

CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED  
JUNE 30, 2009

CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2009

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

CITY OF COSTA MESA, CALIFORNIA  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2009

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CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Introductory Section*



ENTRANCE TO OUR BEAUTIFUL CITY



# 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 16, 2009

Honorable Mayor, Councilmembers, and City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa for the fiscal year ended June 30, 2009, 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, 2009, 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, 2009, 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 City Manager and City Attorney. The City Manager 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 City Manager submits the budget to the City Council, who adopts it prior to the beginning of the fiscal year. Public hearings are conducted prior to budget adoption. Supplemental appropriations, when required during the fiscal year, are also approved by the City Council. Intra-functional budgetary amendments are approved by the City Manager.

## **ECONOMIC CONDITION**

The City 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. This area of the City is increasingly becoming a center of commerce for the region as a result of the new development and redevelopment now occurring. Sales tax and property tax revenue generated from the Shopping Center comprise a significant portion of the City's total tax revenues.

Due to the severe recessionary market environment, total sales tax revenue and transient occupancy taxes decreased 18% or \$7.4 million in the current year. To address the economic downturn and decline in revenue, in November 2008 City management reduced budgeted expenditures by \$8.4 million, mostly by way of implementing a hiring freeze and postponing or eliminating capital improvement projects. Also, in April 2009 while preparing for the 2010 fiscal year, City Council adopted a 10 Point Budget Management Strategy Plan to provide specific steps in addressing the City's budget deficit. Some of the 10 Point Plan is to reduce overall department budgets by 5%, negotiate a reduction in employee compensation equal to 5% by way of furloughs, and create vacant positions by offering an early retirement incentive. Additional steps will be implemented during fiscal year 2010 as necessary.

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.

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

*High-Rise Office and Residential Condominium Projects in North Costa Mesa* – City Council has approved plans submitted by the property owners in Two Town Center, South Coast Metro Center, and The Lakes to allow for the construction of several high-rise office, retail and residential condominium projects. Approximately 1,500 condominium units are being proposed at varied locations in the City's Cultural Arts Center. The architecturally-significant high-rise buildings are intended to complement the surrounding office, retail, restaurants, and cultural arts uses. However, due to the current market environment, construction has been delayed for one year.

*1011-1045 El Camino Drive* – The City Council has approved a general plan amendment and rezoning of properties containing El Camino Shopping Center to a 24-unit, 2-story residential development. All existing commercial buildings will be demolished to accommodate the new development. Construction will be completed in 2010.

## **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 addition, Moodys upgraded the City's credit rating on its outstanding 1998 Revenue Bonds from A1 to Aa3. Briefly defined, these ratings are given to bonds which are determined to be of high investment quality by all standards.

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, 2008. This was the thirtieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our 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, City Manager, 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,

A handwritten signature in cursive script, reading "Colleen O'Donoghue", followed by a horizontal line extending to the right.

