improvements of the Tewinkle Park Athletic Field Complex. The obligation is due in semi-annual principal and interest payments of \$262,062. Each payment includes interest at a rate of 3.95% annum on the unpaid balance. The last payment is to be made on December 29, 2012.

756,494

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

983,045

Total capital leases payable \$1,780,835

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Park system	\$ 3,183,781
Equipment	6,295,310
Fire Truck (Auto)	<u>983,045</u>
Subtotal	10,462,136
Less: accumulated depreciation	<u>(5,861,658)</u>
Total	<u>\$ 4,600,478</u>



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(10) Capital Leases Payable, (Continued)

Amount of future minimum lease payments required for years ending June 30, 2011:

Year Ending June 30	Governmental Activities					
	<u>HVAC and Lighting System</u>		<u>Tewinkle Park Athletic Field</u>		<u>TDA Firetruck</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$41,296	754	499,443	24,680	182,187	37,454
2013	-	-	257,051	5,013	189,129	30,513
2014	-	-	-	-	196,334	23,307
2015	-	-	-	-	203,815	15,826
2016	-	-	-	-	<u>211,580</u>	<u>8,061</u>
Total	<u>\$41,296</u>	<u>754</u>	<u>756,494</u>	<u>29,693</u>	<u>983,045</u>	<u>115,161</u>

(11) Debt Without Government Commitment

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

On October 1, 1994, the Costa Mesa Redevelopment Agency issued \$3,500,000 of Variable Rate Demand Multi-Family Housing Revenue Bonds, 1994 Series A, to advance refund the 1984 Multi-Family Housing Revenue Bonds and to make a loan to the Costa Mesa Family Village (the Developer). The bonds were issued under and secured by an indenture of trust by and between the Agency and First Trust of California National Association as trustee. The Bonds were issued in denominations of \$100,000 and are due November 1, 2014. The outstanding balance at June 30, 2011 was \$3,200,000.

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol intersection, street improvements to Anton Boulevard and repay certain costs incurred by third parties with respect to the construction of the Metro Fire Station and the I-405 Access Study. The City is not liable for repayment of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. The outstanding balance at June 30, 2011 was \$1,715,000.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(12) Fund Balances

Fund balance consisted of the following at June 30, 2011:

	<u>General</u>	<u>Low and Moderate</u>	<u>Special Gas Tax</u>	<u>Home</u>	<u>Debt Service RDA</u>	<u>Park Development</u>	<u>Nonmajor Funds</u>
Nonspendable:							
Prepaid items/loan deposits	\$ 55,750	-	-	-	-	-	12,849
Inventories	46,875	-	-	-	-	-	-
Advance to other funds	13,231,703	-	-	-	-	-	-
Restricted for:							
Protection of persons and property	-	-	-	-	-	-	715,383
Community programs	-	-	-	-	-	-	4,356
Public services	-	-	11,902,944	-	-	-	9,147,269
Debt service	-	-	-	-	-	-	7,158,707
Redevelopment	-	3,021,679	-	-	-	-	2,215,319
Committed for:							
Declared disasters	14,125,000	-	-	-	-	-	-
Self insurance	2,000,000	-	-	-	-	-	-
Assigned for:							
Compensated absences	5,438,852	-	-	-	-	-	-
Police Retirement	-	-	-	-	-	-	-
1% Supplemental	2,534,919	-	-	-	-	-	-
OPEB	1,926,696	-	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	-	726,525
Public services	-	-	-	-	-	-	6,420,250
Unassigned	<u>5,915,735</u>	<u>-</u>	<u>-</u>	<u>(119,275)</u>	<u>(9,696,303)</u>	<u>(2,343,237)</u>	<u>(18,567)</u>
Total Fund Balance	<u>\$45,275,530</u>	<u>3,021,679</u>	<u>11,902,944</u>	<u>(119,275)</u>	<u>(9,696,303)</u>	<u>(2,343,237)</u>	<u>26,382,091</u>

The following governmental funds had deficits at June 30, 2011:

Major Funds:	
Redevelopment Agency Fund	\$(9,696,303)
Home Fund	(119,275)
Park Development Fees Fund	(2,343,237)
Nonmajor Funds:	
Special Revenue Funds:	
Rental Rehabilitation Program	(578)
Homelessness Prevention Fund	(17,989)

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(13) Property Tax Calendar

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

(14) Defined Benefit Pension Plan

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

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Starting March 2011, the City contributes 2.95% for the miscellaneous plan. Benefit provisions and all other requirements are established by State statues and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 26.242% for safety fire and 30.145% for safety police and 14.613% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid from the period July 1, 2010 to June 30, 2011.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan, (Continued)

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date for safety police, and 22 Years as of the Valuation Date for miscellaneous plan
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment for safety police, and 3.25% to 14.45% depending on Age, Service, and type of employment for the miscellaneous plan
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

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

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(14) Defined Benefit Pension Plan, (Continued)

Actuarial Valuation

*Three-Year Trend Information (\$ amount in thousands)*

Safety Police Employees

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>*UAAL As a % of Payroll</u>
6/30/08	\$164,144	\$125,377	\$38,767	76.4%	\$17,598	220.3%
6/30/09	180,401	132,501	47,850	73.5%	18,832	254.1%
6/30/10	190,631	139,146	51,485	73.0%	17,859	288.3%

Miscellaneous Employees

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>*UAAL As a % of Payroll</u>
6/30/08	\$165,493	\$142,801	\$22,692	86.3%	\$27,306	83.1%
6/30/09	190,478	151,348	39,130	79.5%	27,258	143.6%
6/30/10	202,584	158,819	43,765	78.4%	24,115	181.5%

\*UAAL refers to unfunded actuarial accrued liability.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan, (Continued)

Annual Pension (Employer Paid Member Contribution (EPMC))

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>	<u>Percentage of EPMC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$1,815,402	\$1,187,343	\$1,920,967	100%	-
6/30/10	1,743,353	1,172,423	1,709,342	100%	-
6/30/11	1,757,330	983,455	1,483,728	100%*	-

\* Effective March 13, 2011, the City's EPMC for Miscellaneous employees was reduced to 2.95%.

(15) Police 1% Supplemental Retirement Plan

The City of Costs Mesa joined the CalPERS 3% @50 plan for police employees on December 31, 2000. Prior to that date the City sponsored the retirement plan for safety employees of the City of Costa Mesa providing a 2% @50 benefit and the Police Officer Separation Incentive Plan providing an additional 1% @50 benefit. This section presents the actuarial valuation information for the Police Officer Separation Incentive Plan which has been in effect since July 1, 1993 for sworn members of the City of Costa Mesa Police Department. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3% @50 plan.

An actuarial valuation of Police Officers Separation Incentive Plan was performed as June 30, 2010. The number of participants as June 30, 2011 was twenty-one with an average age of 65.3. The average monthly benefit being paid is \$909.43. The City has not adopted a funding policy for this supplemental retirement plan and accordingly plan benefits impact financial resources as benefits are paid. There are no trust financial statements applicable to this plan.

A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	15 years
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Retirement	Age 50 and 5 years
Cost of Living Adjustment	None
Future Healthcare Cost Increases	4.5% to 10.1%

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll. The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

*Schedule of Funding Process*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/08	\$2,713,058	\$ -	\$2,713,058	00.0%	N/A	0.0%
6/30/09	2,910,828	-	2,910,828	00.0%	N/A	0.0%
6/30/10	2,910,828	-	2,910,828	00.0%	N/A	0.0%

*Schedule of Employer Contributions*

Date	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Obligation
6/30/09	\$78,000	226,471	290.3%	2,713,058
6/30/10	140,503	229,179	84.6%	2,624,382
6/30/11	140,503	229,966	84.8%	2,534,919

(Information for prior years has not been presented because actuarial valuations were not performed for this plan prior to 6/30/08)

*Determination of Net Pension Obligation as of June 30, 2011*

Annual required contribution	\$ 271,038
Interest on Net Pension Obligation	122,088
Adjustment to Annual Required Contribution	<u>(252,623)</u>
Annual Pension Cost	140,503
Less: Employer Contributions	<u>(229,966)</u>
Increase (decrease) in Net Pension Obligation	(89,463)
Net Pension Obligation, beginning of year	<u>2,624,382</u>
Net Pension Obligation, end of year	<u>\$ 2,534,919</u>

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

*Plan Description:* The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2010/11, the City contributed \$1.679 million to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. There are no trust financial statements applicable to this plan.

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

Annual required contribution	\$2,195,589
Interest on Net OPEB Obligation (NOO)	29,880
NOO amortization adjustment to ARC	<u>(27,390)</u>
Annual OPEB cost (expense)	2,198,079
Annual contributions (including premiums paid)	<u>(1,679,325)</u>
Increase in net OPEB cost (expense)	518,754
Net OPEB obligation, beginning of year	<u>1,407,942</u>
Net OPEB obligation, end of year	<u>\$1,926,696</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

*Schedule of Employer Contributions*

Fiscal Year <u>Date</u>	Annual Required <u>Contribution</u>	Actual <u>Contribution</u>	Percentage <u>Contributed</u>
6/30/09	\$1,978,000	\$1,314,000	66.4%
6/30/10	2,195,589	1,454,137	66.2%
6/30/11	2,195,589	1,679,325	76.5%



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$35,491,561
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$35,491,561</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll (active plan members)	\$49,021,189
UAAL as a percentage of covered payroll	72.4%

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

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City, with guidance from Actuary, has selected the discount rate (4.5%) and future medical benefit cost increase (various ranging from 4.5% to 10.10%), with a 3% inflation rate. It is assumed the City's payroll will increase 3.25% per year. A June 30, 2010 GAAP based Actuarial Valuation report can be obtained from the City's Finance department upon request.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

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

*Schedule of Funding Progress*

The funding progress of the plan as of the date of the most recent actuarial valuation and the two preceding valuation dates, if available, are as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	\$ -	\$ 24,438,000	\$ 24,438,000	0%	\$ 47,352,000	51.6%
6/30/10	-	35,491,561	35,491,561	0%	45,365,004	78.2%
6/30/11	-	35,491,561	35,491,561	0%	49,021,189	72.4%

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

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full and part-time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2011 was \$79,935. The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended for 52 pay periods starting November 7, 2010.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(18) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) are as follows at June 30, 2011:

Major Funds:	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	Public Services	\$5,551,649	\$4,767,972	\$783,677
Nonmajor Special Revenue Funds:				
Proposition 172	Protection of Person and Property	703,468	526,074	177,394
Supplemental Law Enforcement Services	Protection of Person and Property	212,888	211,312	1,576
Narcotics Forfeiture Fund	Protection of Person and Property	352,943	108,000	244,943
Local Law Enforcement Block Grant	Protection of Person and Property	90,513	26,880	63,633

(19) Risk Management

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

In the Self-Insurance Workers’ Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$9,945,560 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$6,258,337 for workers’ compensation and \$3,687,223 for general liability. Losses for claims incurred but not reported are recorded when the probable amount of loss can be reasonably estimated. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2011 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 OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
(Continued)

(19) Risk Management, (Continued)

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

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2009-2010	\$12,295,107	\$2,885,425	(\$5,120,569)	\$10,059,963
2010-2011	10,059,963	2,735,037	(2,849,440)	9,945,560

(20) Pledged Revenue

The City of Costa Mesa and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized and 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. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax increment (Project Area One)	\$3,043,202	\$692,200	22.75 %
Mello-Roos CFD 91-1	242,345	217,634	89.80 %

(21) Participant in Joint Venture

The City of Costa Mesa participates in a joint venture with the City of Newport Beach to provide Airborne Law Enforcement Services (ABLE). The purpose of ABLE is to use the equipment and personnel of the member agencies to provide helicopter law enforcement services to its citizens and to other requesting parties. The Board of Governors is comprised of two members from each City. At June 30, 2011, ABLE did not experience any fiscal stress as indicated by year-end unrestricted net assets of \$4,773,257. This year each member City contributed \$490,255 to the operation. Upon completion, separate financial statements of ABLE can be obtained at Costa Mesa City Hall.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(22) Prior Period Adjustment

The beginning net assets of the Governmental Activities have been restated to remove infrastructure assets that should not have been reflected as capital assets in the prior year. The following summarizes the effects of the restatement to the beginning net assets as of July 1, 2010:

	Government-Wide <u>Financials</u> Governmental <u>Activities</u>
Net assets at beginning of the year, as previously reported	\$297,828,971
Adjustment of infrastructure assets	<u>(19,073,624)</u>
Net assets at beginning of the year, as restated	<u>\$278,755,347</u>

(23) Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009/10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Costa Mesa was \$3,270,152.

Authorized with the 2009/10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(24) Recent Changes in Legislation Affecting California Redevelopment Agencies

In June 2011, the Governor of the State of California signed legislation to provide for the eventual dissolution of redevelopment agencies. This legislation provides for the continued operation of the agency if certain payments are made to the State of California. Those agencies that elect not to make such payments, will not be permitted to initiate new projects, obligations, or activities after July 1, 2011. Such agencies will only be permitted to pay existing obligations as defined by this legislation. This legislation is the subject of certain lawsuits that challenge its constitutionality.