COLLEEN O'DONOGHUE  
Assistant Finance Director



# City of Costa Mesa List of Principal Officials

**June 30, 2009**

**Mayor**

Allan R. Mansoor

**City Council**

Eric R. Bever

Katrina A. Foley

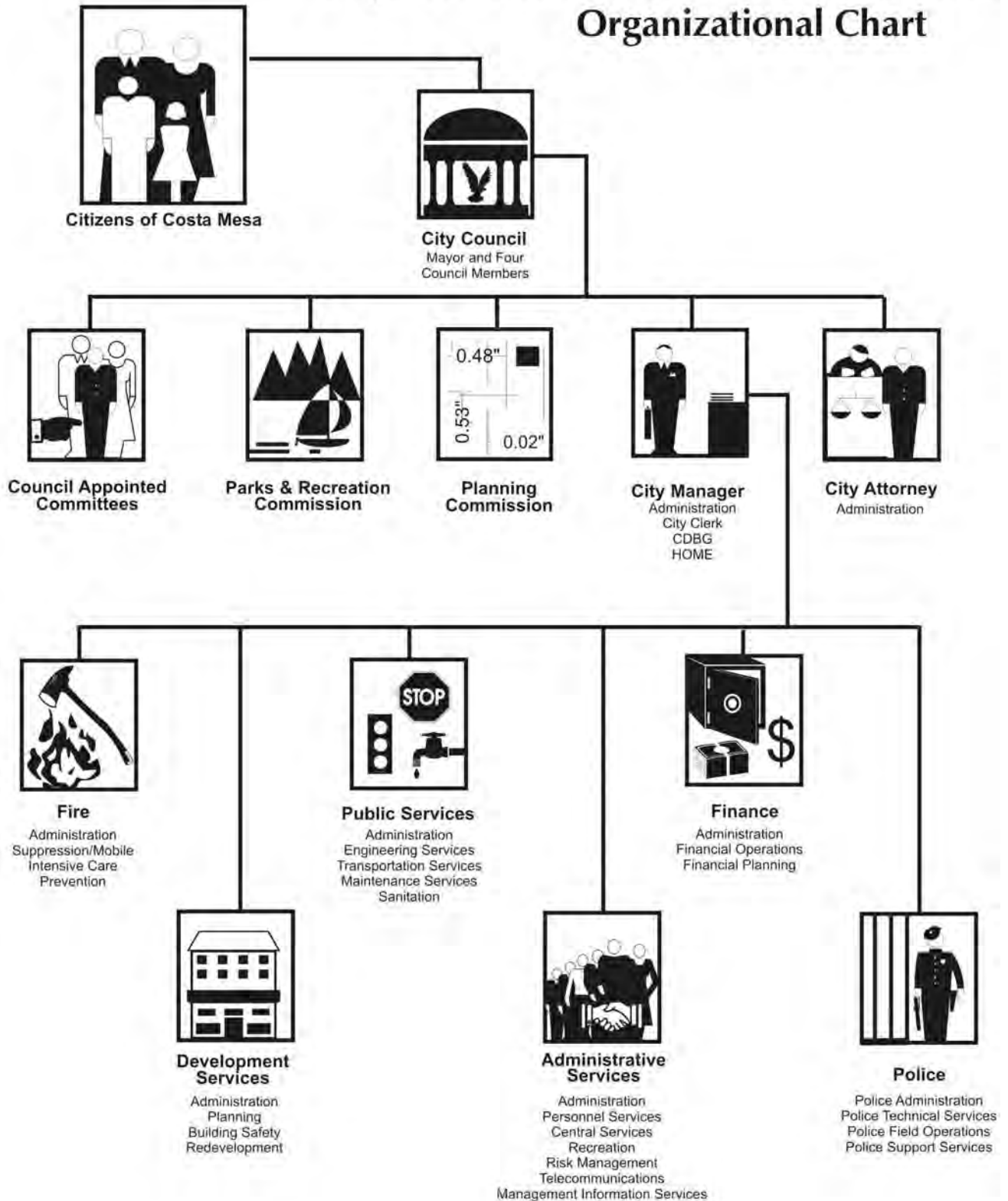
Wendy B. Leece

Gary Monahan

City Manager-----	Allan L. Roeder
Assistant City Manager-----	Thomas R. Hatch
City Attorney (Contract)-----	Kimberly Hall Barlow
Director of Administrative Services-----	Steven N. Mandoki
Acting Director of Development Services-----	Kimberly Brandt
Assistant Finance Director-----	Colleen O'Donoghue
Director of Public Works-----	Peter Naghavi
Fire Chief-----	Michael F. Morgan
Police Chief-----	Christopher Shawkey

# 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, 2008

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

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Financial Section*



THE LAKE AT TEWINKLE PARK





**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

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Irvine, California 92612  
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949-263-5520 fx  
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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, 2009, 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, 2008 and, in our report dated December 15, 2008, 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, 2009, 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 16 to the financial statements, the City changed its method of accounting for post-employment benefits other than pensions for fiscal years ending on or after June 30, 2009.