On September 20, 2011, Costa Mesa Redevelopment Agency Ordinance No. 11-09 was adopted, indicating that the Agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as unconstitutional. The initial payment by the Agency is estimated to be \$1.5 million with one half due on January 15, 2012 and other half due May 15, 2012. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require Agencies to be terminated under the provision of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the State. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

# CITY OF COSTA MESA CALIFORNIA



## REQUIRED SUPPLEMENTARY INFORMATION



## **GENERAL FUND**

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

## **MAJOR SPECIAL REVENUE FUND**

### **Low and Moderate Income Housing Fund**

Established per Section 33334.3 of the Health and Safety Code to account for 20% of tax increment received by the Costa Mesa Redevelopment Agency which is to be expended for the purpose of increasing, improving, and preserving the low- and moderate-income housing available at affordable housing costs to persons and families of low or moderate income and to very low income households.

### **Special Gas Tax Fund**

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

### **Home Program Fund**

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



CITY OF COSTA MESA, CALIFORNIA

General Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 34,584,000	39,040,000	40,173,714	1,133,714	34,516,831
Property tax	20,120,000	20,670,000	20,748,997	78,997	21,322,014
Transient occupancy tax	4,000,000	5,050,000	5,344,968	294,968	4,268,984
Franchise tax	4,025,000	3,925,000	4,240,255	315,255	3,945,159
Business license tax	850,000	850,000	866,442	16,442	858,567
Total taxes	63,579,000	69,535,000	71,374,376	1,839,376	64,911,555
Licenses and permits	1,160,500	1,163,500	1,557,797	394,297	1,289,600
Fines and forfeits	2,155,000	2,105,000	1,743,743	(361,257)	2,488,324
Investment income	1,082,000	1,082,000	1,625,086	543,086	2,596,428
<b>Intergovernmental:</b>					
Motor vehicle in-lieu	8,200,000	8,700,000	9,112,000	412,000	9,117,465
Grants and other reimbursements	192,500	267,496	551,534	284,038	570,071
Total intergovernmental	8,392,500	8,967,496	9,663,534	696,038	9,687,536
Charges for services	3,868,050	3,877,400	3,696,642	(180,758)	3,938,797
Rental	2,622,500	2,632,500	2,801,058	168,558	2,723,828
Miscellaneous	328,100	491,980	805,648	313,668	1,858,588
Total revenues	83,187,650	89,854,876	93,267,884	3,413,008	89,494,656
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	204,985	204,985	190,684	14,301	252,876
City manager	892,938	1,092,938	1,067,827	25,111	987,958
City clerk	404,677	404,677	377,773	26,904	317,611
City attorney	530,550	530,550	853,861	(323,311)	405,425
Financial services	2,089,929	2,089,929	2,060,328	29,601	2,464,656
<b>Administrative services:</b>					
Administration	579,010	579,010	615,591	(36,581)	476,955
Personnel services	654,407	654,407	566,499	87,908	647,801
Central services	459,813	459,813	444,538	15,275	624,393
Risk management services	2,157,124	2,157,124	2,392,627	(235,503)	2,320,412
Communication services	4,214,545	4,214,545	3,500,105	714,440	3,771,464
Computer services	2,303,116	2,303,116	2,060,875	242,241	2,688,657
<b>Development services:</b>					
Administration	472,174	472,174	502,221	(30,047)	414,763
Facilities and equipment maintenance	7,609,075	7,609,075	7,106,323	502,752	8,323,304
Total general government	22,572,343	22,772,343	21,739,252	1,033,091	23,696,275

(Continued)

## CITY OF COSTA MESA, CALIFORNIA

(Continued)

## General Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Protection of persons and property:					
Police protection	36,007,045	36,054,884	33,897,504	2,157,380	37,237,477
Fire protection	19,398,404	19,417,417	19,256,827	160,590	20,851,520
Building and safety	1,602,368	1,602,368	1,343,670	258,698	2,119,671
Total protection of persons and property	<u>57,007,817</u>	<u>57,074,669</u>	<u>54,498,001</u>	<u>2,576,668</u>	<u>60,208,668</u>
Community programs:					
Community recreation	3,639,814	3,639,814	2,963,046	676,768	3,712,972
Planning	860,349	860,349	828,992	31,357	935,755
Total community programs	<u>4,500,163</u>	<u>4,500,163</u>	<u>3,792,038</u>	<u>708,125</u>	<u>4,648,727</u>
Public services:					
Administration	1,173,976	1,173,976	1,155,966	18,010	852,918
Engineering	1,401,344	1,401,344	2,134,922	(733,578)	2,018,824
Transportation	2,192,652	2,192,652	2,260,761	(68,109)	2,344,827
Total public services	<u>4,767,972</u>	<u>4,767,972</u>	<u>5,551,649</u>	<u>(783,677)</u>	<u>5,216,569</u>
Debt service:					
Principal	560,000	560,000	560,904	(904)	539,842
Interest and fiscal charges	90,000	90,000	88,138	1,862	72,168
Total debt service	<u>650,000</u>	<u>650,000</u>	<u>649,042</u>	<u>958</u>	<u>612,010</u>
Total expenditures	<u>89,498,295</u>	<u>89,765,147</u>	<u>86,229,982</u>	<u>3,535,165</u>	<u>94,382,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,310,645)</u>	<u>89,729</u>	<u>7,037,902</u>	<u>6,948,173</u>	<u>(4,887,593)</u>
Other financing sources (uses):					
Transfers in	1,976,064	1,976,064	2,011,580	35,516	2,929,230
Transfers out	(3,200,000)	(3,200,000)	(5,294,017)	(2,094,017)	(5,378,291)
Total other financing sources (uses)	<u>(1,223,936)</u>	<u>(1,223,936)</u>	<u>(3,282,437)</u>	<u>(2,058,501)</u>	<u>(2,449,061)</u>
Net change in fund balance	<u>(7,534,581)</u>	<u>(1,134,207)</u>	<u>3,755,465</u>	<u>4,889,672</u>	<u>(7,336,654)</u>
Fund balance at beginning of year	<u>41,520,065</u>	<u>41,520,065</u>	<u>41,520,065</u>	<u>-</u>	<u>48,856,719</u>
Fund balance at end of year	<u>\$ 33,985,484</u>	<u>40,385,858</u>	<u>45,275,530</u>	<u>4,889,672</u>	<u>41,520,065</u>

CITY OF COSTA MESA, CALIFORNIA

Low and Moderate Income Housing Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 864,604	864,604	834,048	(30,556)	797,170
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	8,646	8,646	15,360	6,714	15,785
Miscellaneous	-	-	73,719	73,719	99,003
<b>Total revenues</b>	<b>873,250</b>	<b>873,250</b>	<b>923,127</b>	<b>49,877</b>	<b>911,958</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Redevelopment	876,131	876,131	440,354	435,777	565,355
<b>Total expenditures</b>	<b>876,131</b>	<b>876,131</b>	<b>440,354</b>	<b>435,777</b>	<b>565,355</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,881)</b>	<b>(2,881)</b>	<b>482,773</b>	<b>485,654</b>	<b>346,603</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(2,881)</b>	<b>(2,881)</b>	<b>482,773</b>	<b>485,654</b>	<b>346,603</b>
<b>Fund balance at beginning of year</b>	<b>2,538,906</b>	<b>2,538,906</b>	<b>2,538,906</b>	<b>-</b>	<b>2,192,303</b>
<b>Fund balance at end of year</b>	<b>\$ 2,536,025</b>	<b>2,536,025</b>	<b>3,021,679</b>	<b>485,654</b>	<b>2,538,906</b>

CITY OF COSTA MESA, CALIFORNIA

Special Gas Tax Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	2,919,805	2,919,805	2,734,146	(185,659)	3,292,002
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	70,000	70,000	192,948	122,948	256,205
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,989,805</u>	<u>2,989,805</u>	<u>2,927,094</u>	<u>(62,711)</u>	<u>3,548,207</u>
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	1,800,000	6,599,677	1,128,646	5,471,031	1,282,413
Total expenditures	<u>1,800,000</u>	<u>6,599,677</u>	<u>1,128,646</u>	<u>5,471,031</u>	<u>1,282,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,189,805</u>	<u>(3,609,872)</u>	<u>1,798,448</u>	<u>5,408,320</u>	<u>2,265,794</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,189,805	(3,609,872)	1,798,448	5,408,320	2,265,794
Fund balance at beginning of year	<u>10,104,496</u>	<u>10,104,496</u>	<u>10,104,496</u>	<u>-</u>	<u>7,838,702</u>
Fund balance at end of year	<u>\$ 11,294,301</u>	<u>6,494,624</u>	<u>11,902,944</u>	<u>5,408,320</u>	<u>10,104,496</u>

CITY OF COSTA MESA, CALIFORNIA

HOME Program Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	771,888	771,888	326,481	(445,407)	716,240
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	40,164	40,164	148,479
<b>Total revenues</b>	<b>771,888</b>	<b>771,888</b>	<b>366,645</b>	<b>(405,243)</b>	<b>864,719</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	-	-	-	-
Community programs	771,888	771,888	423,809	348,079	541,781
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>771,888</b>	<b>771,888</b>	<b>423,809</b>	<b>348,079</b>	<b>541,781</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	(57,164)	(57,164)	322,938
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(57,164)</b>	<b>(57,164)</b>	<b>-</b>
Fund balance (deficit) at beginning of year	(62,111)	(62,111)	(62,111)	-	(385,049)
Fund balance (deficit) at end of year	<u>\$ (62,111)</u>	<u>(62,111)</u>	<u>(119,275)</u>	<u>(57,164)</u>	<u>(62,111)</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to Required Supplementary Information  
For the fiscal year ended June 30, 2011

(1) Budgetary Data

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

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

The City Council adopts each year's budget submitted by the Chief Executive Officer prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Interfunctional budget changes are approved by the Chief Executive Officer. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2011, several supplementary appropriations were made totaling \$9,368,849. At fiscal year-end all operating budget appropriations lapse.



# CITY OF COSTA MESA CALIFORNIA



## SUPPLEMENTARY SCHEDULES





CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

	Special Revenue	Debt Service	Capital Projects	Totals	
				2011	2010
<u>Assets</u>					
Cash and investments	\$ 1,952,441	1,615,000	16,029,359	19,596,800	18,762,575
Cash and investments with fiscal agent	-	5,543,707	-	5,543,707	5,518,991
Due from other governments	652,836	-	2,414,734	3,067,570	2,392,980
Accounts receivable	-	-	22,228	22,228	296,887
Interest receivable	6,456	-	1,353,583	1,360,039	1,326,293
Loans receivable	649,595	-	-	649,595	695,193
Rent receivable	-	-	1,120,624	1,120,624	1,102,904
Advances to other funds	161,638	-	-	161,638	166,838
Prepaid items	-	-	12,849	12,849	38
	<u>\$ 3,422,966</u>	<u>7,158,707</u>	<u>20,953,377</u>	<u>31,535,050</u>	<u>30,262,699</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 471,273	-	313,075	784,348	458,976
Accrued liabilities	608,365	-	328	608,693	193,484
Retentions payable	37,636	-	122,417	160,053	642,935
Deposits payable	-	-	100,000	100,000	-
Due to other funds	123,429	-	78,732	202,161	238,810
Deferred revenue	850,816	-	2,446,888	3,297,704	4,118,956
	<u>2,091,519</u>	<u>-</u>	<u>3,061,440</u>	<u>5,152,959</u>	<u>5,653,161</u>
Fund balances:					
Nonspendable					
Prepaid items/deposits	-	-	12,849	12,849	9,635
Restricted for:					
Protection of persons and property	715,383	-	-	715,383	579,153
Community programs	4,356	-	-	4,356	32,447
Public services	630,275	-	8,516,994	9,147,269	6,273,861
Redevelopment	-	-	2,215,319	2,215,319	1,567,667
Debt service	-	7,158,707	-	7,158,707	7,233,991
Assigned for:					
Protection of persons and property	-	-	726,525	726,525	449,292
Public services	-	-	6,420,250	6,420,250	8,533,881
Unassigned	(18,567)	-	-	(18,567)	(70,389)
	<u>1,331,447</u>	<u>7,158,707</u>	<u>17,891,937</u>	<u>26,382,091</u>	<u>24,609,538</u>
Total fund balances	<u>1,331,447</u>	<u>7,158,707</u>	<u>17,891,937</u>	<u>26,382,091</u>	<u>24,609,538</u>
Total liabilities and fund balances	<u>\$ 3,422,966</u>	<u>7,158,707</u>	<u>20,953,377</u>	<u>31,535,050</u>	<u>30,262,699</u>