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 11, 2009 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.

*Maqsood Hoffman, CPA, P.C.*

Irvine, California  
December 11, 2009



CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Management's Discussion and Analysis*



CITY SKYLINE IN SPRINGTIME

# 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, 2009. 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–v 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 2009 by \$313,051,398 (*net assets*). Of this amount, \$50,034,265 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$14,598,825 from the prior fiscal year total of \$327,650,223.
- As of the close of fiscal year 2009, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$78,555,922, a decrease of \$29,677,434 in comparison with the prior year. Of this total amount, \$52,838,667, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of 2009, unreserved fund balance for the general fund was \$33,716,155 or 29.82% percent of total general fund expenditures and other financing uses of \$113,051,194.
- The City of Costa Mesa's total debt had a net decrease of \$4,035,200 or 4.50 percent during fiscal year 2009. This decrease was primarily attributable to a net change in estimates for claims payable of \$891,712 due to an increase in claims against the City, a net decrease in accounts payable of \$2,783,653 and a decrease in retentions payable of \$130,651 due to construction in progress. There was also a decrease of \$3,255,000 for principle payments of bonded debt outstanding and a capital lease payable decrease of \$1,138,687 due to the payoff of the public safety hardware lease.

## 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-five 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 and the Redevelopment Agency Debt Service Fund, both of which are considered to be major funds. Data from the other twenty-three 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 18-24 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 31-70 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 71-76 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 78-114 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 \$313,051,398 at the close of the fiscal year ended June 30, 2009.

Seventy-six 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 is 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

	<b><u>Governmental Activities</u></b>	
	<b><u>2009</u></b>	<b><u>2008</u></b>
Current and other assets	\$122,903,039	\$151,177,114
Capital assets	<u>275,700,814</u>	<u>266,850,942</u>
<b>Total Assets</b>	<u>398,603,853</u>	<u>418,028,056</u>
Long-term debt outstanding	75,036,001	75,017,733
Other liabilities	<u>10,516,454</u>	<u>14,569,922</u>
<b>Total Liabilities</b>	<u>85,552,455</u>	<u>89,587,655</u>
Net assets:		
Invested in capital assets, net of debt	238,167,532	231,078,900
Restricted	24,849,601	29,814,774
Unrestricted	<u>50,034,265</u>	<u>67,546,727</u>
<b>Total net Assets</b>	<u>\$313,051,398</u>	<u>\$328,440,401</u>

At the end of the 2009 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 2009 fiscal year, the City's total net assets decreased by \$15,389,003 from the prior fiscal year total of \$328,440,401.

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$11,151,796	\$11,930,681
Operating contributions and grants	10,276,030	8,948,635
Capital contributions and grants	8,938,881	10,594,837
General revenues:		
Taxes:		
Property taxes, levied for general purpose	25,327,904	24,715,336
Sales taxes	39,488,414	46,917,845
Transient occupancy tax	4,719,158	5,791,004
Franchise taxes	4,174,172	4,046,517
Business license tax	860,491	932,278
Other taxes	-	-
Other intergovernmental	9,215,927	9,155,864
Investment earnings	1,649,319	6,659,736
Miscellaneous revenues	<u>850,080</u>	<u>862,648</u>
Total revenues	<u>116,652,172</u>	<u>130,555,381</u>
<b>Expenses:</b>		
General government	29,708,604	29,508,603
Public safety	64,718,615	57,655,181
Community Programs	10,953,425	7,704,374
Public Services	22,068,699	28,707,820
Redevelopment	375,499	1,168,763
Interest on long-term debt	<u>3,426,155</u>	<u>3,651,584</u>
Total expenses	<u>131,250,997</u>	<u>128,396,325</u>
 Change in net assets	 (14,598,825)	 2,159,056
 <b>Net assets at beginning of year, as restated</b>	 <u>327,650,223</u>	 <u>326,281,345</u>
 <b>Net assets at end of year</b>	 <u>\$313,051,398</u>	 <u>\$328,440,401</u>