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal year ended June 30, 2011

	Special Revenue	Debt Service	Capital Projects	Totals	
				2011	2010
<b>Revenues:</b>					
Taxes	\$ 779,510	-	789	780,299	751,311
Fines and forfeits	361,073	-	-	361,073	379,742
Intergovernmental	2,724,024	-	6,233,233	8,957,257	7,442,103
Charges for services	-	-	712,924	712,924	218,147
Rental	10,000	-	88,991	98,991	114,916
Investment income	22,844	142,897	249,239	414,980	599,487
Miscellaneous	31	-	134,663	134,694	445,068
	<u>3,897,482</u>	<u>142,897</u>	<u>7,419,839</u>	<u>11,460,218</u>	<u>9,950,774</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	1,709,289	-	-	1,709,289	1,675,748
Community programs	2,044,124	-	-	2,044,124	2,403,779
Public services	214,265	-	4,855,129	5,069,394	10,717,356
Redevelopment	-	-	422,187	422,187	660,638
<b>Debt service:</b>					
Principal	-	3,325,000	-	3,325,000	3,030,000
Interest and fiscal charges	-	1,704,325	-	1,704,325	1,832,673
	<u>3,967,678</u>	<u>5,029,325</u>	<u>5,277,316</u>	<u>14,274,319</u>	<u>20,320,194</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,196)</u>	<u>(4,886,428)</u>	<u>2,142,523</u>	<u>(2,814,101)</u>	<u>(10,369,420)</u>
<b>Other financing sources (uses):</b>					
Transfers in	189,966	4,811,144	1,447,610	6,448,720	6,231,056
Transfers out	-	-	(1,862,066)	(1,862,066)	(2,516,823)
	<u>189,966</u>	<u>4,811,144</u>	<u>(414,456)</u>	<u>4,586,654</u>	<u>3,714,233</u>
Net change in fund balances	119,770	(75,284)	1,728,067	1,772,553	(6,655,187)
Fund balances at beginning of year	<u>1,211,677</u>	<u>7,233,991</u>	<u>16,163,870</u>	<u>24,609,538</u>	<u>31,264,725</u>
Fund balances at end of year	<u>\$ 1,331,447</u>	<u>7,158,707</u>	<u>17,891,937</u>	<u>26,382,091</u>	<u>24,609,538</u>

## **NONMAJOR SPECIAL REVENUE FUNDS**

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

### **Proposition 172 Fund**

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

### **Air Quality Improvement Fund**

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

### **Community Development Fund**

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

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

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

### **Rental Rehabilitation Program Fund**

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

### **Narcotics Forfeiture Fund**

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

### **Local Law Enforcement Block Grant Fund**

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

### **Office of Traffic Safety Fund**

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

### **Homelessness Prevention Fund**

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

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2011

	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
<u>Assets</u>					
Cash and investments	\$ 450,355	648,187	-	-	-
Due from other governments	63,659	38,599	364,393	26,220	-
Accounts receivable	-	-	-	-	-
Interest receivable	1,491	2,139	-	-	-
Loans receivable	-	-	434,506	-	215,089
Advances to other funds	-	-	161,638	-	-
Prepaid items	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 515,505</u>	<u>688,925</u>	<u>960,537</u>	<u>26,220</u>	<u>215,089</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	50,467	244,981	-	-
Accrued liabilities	19,164	712	27,153	3,828	-
Retentions payable	-	7,471	30,165	-	-
Due to other funds	-	-	27,798	16,488	578
Deferred revenue	-	-	626,084	-	215,089
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>19,164</u>	<u>58,650</u>	<u>956,181</u>	<u>20,316</u>	<u>215,667</u>
Fund balances:					
Nonspendable					
Prepaid items/deposits	-	-	-	-	-
Restricted for:					
Protection of persons or property	496,341	-	-	5,904	-
Community programs	-	-	4,356	-	-
Public services	-	630,275	-	-	-
Unassigned	-	-	-	-	(578)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>496,341</u>	<u>630,275</u>	<u>4,356</u>	<u>5,904</u>	<u>(578)</u>
Total liabilities and fund balances	<u>\$ 515,505</u>	<u>688,925</u>	<u>960,537</u>	<u>26,220</u>	<u>215,089</u>

Narcotics Forfeiture	Local Law Enforcement	Office of Traffic Safety	Homelessness Prevention	Totals	
	Block Grant			2011	2010
845,882	8,017	-	-	1,952,441	1,470,660
8,752	22,435	88,400	40,378	652,836	271,659
-	-	-	-	-	37,027
2,800	26	-	-	6,456	6,240
-	-	-	-	649,595	659,595
-	-	-	-	161,638	166,838
-	-	-	-	-	38
<u>857,434</u>	<u>30,478</u>	<u>88,400</u>	<u>40,378</u>	<u>3,422,966</u>	<u>2,612,057</u>
113,519	1,565	2,374	58,367	471,273	222,461
557,508	-	-	-	608,365	192,680
-	-	-	-	37,636	4,090
-	-	78,565	-	123,429	145,074
9,643	-	-	-	850,816	836,075
<u>680,670</u>	<u>1,565</u>	<u>80,939</u>	<u>58,367</u>	<u>2,091,519</u>	<u>1,400,380</u>
-	-	-	-	-	38
176,764	28,913	7,461	-	715,383	579,153
-	-	-	-	4,356	32,447
-	-	-	-	630,275	670,428
-	-	-	(17,989)	(18,567)	(70,389)
<u>176,764</u>	<u>28,913</u>	<u>7,461</u>	<u>(17,989)</u>	<u>1,331,447</u>	<u>1,211,677</u>
<u>857,434</u>	<u>30,478</u>	<u>88,400</u>	<u>40,378</u>	<u>3,422,966</u>	<u>2,612,057</u>

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the fiscal year ended June 30, 2011

	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
<b>Revenues:</b>					
Taxes	\$ 779,510	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	162,676	1,641,542	114,921	40,000
Rental	-	-	10,000	-	-
Investment income	4,179	11,405	5,004	40	-
Miscellaneous	-	31	-	-	-
<b>Total revenues</b>	<b>783,689</b>	<b>174,112</b>	<b>1,656,546</b>	<b>114,961</b>	<b>40,000</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	703,468	-	-	212,888	-
Community programs	-	-	1,773,628	-	-
Public services	-	214,265	-	-	-
<b>Total expenditures</b>	<b>703,468</b>	<b>214,265</b>	<b>1,773,628</b>	<b>212,888</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>80,221</b>	<b>(40,153)</b>	<b>(117,082)</b>	<b>(97,927)</b>	<b>40,000</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	88,991	100,000	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>88,991</b>	<b>100,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>80,221</b>	<b>(40,153)</b>	<b>(28,091)</b>	<b>2,073</b>	<b>40,000</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>416,120</b>	<b>670,428</b>	<b>32,447</b>	<b>3,831</b>	<b>(40,578)</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 496,341</b>	<b>630,275</b>	<b>4,356</b>	<b>5,904</b>	<b>(578)</b>

Narcotics Forfeiture	Local Law Enforcement	Office of	Homelessness Prevention	Totals	
	Block Grant	Traffic Safety		2011	2010
-	-	-	-	779,510	750,513
361,073	-	-	-	361,073	379,742
13,934	119,472	349,303	282,176	2,724,024	2,451,806
-	-	-	-	10,000	20,048
2,120	96	-	-	22,844	31,068
-	-	-	-	31	11,575
<u>377,127</u>	<u>119,568</u>	<u>349,303</u>	<u>282,176</u>	<u>3,897,482</u>	<u>3,644,752</u>
352,943	90,513	349,477	-	1,709,289	1,675,748
-	-	-	270,496	2,044,124	1,755,252
-	-	-	-	214,265	152,914
<u>352,943</u>	<u>90,513</u>	<u>349,477</u>	<u>270,496</u>	<u>3,967,678</u>	<u>3,583,914</u>
<u>24,184</u>	<u>29,055</u>	<u>(174)</u>	<u>11,680</u>	<u>(70,196)</u>	<u>60,838</u>
-	-	975	-	189,966	844,868
-	-	-	-	-	(335,862)
-	-	975	-	189,966	509,006
24,184	29,055	801	11,680	119,770	569,844
<u>152,580</u>	<u>(142)</u>	<u>6,660</u>	<u>(29,669)</u>	<u>1,211,677</u>	<u>641,833</u>
<u>176,764</u>	<u>28,913</u>	<u>7,461</u>	<u>(17,989)</u>	<u>1,331,447</u>	<u>1,211,677</u>

CITY OF COSTA MESA, CALIFORNIA

Proposition 172 Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 750,000	750,000	779,510	29,510	750,513
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	4,179	4,179	3,063
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>750,000</b>	<b>750,000</b>	<b>783,689</b>	<b>33,689</b>	<b>753,576</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	526,074	526,074	703,468	(177,394)	1,031,130
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>526,074</b>	<b>526,074</b>	<b>703,468</b>	<b>(177,394)</b>	<b>1,031,130</b>
Excess (deficiency) of revenues over (under) expenditures	223,926	223,926	80,221	(143,705)	(277,554)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	650,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,000</b>
<b>Net change in fund balance</b>	<b>223,926</b>	<b>223,926</b>	<b>80,221</b>	<b>(143,705)</b>	<b>372,446</b>
Fund balance at beginning of year	416,120	416,120	416,120	-	43,674
<b>Fund balance at end of year</b>	<b>\$ 640,046</b>	<b>640,046</b>	<b>496,341</b>	<b>(143,705)</b>	<b>416,120</b>



CITY OF COSTA MESA, CALIFORNIA

Air Quality Improvement Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	140,000	140,000	162,676	22,676	131,886
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	6,700	6,700	11,405	4,705	15,275
Miscellaneous	-	-	31	31	-
<b>Total revenues</b>	<b>146,700</b>	<b>146,700</b>	<b>174,112</b>	<b>27,412</b>	<b>147,161</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	48,995	634,672	214,265	420,407	152,914
<b>Total expenditures</b>	<b>48,995</b>	<b>634,672</b>	<b>214,265</b>	<b>420,407</b>	<b>152,914</b>
Excess (deficiency) of revenues over (under) expenditures	97,705	(487,972)	(40,153)	447,819	(5,753)
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>97,705</b>	<b>(487,972)</b>	<b>(40,153)</b>	<b>447,819</b>	<b>(5,753)</b>
Fund balance at beginning of year	670,428	670,428	670,428	-	676,181
<b>Fund balance at end of year</b>	<b>\$ 768,133</b>	<b>182,456</b>	<b>630,275</b>	<b>447,819</b>	<b>670,428</b>

CITY OF COSTA MESA, CALIFORNIA

Community Development Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	2,074,174	2,074,174	1,641,542	(432,632)	1,583,843
Charges for services	-	-	-	-	-
Rental	-	-	10,000	10,000	20,048
Investment income	-	-	5,004	5,004	-
Miscellaneous	-	-	-	-	5,156
<b>Total revenues</b>	<b>2,074,174</b>	<b>2,074,174</b>	<b>1,656,546</b>	<b>(417,628)</b>	<b>1,609,047</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	-	-	-	-
Community programs	2,159,065	2,911,666	1,773,628	1,138,038	1,580,723
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>2,159,065</b>	<b>2,911,666</b>	<b>1,773,628</b>	<b>1,138,038</b>	<b>1,580,723</b>
Excess (deficiency) of revenues over (under) expenditures	(84,891)	(837,492)	(117,082)	720,410	28,324
<b>Other financing sources (uses):</b>					
Transfers in	-	-	88,991	88,991	94,868
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>88,991</b>	<b>88,991</b>	<b>94,868</b>
<b>Net change in fund balance</b>	<b>(84,891)</b>	<b>(837,492)</b>	<b>(28,091)</b>	<b>809,401</b>	<b>123,192</b>
Fund balance (deficit) at beginning of year	32,447	32,447	32,447	-	(90,745)
Fund balance (deficit) at end of year	\$ (52,444)	(805,045)	4,356	809,401	32,447

CITY OF COSTA MESA, CALIFORNIA

Supplemental Law Enforcement Services Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	141,750	141,750	114,921	(26,829)	111,462
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	40	40	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>141,750</b>	<b>141,750</b>	<b>114,961</b>	<b>(26,789)</b>	<b>111,462</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	211,312	211,312	212,888	(1,576)	205,036
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>211,312</b>	<b>211,312</b>	<b>212,888</b>	<b>(1,576)</b>	<b>205,036</b>
Excess (deficiency) of revenues over (under) expenditures	(69,562)	(69,562)	(97,927)	(28,365)	(93,574)
<b>Other financing sources (uses):</b>					
Transfers in	100,000	100,000	100,000	-	100,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
Net change in fund balance	30,438	30,438	2,073	(28,365)	6,426
Fund balance (deficit) at beginning of year	3,831	3,831	3,831	-	(2,595)
Fund balance at end of year	\$ 34,269	34,269	5,904	(28,365)	3,831

CITY OF COSTA MESA, CALIFORNIA

Narcotics Forfeiture Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	175,000	175,000	361,073	186,073	379,742
Intergovernmental	-	-	13,934	13,934	16,903
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	4,000	4,000	2,120	(1,880)	12,730
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>179,000</b>	<b>179,000</b>	<b>377,127</b>	<b>198,127</b>	<b>409,375</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	108,000	108,000	352,943	(244,943)	113,047
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>108,000</b>	<b>108,000</b>	<b>352,943</b>	<b>(244,943)</b>	<b>113,047</b>
Excess (deficiency) of revenues over (under) expenditures	71,000	71,000	24,184	(46,816)	296,328
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	(200,000)	(200,000)	-	200,000	(335,862)
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>-</b>	<b>200,000</b>	<b>(335,862)</b>
<b>Net change in fund balance</b>	<b>(129,000)</b>	<b>(129,000)</b>	<b>24,184</b>	<b>153,184</b>	<b>(39,534)</b>
Fund balance at beginning of year	152,580	152,580	152,580	-	192,114
<b>Fund balance at end of year</b>	<b>\$ 23,580</b>	<b>23,580</b>	<b>176,764</b>	<b>153,184</b>	<b>152,580</b>