## Governmental Activities

Governmental activities decreased the City of Costa Mesa's net assets by \$14,598,825, which accounted for 100.00 percent of the total decrease in the net assets. Key elements of this decrease are as follows:

- Sales tax revenues decreased by \$7,469,431 or 15.9% from fiscal year 2008. This change was due primarily to the loss of consumer confidence as a result of the severe economic recession and double digit job loss. Consumers are spending less due to the uncertain economic future. Also, property tax collections increased by \$612,568 due to the growth in assessed value of property in the City in the prior year.
- Franchise tax revenues increased by \$127,655 or 3.2% from fiscal year 2008. This increase resulted from normal inflationary increases in gross sales of cable television and solid waste hauling service. Also, transient occupancy tax revenue decreased by \$1,071,846 or 18.5% from the prior fiscal year. This change is a result of lower occupancy and room rates at major hotels within the City due to the economic recession.
- Investment income decreased by \$5,010,417 or 75.2% over the prior fiscal year. This decrease was a result of decreased investment earnings due to lower interest rates and a market value adjustment of \$4.2 million on a Lehman Brothers investment loss. The investment loss was attributed to the 2008 market meltdown.
- The City's governmental expenses for public safety in fiscal year 2009 increased by \$7,063,434 or 12.2% from the prior fiscal year. This increase resulted primarily from an increase in negotiated salary and retirement benefits. Public Services expenses decreased by \$6,639,121 or 23.1% 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, *unreserved 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 2009 fiscal year, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$78,555,922, a decrease of \$29,677,434 in comparison with the prior fiscal year. Of this total amount, \$25,717,255 represents *reserved* fund balance to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) fund balance reserved for non-current assets, such as notes receivable, prepaid and other assets, advances to other funds, and property held for resale. Reserved fund balance represents funds that are legally restricted by outside parties for a

specific purpose. The remainder of fund balance constitutes *unreserved fund balance*, which is available for spending. Unreserved fund balance also includes *designations of fund balance* which represent management plans that are subject to change.

The general fund is the chief operating fund of the City of Costa Mesa. At the end of the fiscal year, unreserved fund balance of the general fund was \$33,716,155, while total fund balance amounted to \$48,856,719. The fund balance of the City of Costa Mesa's general fund decreased by \$19,451,079 during fiscal year 2009. Key factors in this change are as follows:

- Property tax revenues increased by \$484,465 or 2.3% over the prior fiscal year. This increase was significantly lower than the increase in property tax collections in the prior fiscal year. The decrease in the rate of growth of property tax collections resulted primarily from the onset of the sub-prime mortgage crisis and the subsequent meltdown in the credit markets. These factors resulted in a drop in market values and fewer property sales.
- Revenues from investment income decreased by \$2,013,837 or 62.3% over the prior fiscal year. This decrease was a result of decreased investment earnings due to lower interest rates and a market value adjustment of \$4.2 million on a Lehman Brothers investment loss. The investment loss was attributed to the 2008 market meltdown.
- Sales tax, the General Fund's largest single source of revenue, decreased by \$7,331,172 or 15.9% over the prior fiscal year. This decrease was primarily a result of the loss of consumer confidence due to the severe economic recession and double digit job loss. Consumers are spending less due to the uncertain economic future.
- Transient occupancy tax revenues decreased by \$1,071,846 or 18.5% over the prior fiscal year. This change is a result of lower occupancy and room rates at major hotels within the City due to the severe economic recession.
- Overall, total revenues in the General Fund decreased by \$9,941,036 or 9.6%. The decline is mostly attributed to the current economic climate.
- Expenditures for Police and Fire services increased by \$1,972,369 or 3.2% from the prior fiscal year. This increase resulted primarily from regular wages, overtime, and benefit cost increases.
- Total debt service payments decreased by \$1,284,749 or 50.8%. This decrease resulted from the payoff of the public safety hardware capital lease.
- Overall, total expenditures in the General Fund increased by \$1,167,766 or 1.1%.