CITY OF COSTA MESA, CALIFORNIA

Local Law Enforcement Block Grant Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	26,880	119,472	92,592	39,866
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	96	96	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>26,880</b>	<b>119,568</b>	<b>92,688</b>	<b>39,866</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	26,880	90,513	(63,633)	35,390
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>26,880</b>	<b>90,513</b>	<b>(63,633)</b>	<b>35,390</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	29,055	29,055	4,476
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>29,055</b>	<b>29,055</b>	<b>4,476</b>
Fund balance (deficit) at beginning of year	(142)	(142)	(142)	-	(4,618)
Fund balance (deficit) at end of year	<u>\$ (142)</u>	<u>(142)</u>	<u>28,913</u>	<u>29,055</u>	<u>(142)</u>

CITY OF COSTA MESA, CALIFORNIA

Office of Traffic Safety Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	364,000	349,303	(14,697)	382,986
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>364,000</b>	<b>349,303</b>	<b>(14,697)</b>	<b>382,986</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	-	364,000	349,477	14,523	291,145
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>364,000</b>	<b>349,477</b>	<b>14,523</b>	<b>291,145</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	(174)	(174)	91,841
<b>Other financing sources (uses):</b>					
Transfers in	-	-	975	975	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>975</b>	<b>975</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>801</b>	<b>801</b>	<b>91,841</b>
Fund balance (deficit) at beginning of year	6,660	6,660	6,660	-	(85,181)
Fund balance at end of year	\$ 6,660	6,660	7,461	801	6,660

CITY OF COSTA MESA, CALIFORNIA

Homelessness Prevention Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	282,176	282,176	104,860
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	282,176	282,176	104,860
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	425,707	270,496	155,211	134,529
Public services	-	-	-	-	-
Total expenditures	-	425,707	270,496	155,211	134,529
Excess (deficiency) of revenues over (under) expenditures	-	(425,707)	11,680	437,387	(29,669)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(425,707)	11,680	437,387	(29,669)
Fund balance (deficit) at beginning of year	(29,669)	(29,669)	(29,669)	-	-
Fund balance (deficit) at end of year	<u>\$ (29,669)</u>	<u>(455,376)</u>	<u>(17,989)</u>	<u>437,387</u>	<u>(29,669)</u>





## **MAJOR AND NONMAJOR DEBT SERVICE FUNDS**

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

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

### **Redevelopment Agency Debt Service Fund**

To accumulate monies for payment of the 2003 Tax Allocation Refunding Bonds, the promissory note due upon demand to the City of Costa Mesa and other developer loans. All tax increments received are placed in this fund and are used to retire debt (bonded or loans) in accordance with the Health and Safety Code.

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

### **Financing Authority Debt Service Fund**

To accumulate monies for payment of the 2007 Certificates of Participation (COP), 2006 Revenue Refunding Bonds, the 2003 Refunding Certificates of Participation, and the 1998 Refunding Revenue Bonds of the Corporation. The 2007 COP provided funding for the expansion of the police facility. 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. The 2003 Refunding COP refunded the 1993 Refunding Revenue Bonds that provided for the refunding of the Costa Mesa City Hall and Public Safety Facilities, Inc. 1966 and 1988 Lease Revenue Bond issues. The 1998 Refunding Revenue Bonds provided for the refunding of the 1990 Lease Revenue Bonds.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Debt Service Funds

Comparative Balance Sheet

June 30, 2011

	Financing Authority Debt Service	Totals	
		2011	2010
<u>Assets</u>			
Cash and investments	\$ 1,615,000	1,615,000	1,715,000
Cash and investments with fiscal agent	5,543,707	5,543,707	5,518,991
Total assets	<u>\$ 7,158,707</u>	<u>7,158,707</u>	<u>7,233,991</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accrued liabilities	\$ -	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	7,158,707	7,158,707	7,233,991
Total fund balances	7,158,707	7,158,707	7,233,991
Total liabilities and fund balances	<u>\$ 7,158,707</u>	<u>7,158,707</u>	<u>7,233,991</u>

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Debt Service Funds  
 Comparative Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal year ended June 30, 2011

	Financing Authority Debt Service	Totals	
		2011	2010
Revenues:			
Investment income	\$ 142,897	142,897	151,507
Total revenues	142,897	142,897	151,507
Expenditures:			
Debt service:			
Principal	3,325,000	3,325,000	3,030,000
Interest and fiscal charges	1,704,325	1,704,325	1,832,673
Total expenditures	5,029,325	5,029,325	4,862,673
Excess (deficiency) of revenues over (under) expenditures	(4,886,428)	(4,886,428)	(4,711,166)
Other financing sources (uses):			
Transfers in	4,811,144	4,811,144	4,628,291
Transfers out	-	-	-
Total other financing sources (uses)	4,811,144	4,811,144	4,628,291
Net change in fund balances	(75,284)	(75,284)	(82,875)
Fund balances at beginning of year	7,233,991	7,233,991	7,316,866
Fund balances at end of year	\$ 7,158,707	7,158,707	7,233,991

CITY OF COSTA MESA, CALIFORNIA  
Redevelopment Agency Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 3,165,710	3,165,710	3,043,202	(122,508)	1,765,578
Investment income	34,584	34,584	4,094	(30,490)	10,560
Miscellaneous	25,510	25,510	15,000	(10,510)	15,000
<b>Total revenues</b>	<u>3,225,804</u>	<u>3,225,804</u>	<u>3,062,296</u>	<u>(163,508)</u>	<u>1,791,138</u>
<b>Expenditures:</b>					
Debt service:					
Principal	957,698	957,698	510,000	447,698	495,000
Interest and fiscal charges	1,051,410	1,051,410	1,046,213	5,197	1,095,843
<b>Total expenditures</b>	<u>2,009,108</u>	<u>2,009,108</u>	<u>1,556,213</u>	<u>452,895</u>	<u>1,590,843</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,216,696</u>	<u>1,216,696</u>	<u>1,506,083</u>	<u>289,387</u>	<u>200,295</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	(1,220,695)	(1,220,695)	(1,065,712)	154,983	(757,897)
<b>Total other financing sources (uses)</b>	<u>(1,220,695)</u>	<u>(1,220,695)</u>	<u>(1,065,712)</u>	<u>154,983</u>	<u>(757,897)</u>
<b>Net change in fund balance</b>	(3,999)	(3,999)	440,371	444,370	(557,602)
<b>Fund balance (deficit) at beginning of year</b>	(10,136,674)	(10,136,674)	(10,136,674)	-	(9,579,072)
<b>Fund balance (deficit) at end of year</b>	<u>\$ (10,140,673)</u>	<u>(10,140,673)</u>	<u>(9,696,303)</u>	<u>444,370</u>	<u>(10,136,674)</u>

## **MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS**

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

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

### **Park Development Fund**

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

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

### **Capital Improvements Fund**

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

### **Measure "M" Fund**

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

### **Parking Districts Fund**

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

### **Golf Course Improvements Fund**

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

### **Drainage Fees Fund**

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

### **Traffic Impact Fees Fund**

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

### **Fire System Development Fees Fund**

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

### **Redevelopment Projects Fund**

Established to account or financial resources to be used for acquisition or construction of major capital facilities within the Redevelopment Project Areas of Costa Mesa. Financing is to be provided by the Costa Mesa Redevelopment Agency.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2011

	<u>Capital Improvements</u>	<u>Measure "M" Construction</u>	<u>Parking Districts</u>	<u>Golf Course Improvements</u>
<u>Assets</u>				
Cash and investments	\$ 1,054,978	6,747,119	4,245	663,512
Due from other governments	595,452	1,819,275	7	-
Accounts receivable	-	-	-	10,001
Interest receivable	3,492	22,336	14	2,196
Loans receivable	-	-	-	-
Rent receivable	-	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,653,922</u>	<u>8,588,730</u>	<u>4,266</u>	<u>675,709</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 281,409	26,392	-	-
Accrued liabilities	176	152	-	-
Retentions payable	84,552	37,865	-	-
Deposits payable	100,000	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	7,327	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>466,137</u>	<u>71,736</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public Services	-	8,516,994	-	-
Redevelopment	-	-	-	-
Assigned for:				
Public Services	1,187,785	-	4,266	675,709
Protection of persons and property	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>1,187,785</u>	<u>8,516,994</u>	<u>4,266</u>	<u>675,709</u>
Total liabilities and fund balances	<u>\$ 1,653,922</u>	<u>8,588,730</u>	<u>4,266</u>	<u>675,709</u>

Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Redevelopment Projects	Totals	
				2011	2010
842,931	3,694,542	724,129	2,297,903	16,029,359	15,576,915
-	-	-	-	2,414,734	2,121,321
-	12,227	-	-	22,228	259,860
2,790	-	2,396	1,320,359	1,353,583	1,320,054
-	-	-	-	-	26,000
-	-	-	1,120,624	1,120,624	1,102,904
-	9,597	-	3,252	12,849	9,597
<u>845,721</u>	<u>3,716,366</u>	<u>726,525</u>	<u>4,742,138</u>	<u>20,953,377</u>	<u>20,416,651</u>
-	-	-	5,274	313,075	236,515
-	-	-	-	328	804
-	-	-	-	122,417	602,422
-	-	-	-	100,000	36,423
-	-	-	78,732	78,732	93,736
-	-	-	2,439,561	2,446,888	3,282,881
-	-	-	2,523,567	3,061,440	4,252,781
-	9,597	-	3,252	12,849	9,597
-	-	-	-	8,516,994	5,603,433
-	-	-	2,215,319	2,215,319	1,567,667
845,721	3,706,769	-	-	6,420,250	8,533,881
-	-	726,525	-	726,525	449,292
<u>845,721</u>	<u>3,716,366</u>	<u>726,525</u>	<u>2,218,571</u>	<u>17,891,937</u>	<u>16,163,870</u>
<u>845,721</u>	<u>3,716,366</u>	<u>726,525</u>	<u>4,742,138</u>	<u>20,953,377</u>	<u>20,416,651</u>

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the fiscal year ended June 30, 2011

	Capital Improvements	Measure "M" Construction	Parking Districts	Golf Course Improvements
<b>Revenues:</b>				
Taxes	\$ -	-	789	-
Intergovernmental	2,347,086	3,886,147	-	-
Charges for services	-	-	-	103,422
Rental	-	-	-	-
Investment income	24,687	113,439	70	13,148
Miscellaneous	132,715	1,948	-	-
<b>Total revenues</b>	<b>2,504,488</b>	<b>4,001,534</b>	<b>859</b>	<b>116,570</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public services	3,279,248	1,469,871	-	61,710
Redevelopment	-	-	-	-
<b>Total expenditures</b>	<b>3,279,248</b>	<b>1,469,871</b>	<b>-</b>	<b>61,710</b>
Excess (deficiency) of revenues over (under) expenditures	(774,760)	2,531,663	859	54,860
<b>Other financing sources (uses):</b>				
Transfers in	-	381,898	-	-
Transfers out	(1,583,005)	-	(70)	(190,000)
<b>Total other financing sources (uses)</b>	<b>(1,583,005)</b>	<b>381,898</b>	<b>(70)</b>	<b>(190,000)</b>
<b>Net change in fund balance</b>	<b>(2,357,765)</b>	<b>2,913,561</b>	<b>789</b>	<b>(135,140)</b>
Fund balance at beginning of year	3,545,550	5,603,433	3,477	810,849
Fund balance at end of year	<u>\$ 1,187,785</u>	<u>8,516,994</u>	<u>4,266</u>	<u>675,709</u>



Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Redevelopment Projects	Totals	
				2011	2010
-	-	-	-	789	798
-	-	-	-	6,233,233	4,990,297
222,720	122,572	264,210	-	712,924	218,147
-	-	-	88,991	88,991	94,868
13,594	63,899	13,023	7,379	249,239	416,912
-	-	-	-	134,663	433,493
<u>236,314</u>	<u>186,471</u>	<u>277,233</u>	<u>96,370</u>	<u>7,419,839</u>	<u>6,154,515</u>
44,300	-	-	-	4,855,129	11,212,969
-	-	-	422,187	422,187	660,638
<u>44,300</u>	<u>-</u>	<u>-</u>	<u>422,187</u>	<u>5,277,316</u>	<u>11,873,607</u>
<u>192,014</u>	<u>186,471</u>	<u>277,233</u>	<u>(325,817)</u>	<u>2,142,523</u>	<u>(5,719,092)</u>
-	-	-	1,065,712	1,447,610	757,897
-	-	-	(88,991)	(1,862,066)	(2,180,961)
-	-	-	976,721	(414,456)	(1,423,064)
192,014	186,471	277,233	650,904	1,728,067	(7,142,156)
<u>653,707</u>	<u>3,529,895</u>	<u>449,292</u>	<u>1,567,667</u>	<u>16,163,870</u>	<u>23,306,026</u>
<u>845,721</u>	<u>3,716,366</u>	<u>726,525</u>	<u>2,218,571</u>	<u>17,891,937</u>	<u>16,163,870</u>