The Redevelopment Agency Debt Service Fund has an accumulated fund deficit of \$9,579,072. The deficit exists since GAAP requires the debt service funds to record advances from other funds as a liability. At June 30, 2009, the balance in advances from other funds is \$11,296,680. 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 \$821,191.

The Low and Moderate Income Housing Fund has \$2,192,303 in fund balance as of the end of the fiscal year which represents a net decrease of \$91,344 or 41.70% from the prior fiscal year. This decrease occurred as a result of the First Time Buyer Assistance Program, in which the program issued three loans at a cost of \$237,000 each, to new home buyers in 2009.

## **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 \$7,303,215. The increase in total net assets for the fiscal year amounted to \$811,421.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the appropriations in the original budget and the final amended budget amounted to \$3,767,517. All budget adjustments were properly approved. The majority of the appropriation increases can be briefly summarized as follows:

- Personnel costs increased by over \$2.3 million due to contractually agreed-to compensation increases effective for all four employee groups.

In addition to the aforementioned appropriation increases, over \$6.2 million in appropriation increases was added to the original budget due to prior year carryforwards for city-wide capital improvement projects previously approved by Council.

Positive variances between the final amended budget and actual expenditures in the general fund amounted to \$7,342,767. The significant budgetary variances can be briefly summarized as follows:

- Police protection expenditures had a positive variance of \$3,153,473 due to attrition savings in excess of anticipated attrition savings.
- Facilities and equipment maintenance had a positive variance of \$1,431,611. This variance was a result of lower maintenance costs on new vehicles purchased to replace aging vehicles.

## **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, 2009, amounts to \$275,700,814 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 increased by 3.3% or \$8,849,871 over the prior fiscal year.

Major capital asset events during the 2009 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 \$12,563,947 and capital assets being depreciated increased by \$21,413,818. Construction in progress as of the fiscal year end totaled \$18,495,819 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>
Newport and 17 <sup>th</sup> Street Improvements	300052	\$ 3,099,836	1,978,920	1,120,916
Fairview and I-405 Interchange Improvements	300084	7,115,161	6,340,757	774,404
Harbor and I-405 SB to Sunflower	300085	5,458,865	4,630,389	828,476
Newport and 19 <sup>th</sup> Street Improvements	300094	<u>3,285,967</u>	<u>2,193,188</u>	<u>1,092,779</u>
Total		<u>\$18,959,829</u>	<u>15,143,254</u>	<u>3,816,575</u>

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$32,515,441	\$32,515,441
Land rights related to streets	29,291,575	29,291,575
Construction in progress	18,495,819	31,059,766
Building improvements and structures	34,300,110	10,248,349
Machinery and equipment	11,241,047	12,091,711
Park System	9,994,898	9,130,409
Infrastructure- roads	120,010,641	120,453,511
Infrastructure- storm drains	<u>19,851,282</u>	<u>22,060,180</u>
Totals	<u>\$275,700,813</u>	<u>\$266,850,942</u>

Additional information on the City of Costa Mesa's capital assets can be found in note 6 on pages 49-50 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 (\$10.2 million outstanding), the PFA 1998 Refunding Revenue Bonds (\$4.6 million outstanding), the 2003 Redevelopment Agency Tax Allocation Refunding Bonds (\$5.1 million outstanding), the PFA 2006 Lease Revenue Refunding Bonds (\$2.1 million outstanding), the PFA 2007 Certificates of Participation issued for construction of the police facility expansion (\$28.4 million outstanding), and \$1.9 million of capitalized lease obligations. Long-term liabilities had a net decrease of \$2.8 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>2009</u>	<u>2008</u>
Bonds payable	\$ 50,590,000	\$53,845,000
Other liabilities	22,547,466	20,997,040
Capitalized lease obligations	<u>1,898,535</u>	<u>3,037,222</u>
Totals	<u>\$75,036,001</u>	<u>\$77,879,262</u>

Additional information on the City of Costa Mesa's long-term debt can be found in notes 7 through 11 on pages 51-58 of this report.

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

- The unemployment rate for the County of Orange was estimated at 7.8% as of June 30, 2009, which is an increase from the rate of 2.5% a year ago. This compares favorably to the state's average unemployment rate of 11.5% and the national average rate of 9.5% as of June 30.
- The assessed property values in Costa Mesa increased by 3.8% overall from the prior fiscal year. Property values in Costa Mesa are projected to decrease slightly over the next year due to the recession.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Costa Mesa's operating and capital improvement budget for the 2010 fiscal year.

During the 2009 fiscal year, the unreserved fund balance in the General Fund decreased by \$19.5 million. The fiscal year 2010 operating and capital improvement budget assumed an operating deficit for the General Fund in the amount of \$4,652,629. Subsequent to year end, City council adopted a 10 Point Budget Management Strategy Plan to provide specific steps in addressing the City's budget deficit. Some of the 10 Point Plan is to reduce overall department budgets by 5%, negotiate a reduction in employee compensation equal to 5% by way of furloughs, and create vacant positions by offering an early retirement incentive. Additional steps will be implemented during fiscal year 2010 as necessary.

### 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, 77 Fair Drive, Costa Mesa, California, 92628-1200.

CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Government-wide Financial Statements*



ENTRANCE TO FAIRVIEW PARK

## 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, 2009

(With Comparative Data for Prior Year)

	Governmental Activities	
	2009	2008
Assets:		
Cash and investments (note 2)	\$ 88,824,949	\$ 108,894,914
Cash and investments with fiscal agent (note 2)	11,475,978	17,751,957
Due from other governments	8,108,580	9,992,185
Accounts receivable	1,036,781	826,702
Interest receivable	896,859	2,149,369
Loans receivable	7,936,082	7,053,061
Rent receivable	1,389,634	1,336,129
Loan deposits	486,506	472,660
Inventories	148,421	174,638
Prepaid items	59,408	56,036
Investment in joint venture (note 21)	2,539,841	2,469,463
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	18,495,819	31,059,766
Other capital assets, net of accumulated depreciation	195,397,979	173,984,160
Total assets	<u>398,603,853</u>	<u>418,028,056</u>
Liabilities:		
Accounts payable	3,767,738	6,551,391
Accrued liabilities	1,091,411	1,185,152
Accrued interest payable	542,814	577,214
Retentions payable	2,594,228	2,724,879
Unearned revenue	306,881	307,324
Deposits payable	2,213,382	3,223,962
Long-term liabilities:		
Portion due within one year:		
Claims payable (notes 7, 9 and 19)	2,395,500	3,324,433
Bonds payable (notes 7 and 8)	3,525,000	3,255,000
Capital leases payable (notes 7 and 10)	539,842	1,138,687
Employee leave benefits payable (notes 7 and 9)	1,200,000	1,500,000
Portion due beyond one year:		
Claims payable (notes 7, 9 and 19)	9,899,607	8,078,962
Bonds payable (notes 7 and 8)	47,065,000	50,590,000
Capital leases payable (notes 7 and 10)	1,358,693	1,898,535
Employee leave benefits payable (notes 7 and 9)	5,675,301	5,232,116
OPEB (notes 7 and 9)	664,000	-
Police retirement 1% supplemental (notes 7 and 9)	2,713,058	-
Total liabilities	<u>85,552,455</u>	<u>89,587,655</u>
Net assets:		
Invested in capital assets, net of related debt	238,167,532	231,078,900
Restricted for:		
Protection of persons and property	407,718	431,303
Community programs	5,909,972	10,601,709
Public services	18,531,911	18,781,762
Unrestricted	50,034,265	67,546,727
Total net assets	<u>\$ 313,051,398</u>	<u>328,440,401</u>