CITY OF COSTA MESA, CALIFORNIA

Capital Improvements Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	156,005	856,005	2,347,086	1,491,081	1,821,528
Rental	-	-	-	-	-
Investment income	35,000	35,000	24,687	(10,313)	27,783
Miscellaneous	-	350,000	132,715	(217,285)	432,000
<b>Total revenues</b>	<b>191,005</b>	<b>1,241,005</b>	<b>2,504,488</b>	<b>1,263,483</b>	<b>2,281,311</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	226,005	6,324,161	3,279,248	3,044,913	3,433,520
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>226,005</b>	<b>6,324,161</b>	<b>3,279,248</b>	<b>3,044,913</b>	<b>3,433,520</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(35,000)</b>	<b>(5,083,156)</b>	<b>(774,760)</b>	<b>4,308,396</b>	<b>(1,152,209)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	(1,591,064)	(1,591,064)	(1,583,005)	8,059	(2,086,004)
<b>Total other financing sources (uses)</b>	<b>(1,591,064)</b>	<b>(1,591,064)</b>	<b>(1,583,005)</b>	<b>8,059</b>	<b>(2,086,004)</b>
<b>Net change in fund balance</b>	<b>(1,626,064)</b>	<b>(6,674,220)</b>	<b>(2,357,765)</b>	<b>4,316,455</b>	<b>(3,238,213)</b>
<b>Fund balance at beginning of year</b>	<b>3,545,550</b>	<b>3,545,550</b>	<b>3,545,550</b>	<b>-</b>	<b>6,783,763</b>
<b>Fund balance at end of year</b>	<b>\$ 1,919,486</b>	<b>(3,128,670)</b>	<b>1,187,785</b>	<b>4,316,455</b>	<b>3,545,550</b>

CITY OF COSTA MESA, CALIFORNIA

Measure "M" Construction Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	1,800,000	3,800,000	3,886,147	86,147	3,168,769
Rental	-	-	-	-	-
Investment income	100,000	100,000	113,439	13,439	234,928
Miscellaneous	-	-	1,948	1,948	1,415
<b>Total revenues</b>	<b>1,900,000</b>	<b>3,900,000</b>	<b>4,001,534</b>	<b>101,534</b>	<b>3,405,112</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	1,355,582	12,290,749	1,469,871	10,820,878	7,105,093
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>1,355,582</b>	<b>12,290,749</b>	<b>1,469,871</b>	<b>10,820,878</b>	<b>7,105,093</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>544,418</b>	<b>(8,390,749)</b>	<b>2,531,663</b>	<b>10,922,412</b>	<b>(3,699,981)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	381,898	381,898	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>381,898</b>	<b>381,898</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>544,418</b>	<b>(8,390,749)</b>	<b>2,913,561</b>	<b>11,304,310</b>	<b>(3,699,981)</b>
<b>Fund balance at beginning of year</b>	<b>5,603,433</b>	<b>5,603,433</b>	<b>5,603,433</b>	<b>-</b>	<b>9,303,414</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ 6,147,851</b>	<b>(2,787,316)</b>	<b>8,516,994</b>	<b>11,304,310</b>	<b>5,603,433</b>

CITY OF COSTA MESA, CALIFORNIA

Parking District Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 832	832	789	(43)	798
Intergovernmental	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	30	30	70	40	85
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>862</b>	<b>862</b>	<b>859</b>	<b>(3)</b>	<b>883</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	-	-	-	-	-
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>862</b>	<b>862</b>	<b>859</b>	<b>(3)</b>	<b>883</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(70)	(70)	(89)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(70)</b>	<b>(70)</b>	<b>(89)</b>
<b>Net change in fund balance</b>	<b>862</b>	<b>862</b>	<b>789</b>	<b>(73)</b>	<b>794</b>
<b>Fund balance at beginning of year</b>	<b>3,477</b>	<b>3,477</b>	<b>3,477</b>	<b>-</b>	<b>2,683</b>
<b>Fund balance at end of year</b>	<b>\$ 4,339</b>	<b>4,339</b>	<b>4,266</b>	<b>(73)</b>	<b>3,477</b>

CITY OF COSTA MESA, CALIFORNIA

Drainage Fees Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	250,000	250,000	222,720	(27,280)	113,631
Rental	-	-	-	-	-
Investment income	9,200	9,200	13,594	4,394	21,164
Miscellaneous	-	-	-	-	-
Total revenues	<u>259,200</u>	<u>259,200</u>	<u>236,314</u>	<u>(22,886)</u>	<u>134,795</u>
Expenditures:					
Current:					
Public services	440,000	657,733	44,300	613,433	439,396
Redevelopment	-	-	-	-	-
Total expenditures	<u>440,000</u>	<u>657,733</u>	<u>44,300</u>	<u>613,433</u>	<u>439,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(180,800)</u>	<u>(398,533)</u>	<u>192,014</u>	<u>590,547</u>	<u>(304,601)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(180,800)</u>	<u>(398,533)</u>	<u>192,014</u>	<u>590,547</u>	<u>(304,601)</u>
Fund balance at beginning of year	<u>653,707</u>	<u>653,707</u>	<u>653,707</u>	<u>-</u>	<u>958,308</u>
Fund balance at end of year	<u>\$ 472,907</u>	<u>255,174</u>	<u>845,721</u>	<u>590,547</u>	<u>653,707</u>

CITY OF COSTA MESA, CALIFORNIA

Traffic Impact Fees Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	300,000	122,572	(177,428)	-
Rental	-	-	-	-	-
Investment income	41,000	41,000	63,899	22,899	92,404
Miscellaneous	-	-	-	-	78
Total revenues	41,000	341,000	186,471	(154,529)	92,482
Expenditures:					
Current:					
Public services	-	323,597	-	323,597	209,131
Redevelopment	-	-	-	-	-
Total expenditures	-	323,597	-	323,597	209,131
Excess (deficiency) of revenues over (under) expenditures	41,000	17,403	186,471	169,068	(116,649)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	41,000	17,403	186,471	169,068	(116,649)
Fund balance at beginning of year	3,529,895	3,529,895	3,529,895	-	3,646,544
Fund balance at end of year	\$ 3,570,895	3,547,298	3,716,366	169,068	3,529,895

CITY OF COSTA MESA, CALIFORNIA

Fire System Development Fees Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	264,210	264,210	-
Rental	-	-	-	-	-
Investment income	4,400	4,400	13,023	8,623	11,751
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>4,400</b>	<b>4,400</b>	<b>277,233</b>	<b>272,833</b>	<b>11,751</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	-	250,000	-	250,000	-
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>250,000</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	4,400	(245,600)	277,233	522,833	11,751
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>4,400</b>	<b>(245,600)</b>	<b>277,233</b>	<b>522,833</b>	<b>11,751</b>
Fund balance at beginning of year	449,292	449,292	449,292	-	437,541
Fund balance at end of year	\$ 453,692	203,692	726,525	522,833	449,292

CITY OF COSTA MESA, CALIFORNIA

Redevelopment Projects Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Rental	118,669	118,669	88,991	(29,678)	94,868
Investment income	-	-	7,379	7,379	7,566
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>118,669</b>	<b>118,669</b>	<b>96,370</b>	<b>(22,299)</b>	<b>102,434</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	-	-	-	-	-
Redevelopment	791,008	791,008	422,187	368,821	660,638
<b>Total expenditures</b>	<b>791,008</b>	<b>791,008</b>	<b>422,187</b>	<b>368,821</b>	<b>660,638</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(672,339)</b>	<b>(672,339)</b>	<b>(325,817)</b>	<b>346,522</b>	<b>(558,204)</b>
<b>Other financing sources (uses):</b>					
Transfers in	1,220,695	1,220,695	1,065,712	(154,983)	757,897
Transfers out	(118,669)	(118,669)	(88,991)	29,678	(94,868)
<b>Total other financing sources (uses)</b>	<b>1,102,026</b>	<b>1,102,026</b>	<b>976,721</b>	<b>(125,305)</b>	<b>663,029</b>
<b>Net change in fund balance</b>	<b>429,687</b>	<b>429,687</b>	<b>650,904</b>	<b>221,217</b>	<b>104,825</b>
<b>Fund balance at beginning of year</b>	<b>1,567,667</b>	<b>1,567,667</b>	<b>1,567,667</b>	<b>-</b>	<b>1,462,842</b>
<b>Fund balance at end of year</b>	<b>\$ 1,997,354</b>	<b>1,997,354</b>	<b>2,218,571</b>	<b>221,217</b>	<b>1,567,667</b>



CITY OF COSTA MESA, CALIFORNIA

Park Development Fund

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

For the fiscal year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	69,145	69,145	-
Rental	-	-	-	-	-
Investment income	25,000	25,000	31,715	6,715	58,914
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>100,860</b>	<b>75,860</b>	<b>58,914</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	-	1,356,125	99,782	1,256,343	283,147
<b>Debt service:</b>					
Interest and fiscal charges	-	-	243,832	(243,832)	243,844
<b>Total expenditures</b>	<b>-</b>	<b>1,356,125</b>	<b>343,614</b>	<b>1,012,511</b>	<b>526,991</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>25,000</b>	<b>(1,331,125)</b>	<b>(242,754)</b>	<b>1,088,371</b>	<b>(468,077)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>25,000</b>	<b>(1,331,125)</b>	<b>(242,754)</b>	<b>1,088,371</b>	<b>(468,077)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(2,100,483)</b>	<b>(2,100,483)</b>	<b>(2,100,483)</b>	<b>-</b>	<b>(1,632,406)</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (2,075,483)</b>	<b>(3,431,608)</b>	<b>(2,343,237)</b>	<b>1,088,371</b>	<b>(2,100,483)</b>



## **INTERNAL SERVICE FUNDS**

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

### **Equipment Replacement Fund**

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2011

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2011	2010
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 5,611,823	7,375,939	12,987,762	14,719,747
Accounts receivable	1,123	238,779	239,902	3,380
Interest receivable	18,605	23,944	42,549	65,446
Inventories	116,155	-	116,155	139,253
Total current assets	5,747,706	7,638,662	13,386,368	14,927,826
Capital assets:				
Motorized equipment	11,947,678	-	11,947,678	12,064,049
Other equipment	330,993	-	330,993	319,940
Accumulated depreciation	(7,441,222)	-	(7,441,222)	(6,794,333)
Net capital assets	4,837,449	-	4,837,449	5,589,656
Total assets	10,585,155	7,638,662	18,223,817	20,517,482
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	56,179	160,551	216,730	246,894
Accrued liabilities	11,217	1,195	12,412	16,649
Capital lease payable	182,187	-	182,187	-
Claims payable	-	3,052,865	3,052,865	3,219,240
Total current liabilities	249,583	3,214,611	3,464,194	3,482,783
Long-term liabilities:				
Capital lease payable	800,857	-	800,857	983,044
Claims payable	-	6,892,695	6,892,695	6,840,723
Total long-term liabilities	800,857	6,892,695	7,693,552	7,823,767
Total liabilities	1,050,440	10,107,306	11,157,746	11,306,550
Net assets:				
Invested in capital assets	3,854,405	-	3,854,405	4,606,612
Unrestricted	5,680,310	(2,468,644)	3,211,666	4,604,320
Total net assets (deficit)	\$ 9,534,715	(2,468,644)	7,066,071	9,210,932

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the fiscal year ended June 30, 2011

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2011	2010
Operating revenues:				
Charges for services	\$ 32,914	3,544,813	3,577,727	2,522,227
Total operating revenues	32,914	3,544,813	3,577,727	2,522,227
Operating expenses:				
Allocated administrative costs	730,061	105,378	835,439	1,036,050
Depreciation	757,294	-	757,294	735,237
Fuel and repair parts	1,106,023	-	1,106,023	906,088
Claims and premiums	-	3,005,025	3,005,025	3,207,395
Total operating expenses	2,593,378	3,110,403	5,703,781	5,884,770
Operating income (loss)	(2,560,464)	434,410	(2,126,054)	(3,362,543)
Nonoperating revenues (expenses):				
Investment income	107,540	108,067	215,607	435,142
Gain/(loss) on sale of equipment	4,091	-	4,091	38,707
Total nonoperating revenues (expenses)	111,631	108,067	219,698	473,849
Income (loss) before transfers	(2,448,833)	542,477	(1,906,356)	(2,888,694)
Transfers in	-	-	-	-
Transfers out	(122,429)	(116,076)	(238,505)	(507,275)
Total transfers	(122,429)	(116,076)	(238,505)	(507,275)
Change in net assets	(2,571,262)	426,401	(2,144,861)	(3,395,969)
Net assets (deficit) at beginning of year	12,105,977	(2,895,045)	9,210,932	12,606,901
Net assets (deficit) at end of year	\$ 9,534,715	(2,468,644)	7,066,071	9,210,932

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2011

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2011	2010
Cash flows from operating activities:				
Cash received from customers and user departments	\$ 35,171	3,306,034	3,341,205	2,544,385
Cash payments to suppliers for goods and services	(1,184,963)	(3,087,381)	(4,272,344)	(6,676,420)
Cash payments to employees for services	(693,689)	(106,160)	(799,849)	(851,445)
Net cash provided by (used for) operating activities	(1,843,481)	112,493	(1,730,988)	(4,983,480)
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	-
Cash paid to other funds	(122,429)	(116,076)	(238,505)	(507,275)
Net cash provided by (used for) noncapital financing activities	(122,429)	(116,076)	(238,505)	(507,275)
Cash flows from capital and related financing activities:				
Cash received from disposal of assets	16,360	-	16,360	43,807
Acquisition of capital assets	(17,355)	-	(17,355)	(43,262)
Net cash provided by (used for) capital and related financing activities	(995)	-	(995)	545
Cash flows from investing activities:				
Investment income received	122,427	116,076	238,503	507,275
Net cash provided by (used for) investing activities	122,427	116,076	238,503	507,275
Net increase (decrease) in cash and cash equivalents	(1,844,478)	112,493	(1,731,985)	(4,982,935)
Cash and cash equivalents at beginning of year	7,456,301	7,263,446	14,719,747	19,702,682
Cash and cash equivalents at end of year	\$ 5,611,823	7,375,939	12,987,762	14,719,747
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$(2,560,464)	434,410	(2,126,054)	(3,362,543)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	757,294	-	757,294	735,237
(Increase) decrease in inventories	23,098	-	23,098	(23,905)
(Increase) decrease in accounts receivable	2,257	(238,779)	(236,522)	22,158
(Increase) decrease in prepaid items	-	-	-	6,434
Increase (decrease) in accounts payable	(62,211)	32,047	(30,164)	(130,307)
Increase (decrease) in accrued liabilities	(3,455)	(782)	(4,237)	4,590
Increase (decrease) in claims payable	-	(114,403)	(114,403)	(2,235,144)
Net cash provided by (used for) operating activities	\$(1,843,481)	112,493	(1,730,988)	(4,983,480)

## **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.

### **Deposits Fund**

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

### **Community Facilities District Fund**

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

### **Costa Mesa Community Foundation Fund**

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

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

Established to account for the receipt of funds made available to finance, acquire, and maintain the Airborne Law Enforcement Services, a public law enforcement service program. The Cities of Costa Mesa and Newport Beach are member agencies of this joint powers agency. The agency contracts with public entities to provide helicopter services.

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2011

	Deposits	Community Facilities District	Costa Mesa Community Foundation	Airborne Law Enforcement	Totals	
					2011	2010
<u>Assets</u>						
Cash and investments	\$ 2,924,948	-	103,452	4,056,015	7,084,415	6,893,155
Due from other governments	-	-	-	153,270	153,270	346,368
Accounts receivable	3,883	-	1,223	1,219	6,325	6,641
Interest receivable	263	-	343	14,021	14,627	17,140
Inventories	-	-	-	96,041	96,041	167,074
Prepaid items	-	-	-	4,412	4,412	88,010
	<u>\$ 2,929,094</u>	<u>-</u>	<u>105,018</u>	<u>4,324,978</u>	<u>7,359,090</u>	<u>7,518,388</u>
<u>Liabilities</u>						
Accounts payable	\$ 464,683	-	474	224,408	689,565	209,587
Deposits payable	2,464,411	-	104,544	1,529	2,570,484	3,196,536
Due to other governments	-	-	-	4,099,041	4,099,041	4,112,265
	<u>\$ 2,929,094</u>	<u>-</u>	<u>105,018</u>	<u>4,324,978</u>	<u>7,359,090</u>	<u>7,518,388</u>



CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2011

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<b><u>DEPOSITS</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 3,155,644	34,982,471	35,213,167	2,924,948
Accounts receivable	1,641	193,952	191,710	3,883
Interest receivable	350	263	350	263
Total assets	<u>\$ 3,157,635</u>	<u>35,176,686</u>	<u>35,405,227</u>	<u>2,929,094</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 64,452	3,648,754	3,248,523	464,683
Deposits payable	3,093,183	36,813,510	37,442,282	2,464,411
Total liabilities	<u>\$ 3,157,635</u>	<u>40,462,264</u>	<u>40,690,805</u>	<u>2,929,094</u>
<b><u>COMMUNITY FACILITIES DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ -	247,286	247,286	-
Total assets	<u>\$ -</u>	<u>247,286</u>	<u>247,286</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Held for bondholders	\$ -	492,131	492,131	-
Total liabilities	<u>\$ -</u>	<u>492,131</u>	<u>492,131</u>	<u>-</u>
<b><u>COSTA MESA COMMUNITY FOUNDATION</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 111,045	135,667	143,260	103,452
Accounts receivable	5,000	1,573	5,350	1,223
Interest receivable	499	343	499	343
Total assets	<u>\$ 116,544</u>	<u>137,583</u>	<u>149,109</u>	<u>105,018</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 14,505	66,169	80,200	474
Accrued liabilities	-	20	20	-
Deposits payable	102,039	161,277	158,772	104,544
Total liabilities	<u>\$ 116,544</u>	<u>227,466</u>	<u>238,992</u>	<u>105,018</u>

(Continued)

## CITY OF COSTA MESA, CALIFORNIA

(Continued)

## Agency Funds

## Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2011

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<u>AIRBORNE LAW ENFORCEMENT</u>				
<u>Assets</u>				
Cash and investments	\$ 3,626,466	1,824,155	1,394,606	4,056,015
Due from other governments	346,368	1,418,674	1,611,772	153,270
Accounts receivable	-	1,219	-	1,219
Interest receivable	16,291	14,021	16,291	14,021
Inventories	167,074	7,648	78,681	96,041
Prepaid items	88,010	3,864	87,462	4,412
Total assets	<u>\$ 4,244,209</u>	<u>3,269,581</u>	<u>3,188,812</u>	<u>4,324,978</u>
<u>Liabilities</u>				
Accounts payable	\$ 130,630	1,380,921	1,287,143	224,408
Deposits payable	1,314	215	-	1,529
Due to other governments	4,112,265	1,581,806	1,595,030	4,099,041
Total liabilities	<u>\$ 4,244,209</u>	<u>2,962,942</u>	<u>2,882,173</u>	<u>4,324,978</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 6,893,155	37,189,579	36,998,319	7,084,415
Due from other governments	346,368	1,418,674	1,611,772	153,270
Accounts receivable	6,641	196,744	197,060	6,325
Interest receivable	17,140	14,627	17,140	14,627
Inventories	167,074	7,648	78,681	96,041
Prepaid items	88,010	3,864	87,462	4,412
Total assets	<u>\$ 7,518,388</u>	<u>38,831,136</u>	<u>38,990,434</u>	<u>7,359,090</u>
<u>Liabilities</u>				
Accounts payable	\$ 209,587	5,095,844	4,615,866	689,565
Accrued liabilities	-	20	20	-
Deposits payable	3,196,536	36,975,002	37,601,054	2,570,484
Due to other governments	4,112,265	1,581,806	1,595,030	4,099,041
Held for bondholders	-	492,131	492,131	-
Total liabilities	<u>\$ 7,518,388</u>	<u>44,144,803</u>	<u>44,304,101</u>	<u>7,359,090</u>

# CITY OF COSTA MESA CALIFORNIA



## STATISTICAL SECTION



## **STATISTICAL SECTION**

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

### **FINANCIAL TRENDS**

**TABLES 1 - 4**

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

### **REVENUE CAPACITY**

**TABLES 5 - 12**

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

### **DEBT CAPACITY**

**TABLES 13 - 15**

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

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**TABLES 16 - 17**

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

### **OPERATING INFORMATION**

**TABLES 18 - 20**

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

**TABLE 1**

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

	<b>Fiscal Years</b>									
	2002 <sup>(1)</sup>	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ -	169,744,591	202,575,439	204,310,422	207,142,027	223,882,753	231,078,900	238,167,532	232,204,195	209,554,571
Restricted										
Protection of Persons and Property	-	2,411,456	2,723,835	1,714,903	1,481,296	747,564	431,303	407,718	1,040,371	1,303,260
Community programs	-	4,541,217	1,990,698	1,637,173	2,649,931	10,166,878	10,601,709	5,909,972	6,475,370	2,292,260
Public services	-	35,868,367	29,155,232	23,973,667	27,895,363	19,186,443	18,781,762	18,531,911	18,083,105	26,299,602
Redevelopment	-	-	-	-	6,348,075	8,743,736	-	-	-	-
Unrestricted	-	59,804,886	60,812,797	71,067,417	66,063,174	62,778,909	67,546,727	50,034,265	40,025,930	42,251,930
Total governmental activities net assets	<u>-</u>	<u>272,370,517</u>	<u>297,258,001</u>	<u>302,703,582</u>	<u>311,579,866</u>	<u>325,506,283</u>	<u>328,440,401</u>	<u>313,051,398</u>	<u>297,828,971</u>	<u>281,701,623</u>

(1) - GASB 34 was implemented in FY 2002-03 and prior information is not available.

Source: Government-Wide Financial Statements

TABLE 2

## CITY OF COSTA MESA, CALIFORNIA

**CHANGES IN NET ASSETS**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Years									
	2002 <sup>(1)</sup>	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>										
Governmental Activities:										
General government	\$ -	17,466,434	21,245,163	23,646,274	21,823,044	28,246,216	29,508,603	29,708,604	24,640,217	22,942,186
Protection of persons and property	-	47,765,134	45,672,246	51,753,396	58,123,794	52,299,944	57,655,181	64,718,615	65,999,456	58,600,881
Community programs	-	4,999,104	4,937,852	4,927,306	3,770,475	5,945,293	7,704,374	10,953,425	6,957,413	5,585,317
Public services	-	14,099,350	16,699,275	14,728,739	19,371,276	24,479,949	28,707,820	22,068,699	20,338,489	18,051,024
Redevelopment	-	528,350	632,735	534,995	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541
Interest on long-term debt	-	3,046,397	3,359,285	1,486,198	2,502,868	3,419,566	3,651,584	3,426,155	3,243,198	3,043,559
Total primary government expenses	-	87,904,769	92,546,556	97,076,908	108,101,128	115,275,973	128,396,325	131,250,997	122,404,766	109,085,508
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
Protection of persons and property	-	2,379,028	2,931,054	2,932,734	3,199,365	3,742,586	3,553,680	3,236,412	3,266,143	2,660,989
Community programs	-	4,626,660	5,407,997	5,247,815	5,402,789	5,423,255	5,554,124	6,075,951	5,617,827	5,290,235
Public services	-	2,312,339	4,316,825	3,181,180	3,374,546	5,680,415	2,822,877	1,839,433	1,974,779	2,626,032
Redevelopment	-	180,061	-	-	-	-	-	-	-	-
Operating grants and contributions	-	12,012,746	6,818,121	6,071,120	11,709,774	11,459,481	8,948,635	10,276,030	5,699,857	6,717,009
Capital grants and contributions	-	3,592,565	5,419,104	5,253,030	4,511,691	6,506,495	10,594,837	8,938,881	6,441,397	6,233,234
Total primary government revenues	-	25,103,399	24,893,101	22,685,879	28,198,165	32,812,232	31,474,153	30,366,707	23,000,003	23,527,499
Total primary government net expense	-	(62,801,370)	(67,653,455)	(74,391,029)	(79,902,963)	(82,463,741)	(96,922,172)	(100,884,290)	(99,404,763)	(85,558,009)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes:										
Property taxes	-	17,853,053	18,826,218	18,586,166	19,752,336	22,921,884	24,715,336	25,327,904	23,885,560	24,626,634
Sales and use taxes	-	36,255,107	41,027,059	43,582,985	46,049,080	46,489,599	46,917,845	39,488,414	35,267,341	40,953,224
Transient occupancy tax	-	3,799,682	4,221,661	4,641,350	5,465,320	5,959,556	5,791,004	4,719,158	4,268,984	5,344,968
Franchise taxes	-	2,308,683	2,329,340	2,833,347	3,674,652	3,911,800	4,046,517	4,174,172	3,945,159	4,240,255
Business license tax	-	854,580	830,794	912,434	912,324	897,608	932,278	860,491	858,567	866,442
Other intergovernmental, unrestricted	-	7,811,132	5,208,889	8,659,395	8,108,852	8,687,055	9,155,864	9,215,927	9,117,466	9,112,000
Investment income	-	5,314,256	2,436,835	3,455,453	3,082,011	7,433,407	6,659,736	1,649,319	4,016,384	2,499,790
Miscellaneous	-	5,411,936	891,797	740,848	210,302	89,249	862,648	850,080	1,784,618	860,972
Total primary government	-	79,608,429	75,772,593	83,411,978	87,254,877	96,390,158	99,081,228	86,285,465	83,144,079	88,504,285
Change in Net Assets	-	16,807,059	8,119,138	9,020,949	7,351,914	13,926,417	2,159,056	(14,598,825)	(16,260,684)	2,946,276

(1) - GASB 34 was implemented in FY 2002-03 and prior information is not available.

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>
General fund										
Reserved	14,213,621	13,579,931	15,225,005	15,227,236	14,744,220	18,326,310	15,768,661	15,140,564	14,421,676	-
Unreserved	49,532,133	46,239,990	46,375,225	54,605,118	56,192,948	55,057,757	50,467,786	33,716,155	27,098,389	-
Nonspendable										13,334,328
Restricted										-
Committed										16,125,000
Assigned										9,900,467
Unassigned										5,915,735
Total general fund	<u>63,745,754</u>	<u>59,819,921</u>	<u>61,600,230</u>	<u>69,832,354</u>	<u>70,937,168</u>	<u>73,384,067</u>	<u>66,236,447</u>	<u>48,856,719</u>	<u>41,520,065</u>	<u>45,275,530</u>
All other governmental funds										
Reserved	13,193,096	8,577,548	12,496,295	12,565,629	12,561,311	26,378,785	23,661,322	10,576,691	9,357,430	-
Unreserved, reported in:										
Special revenue funds	14,149,407	24,055,526	17,411,372	16,637,291	18,233,112	20,625,152	7,904,617	13,042,672	14,952,556	-
Capital projects funds	12,106,657	17,574,858	13,443,518	8,349,839	8,730,735	15,128,023	18,759,882	15,658,912	10,780,360	-
Debt services funds	(14,410)	(13,160,320)	(12,732,031)	(12,226,674)	(11,783,729)	(11,002,058)	(10,400,263)	(9,579,072)	(10,136,674)	-
Nonspendable	-	-	-	-	-	-	-	-	-	12,849
Restricted	-	-	-	-	-	-	-	-	-	34,165,657
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	7,146,775
Unassigned	-	-	-	-	-	-	-	-	-	(12,177,382)
Total primary government net expense	<u>39,434,750</u>	<u>37,047,612</u>	<u>30,619,154</u>	<u>25,326,085</u>	<u>27,741,429</u>	<u>51,129,902</u>	<u>39,925,558</u>	<u>29,699,203</u>	<u>24,953,672</u>	<u>29,147,899</u>

Source: Fund Financial Statements

Notes:

- (1) City implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated the previous fund balance categories (reserved and unreserved), and replaced them with five new categories (nonspendable, restricted, committed, assigned, 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.

TABLE 4

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

	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Taxes	59,066,320	61,071,105	67,235,072	70,556,282	75,818,711	80,180,448	82,402,980	74,570,140	68,225,614	76,031,925
Licenses and permits	1,516,212	1,766,850	2,143,839	1,948,650	2,101,870	2,874,124	1,876,959	1,168,026	1,289,600	1,557,797
Fines and forfeits	2,145,631	2,333,653	3,358,468	2,953,385	3,157,859	2,915,299	3,066,355	2,965,960	2,868,066	2,104,816
Intergovernmental	22,541,858	25,593,714	16,080,227	19,585,648	22,199,470	22,675,698	27,088,736	26,359,128	21,137,881	21,681,418
Charges for services	2,233,011	3,477,270	3,170,569	3,325,517	4,771,803	7,789,875	4,355,738	4,179,547	4,156,944	4,478,711
Rental	2,643,323	2,686,336	2,816,656	2,858,286	2,792,016	2,909,707	3,128,271	3,189,975	2,838,744	2,900,049
Investment income	5,858,172	4,595,758	1,878,219	3,931,991	2,448,400	6,843,792	5,869,106	1,627,547	3,537,379	2,284,183
Miscellaneous	1,040,544	975,612.00	1,173,944	1,427,160	841,991	882,110	1,182,749	2,342,611	2,566,138	1,069,225
Total revenues	<u>97,045,071</u>	<u>102,500,298</u>	<u>97,856,994</u>	<u>106,586,919</u>	<u>114,132,120</u>	<u>127,071,053</u>	<u>128,970,894</u>	<u>116,402,934</u>	<u>106,620,366</u>	<u>112,108,124</u>
<b>Expenditures</b>										
General government	19,648,587	21,219,016	21,185,828	23,132,535	25,676,011	27,473,794	28,723,990	29,619,695	25,276,998	21,739,252
Protection of persons and property	44,953,141	47,622,359	48,965,777	51,926,311	58,653,822	61,444,097	66,889,007	68,691,164	61,884,416	56,207,290
Community programs	6,195,499	6,825,783	6,215,447	6,320,969	7,330,558	10,581,225	9,622,552	11,550,616	6,296,711	6,259,971
Public services	17,294,673	17,678,362	18,879,695	16,903,620	15,692,726	24,951,597	33,343,249	27,954,239	17,216,338	11,849,471
Redevelopment	986,134	528,350	488,843	549,793	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541
Debt service:										
Principal	2,232,295	2,294,953	2,661,728	2,887,337	3,238,000	3,524,900	5,486,427	4,393,687	4,064,842	4,395,904
Interest	3,000,282	2,997,599	2,778,146	2,467,583	2,448,580	2,576,413	3,683,198	3,460,555	3,244,528	3,082,508
Other charges	-	-	2,730,272	-	90,345	593,136	-	-	-	-
Total expenditures	<u>94,310,611</u>	<u>99,166,422</u>	<u>103,905,736</u>	<u>104,188,148</u>	<u>115,639,713</u>	<u>132,030,167</u>	<u>148,917,186</u>	<u>146,045,455</u>	<u>119,209,826</u>	<u>104,396,937</u>
Excess of revenues over (under) expenditures	<u>2,734,460</u>	<u>3,333,876</u>	<u>(6,048,742)</u>	<u>2,398,771</u>	<u>(1,507,593)</u>	<u>(4,959,114)</u>	<u>(19,946,292)</u>	<u>(29,642,521)</u>	<u>(12,589,460)</u>	<u>7,711,187</u>
<b>Other financing sources (uses):</b>										
Transfers in	6,551,610	5,237,917	3,984,713	6,651,916	5,214,379	7,365,984	9,014,877	7,123,168	9,160,286	8,460,300
Transfers out	(6,243,568)	(5,011,721)	(3,468,827)	(6,111,632)	(4,627,108)	(6,611,691)	(8,195,611)	(7,158,081)	(8,653,011)	(8,221,795)
Issuance of long-term debt	-	-	21,824,120	-	7,151,217	-	-	-	-	-
Premium on debt issue	-	-	403,531	-	-	80,193	-	-	-	-
Payment to bond escrow agent	-	-	(19,645,279)	-	(2,139,205)	-	-	-	-	-
Lease proceeds	797,298	3,400,000	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	29,960,000	-	-	-	-
Sales of lands	0	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,105,340</u>	<u>3,626,196</u>	<u>3,098,258</u>	<u>540,284</u>	<u>5,599,283</u>	<u>30,794,486</u>	<u>819,266</u>	<u>(34,913)</u>	<u>507,275</u>	<u>238,505</u>
Net change in fund balances	<u><u>3,839,800</u></u>	<u><u>6,960,072</u></u>	<u><u>(2,950,484)</u></u>	<u><u>2,939,055</u></u>	<u><u>4,091,690</u></u>	<u><u>25,835,372</u></u>	<u><u>(19,127,026)</u></u>	<u><u>(29,677,434)</u></u>	<u><u>(12,082,185)</u></u>	<u><u>7,949,692</u></u>
Debt service as a percentage of noncapital expenditures	5.55%	5.34%	7.86%	5.14%	5.54%	6.15%	7.73%	6.25%	6.43%	7.45%

Source: Fund Financial Statements



TABLE 5

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

<u>Fiscal Years</u>	<u>Sales</u>	<u>Property</u>	<u>Transient Occupancy</u>	<u>Franchise</u>	<u>Business License</u>	<u>Proposition 172</u>	<u>Total</u>
2002	34,460,553	16,811,162	3,865,823	2,366,926	842,839	718,227	59,065,530
2003	35,527,005	17,853,053	3,799,682	2,308,683	854,580	728,102	61,071,105
2004	40,244,632	18,826,218	4,221,661	2,329,340	830,794	782,427	67,235,072
2005	42,714,022	18,586,167	4,641,350	2,833,347	912,434	868,962	70,556,282
2006	45,116,230	19,717,334	5,465,320	3,674,652	912,324	932,851	75,818,711
2007	45,641,219	22,921,885	5,959,556	3,911,800	897,608	848,380	80,180,448
2008	45,990,428	24,715,336	5,791,004	4,046,517	932,278	927,417	82,402,980
2009	38,659,256	25,327,904	4,719,158	4,174,172	860,491	829,159	74,570,140
2010	34,516,828	23,885,560	4,268,984	3,945,159	858,567	750,513	68,225,611
2011	40,173,714	24,626,634	5,344,968	4,240,255	866,442	779,510	76,031,523

Source: Required Supplementary Information

TABLE 6

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

	<b>Fiscal Years</b>									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Apparel stores	\$ 347,917	\$ 354,517	\$ 371,013	\$ 419,206	\$ 454,318	\$ 463,521	\$ 482,249	\$ 432,965	\$ 383,716	\$ 436,980
General merchandise	517,064	514,136	536,259	583,136	614,478	602,376	639,878	582,091	534,936	540,920
Food stores	92,150	91,818	93,223	89,945	95,332	100,243	101,762	102,519	96,251	92,575
Eating and drinking establishments	244,135	250,199	273,604	308,988	330,384	360,331	379,604	358,069	325,087	337,684
Building materials	167,901	176,453	189,652	208,049	233,108	237,727	222,523	192,021	143,602	145,342
Auto dealers and supplies	571,028	615,995	678,550	760,174	767,922	724,664	659,095	560,317	488,122	536,390
Service stations	106,569	102,732	115,955	136,154	151,650	173,583	183,362	203,309	157,149	196,497
Other retail stores	637,799	655,700	761,889	884,442	966,736	1,052,096	1,030,546	918,095	797,163	853,264
All other outlets	859,321	795,047	826,899	872,929	917,503	905,603	928,733	822,086	697,731	758,854
	<u>\$ 3,543,884</u>	<u>\$ 3,556,597</u>	<u>\$ 3,847,044</u>	<u>\$ 4,263,023</u>	<u>\$ 4,531,431</u>	<u>\$ 4,620,144</u>	<u>\$ 4,627,752</u>	<u>\$ 4,171,472</u>	<u>\$ 3,623,757</u>	<u>\$ 3,898,506</u>
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

**TABLE 7**

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

<u>Category</u>	<u>2010</u>			<u>2001</u>		
	<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>
Other retail stores	853,264	1	21.89%	640,867	2	18.08%
All other outlets	758,854	2	19.47%	858,550	1	24.21%
General merchandise	540,920	3	13.88%	513,307	4	14.48%
Auto dealers and supplies	536,390	4	13.76%	573,613	3	16.18%
Apparel stores	436,980	5	11.21%	350,581	5	9.89%
Eating and drinking establishments	337,684	6	8.66%	244,480	6	6.90%
Service stations	196,497	7	5.04%	108,692	8	3.07%
Building materials	145,342	8	3.73%	165,920	7	4.68%
Food stores	92,575	9	2.37%	89,579	9	2.53%

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

**TABLE 8**

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

<u>Fiscal Years</u>	<u>City Direct Rate</u>	<u>Orange County Rate</u>	<u>State of California Rate</u>	<u>Total Sales Tax Rate</u>
2002	1.00	0.50	6.00	7.50
2003	1.00	0.50	6.00	7.50
2004	1.00	0.50	6.00	7.50
2005	1.00	0.50	6.25	7.75
2006	1.00	0.50	6.25	7.75
2007	1.00	0.50	6.25	7.75
2008	1.00	0.50	6.25	7.75
2009	1.00	0.50	7.25	8.75
2010	1.00	0.50	7.25	8.75
2011	1.00	0.50	7.25	8.75

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	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2002	13,759,323	13,427,866	97.59%	229,852	13,657,718	99.26%
2003	14,454,930	14,157,707	97.94%	269,338	14,427,045	99.81%
2004	15,334,915	14,971,613	97.63%	252,804	15,224,417	99.28%
2005	16,675,818	16,292,111	97.70%	210,990	16,503,101	98.96%
2006	18,134,611	17,586,064	96.98%	239,872	17,825,936	98.30%
2007	19,560,699	18,685,762	95.53%	312,318	18,998,080	97.12%
2008	20,888,474	19,998,097	95.74%	532,478	20,530,575	98.29%
2009	21,276,710	20,363,004	95.71%	920,531	21,283,534	100.03%
2010	21,092,684	17,122,170	81.18%	911,902	18,034,072	85.50%
2011	20,670,091	20,059,681	97.05%	594,003	20,653,684	99.92%

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

Source: Orange County Assessor 2010/2011 Combined Tax Rolls

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

**TABLE 10**

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

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>Commerical Property</u>	<u>Industrial Property</u>	<u>Miscellaneous Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value <sup>(1)</sup></u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2002	4,685,572,867	1,442,038,876	743,917,246	2,066,414,924	-	8,937,943,913	0.17368%	8,937,943,913	100.00%
2003	5,037,637,890	1,508,229,344	771,481,624	2,175,012,439	-	9,492,361,297	0.17590%	9,492,361,297	100.00%
2004	5,401,000,174	2,708,744,818	914,850,557	1,032,588,177	-	10,057,183,726	0.17603%	10,057,183,726	100.00%
2005	6,011,396,006	1,648,237,709	875,070,937	2,154,452,653	-	10,689,157,305	0.17555%	10,689,157,305	100.00%
2006	6,687,872,490	1,786,332,922	955,171,755	2,215,398,310	-	11,644,775,477	0.17471%	11,644,775,477	100.00%
2007	7,358,784,736	2,216,054,436	1,009,929,135	2,149,934,744	-	12,734,703,051	0.17165%	12,734,703,051	100.00%
2008	8,012,690,802	2,358,236,884	1,049,297,119	2,404,008,712	-	13,824,233,517	0.17276%	13,824,233,517	100.00%
2009	8,164,306,671	2,553,080,097	1,129,832,358	2,518,888,713	-	14,366,107,839	0.17342%	14,366,107,839	100.00%
2010	8,171,208,423	3,383,235,481	1,196,215,357	1,682,015,788	-	14,432,675,049	0.17241%	14,432,675,049	100.00%
2011	8,347,650,226	3,466,364,532	1,138,864,468	1,163,583,656	-	14,116,462,882	0.17241%	14,116,462,882	100.00%

<sup>(1)</sup> In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Therefore, the estimated actual taxable value equals the total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor 2001/2002- 2010/2011 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	Redevelopment Program	Total Direct Rate <sup>(1)</sup>	County of Orange Debt	School District Debt	Special Districts Debt
2002	0.14879	0.00304	0.00770	1.00000	0.17368	0.36657	0.48990	0.00935
2003	0.14879	0.00280	0.00950	1.00000	0.17590	0.36657	0.48974	0.00835
2004	0.14879	0.00276	0.00890	1.00000	0.17603	0.36657	0.50245	0.00775
2005	0.14879	-	0.00860	1.00000	0.17555	0.36657	0.52979	0.00745
2006	0.14879	-	0.00800	1.00000	0.17471	0.36657	0.51732	0.00685
2007	0.14879	-	0.00470	1.00000	0.17165	0.36657	0.51786	0.00635
2008	0.14879	-	0.00450	1.00000	0.17276	0.36657	0.51452	0.00615
2009	0.14879	-	0.00430	1.00000	0.17342	0.36649	0.67550	0.00615
2010	0.14879	-	0.00430	1.00000	0.17241	0.36649	0.48300	0.00595
2011	0.14879	-	0.00370	1.00000	0.17154	0.36649	0.48300	0.00535

<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.

Source: HdL Coren & Cone, Orange County Assessor 2001/2002 - 2010/2011 Combined Tax Rolls.

TABLE 12

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

<u>Taxpayer</u>	<u>2010-2011</u>			<u>2001-2002</u>		
	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>
Irvine Company LLC	\$ 390,978	1	1.61%			
Trust Costa Mesa Courtyards LLC	384,725	2	1.59%			
South Coast Plaza	375,710	3	1.55%	292,289	2	1.88%
Reef America Reit II Corportation Cccc2	370,268	4	1.53%			
1901 Newport LLC Royal Street Comm.	305,061	5	1.26%			
United Dominion Realty LP	264,930	6	1.09%			
WWG TSQ Owner LLC	235,291	7	0.97%			
RTS Sunflower LLC % Irvine Company LLC	211,244	8	0.87%			
Interinsurance Exchange of the Auto Club	191,396	9	0.79%	143,689	8	0.93%
Casden Lakes Limited Partnership	175,130	10	0.72%	147,988	7	0.95%
Triangle Square				465,670	1	3.00%
Teachers Retirement System				246,386	3	1.59%
FSP Two Town Center LLC				216,829	4	1.40%
Los Angeles Times				206,263	5	1.33%
Sakioka Farms				180,327	6	1.16%
CMF Inc				132,874	9	0.86%
CJ Segerstrom & Sons				132,437	10	0.85%
Total	<u>\$ 2,904,733</u>		<u>12.00%</u>	<u>\$ 2,164,753</u>		<u>13.96%</u>

Source: HdL Coren & Cone, Orange County Assessor 2010/2011 & 2001/2002 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General bonded debt outstanding										
General obligation bonds	490,000	250,000	-	-	-					
Redevelopment bonds	7,890,000	7,570,000	7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000	4,650,000	4,140,000
Total	8,380,000	7,820,000	7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000	4,650,000	4,140,000
Percentage of taxable assessed value	0.0883%	0.0778%	0.0699%	0.0603%	0.0516%	0.0442%	0.0392%	0.0356%	0.0329%	0.0293%
Per capita	\$ 16.69	\$ 14.70	\$ 16.31	\$ 16.47	\$ 14.09	\$ 12.07	\$ 7.18	\$ 6.53	\$ 9.90	\$ 8.85
Less: Amounts set aside to repay general debt	759,793	762,440	704,877	707,466	710,981	711,982	706,045	704,300	704,300	704,300
Total net debt applicable to debt limit	7,620,207	7,057,560	6,765,123	6,312,534	5,854,019	5,393,018	4,923,955	4,440,700	3,945,700	3,435,700
Legal debt limit (3.75% of Assessed Value)	335,172,897	381,059,948	405,242,385	430,391,123	465,925,448	515,894,487	556,242,642	583,264,697	585,910,407	574,243,802
Legal debt margin	327,552,690	374,002,388	398,477,262	424,078,589	460,071,429	510,501,469	551,318,687	578,823,997	581,964,707	570,808,102
Legal debt margin as a percentage of the debt limit	97.73%	98.15%	98.33%	98.53%	98.74%	98.95%	99.11%	99.24%	99.33%	99.40%

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 Bonds			Revenue Bonds	Certificates of Participation	Lease Purchase Financing			
2002	490,000	7,890,000	0.0883%	16.69	28,640,000	-	1,097,380	38,117,380	1.81%	2,016.79
2003	250,000	7,570,000	0.0778%	14.70	27,215,000	-	4,353,329	39,388,329	1.84%	2,084.04
2004	-	7,470,000	0.0699%	16.31	26,075,000	-	3,695,503	37,240,503	1.41%	1,595.43
2005	-	7,020,000	0.0603%	16.47	24,340,000	-	2,993,166	34,353,166	1.11%	1,257.04
2006	-	6,565,000	0.0516%	14.09	22,695,000	-	6,725,536	35,985,536	1.16%	1,316.78
2007	-	6,105,000	0.0442%	12.07	20,935,000	29,960,000	5,368,649	62,368,649	2.00%	2,282.18
2008	-	5,630,000	0.0392%	7.18	19,000,000	29,215,000	3,037,222	56,882,222	2.73%	3,105.81
2009	-	5,145,000	0.0356%	10.72	16,980,000	28,465,000	1,898,535	52,488,535	1.50%	1,745.60
2010	-	4,650,000	0.0329%	9.94	14,890,000	27,525,000	2,341,737	49,406,737	1.40%	1,636.85
2011	-	4,140,000	0.0293%	8.85	12,735,000	26,355,000	1,780,834	45,010,834	1.27%	1,491.22

Source: City of Costa Mesa Finance Department

**TABLE 15**

**CITY OF COSTA MESA, CALIFORNIA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2011**

<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>			
City of Costa Mesa Community Facilities District No. 91-1	1,850,000	100%	1,850,000
Newport Mesa Unified School District	253,714,150	27.188%	68,979,803
Coast Community College District	326,768,867	14.453%	47,227,904
Santa Ana Unified School District	310,984,745	4.252%	13,223,071
Rancho Santiago Community College District	309,908,025	1.779%	5,513,264
Metropolitan Water District	227,670,000	0.764%	1,739,399
Subtotal overlapping Tax and Assessment debt repaid with property taxes			<u>138,533,441</u>
<b>Overlapping general fund debt repaid with property taxes</b>			
Newport Mesa Unified School District Certificates of Participation			
Municipal Water District of Orange County Water Facilities Corporation	14,120,000	4.312%	608,854
Santa Ana Unified School District Certificates of Participation	52,212,863	4.252%	2,220,091
Orange County General Fund Obligations	316,898,000	3.649%	11,563,608
Orange County Pension Obligations	54,682,497	3.650%	1,995,802
Orange County Board of Education Certificates of Participation	19,000,000	3.649%	693,310
Irvine Ranch Water District Certificates of Participation	81,400,000	1.666%	1,356,124
Subtotal overlapping general fund debt repaid with property taxes			<u>18,437,789</u>
Subtotal, all overlapping debt			156,971,231
City direct debt			
City of Costa Mesa General Fund Obligations	37,240,000	100%	<u>37,240,000</u>
Total direct and overlapping debt			<u><u>194,211,231</u></u>

Source: California Municipal Statistics, Inc.

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

Calendar Year	Population (2)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (3)	Orange County Unemployment Rate (4)
2002	110,720	2,092,608	18,900	32	21,622	2.60%
2003	111,512	2,107,577	18,900	32	22,380	3.20%
2004	113,011	2,135,908	18,900	32	21,806	3.60%
2005	113,042	2,638,626	23,342	32	21,875	2.90%
2006	113,134	3,091,785	27,329	32	21,253	3.70%
2007	113,805	3,110,122	27,329	32	20,877	3.90%
2008	113,955	3,114,221	27,329	32	20,920	5.30%
2009	113,955	2,087,063	18,315	32	21,178	9.30%
2010	116,341	3,498,258	30,069	33	21,353	8.50%
2011	117,178	3,536,901	30,184	33	21,444	9.20%

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>2010-11</u>			<u>2001-2002<sup>(1)</sup></u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Experian Information Solution	3,700	1	5.61%			
Coast Community College District Foundation	2,900	2	4.39%			
Orange Coast Community College	2,500	3	3.79%			
Coast Community College	2,500	3	3.79%			
Fairview Developmental Center	1,500	5	2.27%			
Interinsurance Exchange	1,200	6	1.82%			
First Team Real Estate Inc	1,025	7	1.55%			
Pacific Building Care Inc	850	8	1.29%			
International Business Machines Corporation	750	9	1.14%			
Filenet Corporation	600	10	0.91%			

<sup>(1)</sup> - Data not available for the fiscal year 2001-2002

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

**TABLE 18**

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

Function/Program	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Government</b>										
Number of residents served via public services programs	2,734	4,420	3,925	2,998	3,500	3,250	3,250	2,800	3,250	3,000
Accounts payable checks issued	11,357	12,037	11,525	11,693	12,075	12,250	12,000	12,500	12,500	10,187
Total printshop photocopies produced	2,800,000	6,243,573	6,223,133	5,257,928	5,010,580	5,200,000	5,250,000	4,965,000	2,260,000	2,528,476
<b>Protection of persons and property</b>										
<b>Police protection</b>										
Emergency calls	1,401	1,519	1,473	1,436	1,390	1,400	1,450	1,350	1,350	1,230
Calls responded to within 5 minutes	88%	85%	85%	85%	81%	80%	80%	82%	82%	82%
Assigned theft cases	1,872	1,932	1,998	2,130	2,000	1,000	1,000	2,055	2,000	2,055
Percentage of theft cases cleared	25%	25%	23%	23%	25%	25%	25%	25%	25%	25%
Assigned burglary cases	1,390	1,481	1,535	1,578	1,600	1,600	1,600	1,425	1,600	1,425
Percentage of burglary cases cleared	45%	30%	23%	21%	25%	25%	25%	25%	25%	25%
Case and arrest reports processed	45,357	47,583	46,236	27,704	46,300	24,180	24,603	24,603	24,603	19,814
<b>Fire protection</b>										
Number of calls for service	N/A	8,300	8,300	8,876	8,704	9,000	9,400	9,450	9,500	9,500
Fire related responses	98	249	255	178	261	180	188	283	285	238
Emergency medical aid responses	4,980	6,557	5,810	6,657	6,267	6,840	6,700	6,700	6,700	7,200
<b>Community Programs</b>										
Number of program participants at the Downtown Recreation Center	4,000	18,600	20,000	24,500	25,000	32,799	67,134	33,843	33,357	30,903
Over-the-counter plan checks reviewed within five (5) working days	264	290	420	438	482	600	650	600	450	270
Inspection requests with 24 hours	14,068	14,500	16,000	17,708	19,478	16,500	28,000	14,850	14,850	14,250
Complaint response within two (2) working days	9,908	13,000	15,025	15,459	22,742	22,000	12,000	19,800	19,000	13,500
<b>Public services</b>										
Number of trees trimmed annually	5,400	5,400	5,410	5,430	5,400	5,065	6,435	8,007	7,980	4,504
Number of catch basins cleaned annually	1,065	1,300	1,275	1,236	1,300	1,275	1,200	1,260	1,165	1,165

Source: City of Costa Mesa Finance Department

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

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2002</u>	<u>2003</u>	<u>2004<sup>(1)</sup></u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
City council	5	5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.0
City manager	14	14	16.25	16.27	16.27	16.56	16.56	16.56	16.00	13.00
City attorney	6	6	6	6	-	-	-	-	-	-
Financial services	23	23	23.67	23.67	23.67	23.67	24.42	24.42	24.42	17.75
Administrative services	132	133	135.96	136.11	130.28	125.19	124.66	126.21	119.86	103.05
Development services	43	43	45.10	44.50	44.50	45.00	45.00	45.00	44.50	30.00
Protection of persons and property										
Police protection	232	234	254.88	255.25	254.75	258.73	262.73	266.75	254.63	213.88
Fire protection	111	111	112.92	112.92	112.92	113.40	112.92	112.92	112.92	98.44
Public services	119	118	114.46	113.94	101	107.90	108.90	108.90	108.96	76.50
	<u>685</u>	<u>687</u>	<u>714.74</u>	<u>714.16</u>	<u>688.89</u>	<u>695.95</u>	<u>700.69</u>	<u>706.26</u>	<u>686.79</u>	<u>557.62</u>

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

Source: City of Costa Mesa Finance Department

**TABLE 20**

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

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Stations/Substations	2	2	2	2	2	2	2	2	2	2
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Other public works										
Streets (lane miles)	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0
Streetlights	6,641	6,651	6,658	6,658	6,661	6,676	6,669	6,669	6,669	6,669
Traffic signals	114	114	115	115	116	116	122	122	122	124
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957
Park sites	27	30	30	30	30	30	30	30	30	30
Baseball/softball diamonds	5	5	5	5	6	6	6	6	6	6
Soccer/football fields	9	9	9	9	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	3	3	3
Wastewater (miles)										
Sanitary sewers	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7
Storm sewers	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5

Source: City of Costa Mesa Finance Department