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2009

(With Comparative Data for Prior Year)

Functions/Programs	Program Revenues				Net (Expense)	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Assets	
					2009	2008
Governmental activities:						
General government	\$ 29,708,604	-	-	-	(29,708,604)	(29,508,603)
Protection of persons and property	64,718,615	3,236,412	2,136,631	-	(59,345,572)	(52,994,115)
Community programs	10,953,425	6,075,951	2,936,696	-	(1,940,778)	1,012,507
Public services	22,068,699	1,839,433	5,202,703	8,938,881	(6,087,682)	(10,611,614)
Redevelopment	375,499	-	-	-	(375,499)	(1,168,763)
Interest on long-term debt	3,426,155	-	-	-	(3,426,155)	(3,651,584)
<b>Total governmental activities</b>	<b>\$ 131,250,997</b>	<b>11,151,796</b>	<b>10,276,030</b>	<b>8,938,881</b>	<b>(100,884,290)</b>	<b>(96,922,172)</b>
General revenues:						
Taxes:						
					25,327,904	24,715,336
					39,488,414	46,917,845
					4,719,158	5,791,004
					4,174,172	4,046,517
					860,491	932,278
					9,215,927	9,155,864
					1,649,319	6,659,736
					850,080	862,648
					<u>86,285,465</u>	<u>99,081,228</u>
					(14,598,825)	2,159,056
					<u>327,650,223</u>	<u>326,281,345</u>
					<u>\$ 313,051,398</u>	<u>328,440,401</u>

See accompanying notes to basic financial statements.

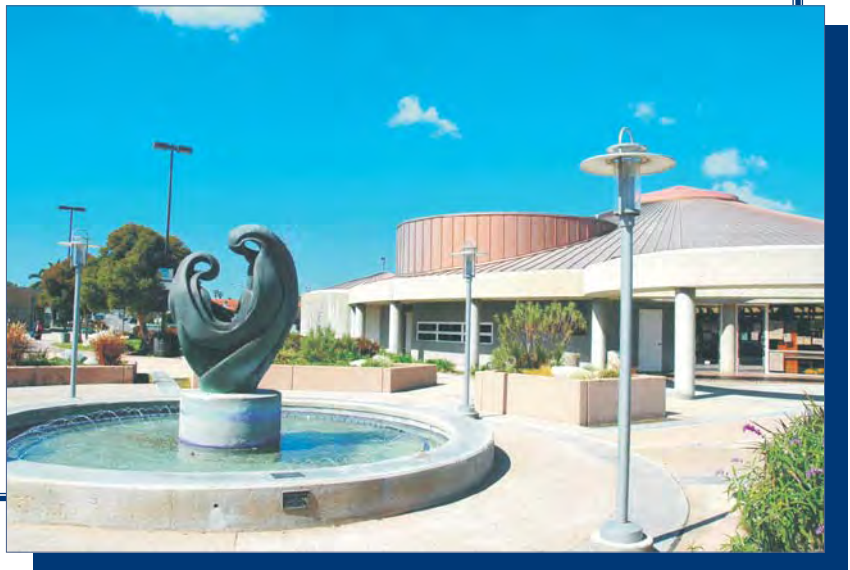


CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Fund Financial Statements*



COSTA MESA PUBLIC LIBRARY

## **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.

##### **Park Development Fees 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.

#### **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 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 funds have been classified as major funds in the accompanying fund financial statements:

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

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

### **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 thirteen Special Revenue Funds, one Debt Service Fund and four Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Balance Sheet

June 30, 2009

(With Comparative Data for Prior Year)

	General	Special Revenue		Debt Service
		Low and Mod Income Housing	Park Development Fees	Redevelopment Agency
<u>Assets</u>				
Cash and investments	\$ 29,699,645	2,215,006	2,500,799	955,481
Cash and investments with fiscal agent	-	-	-	704,300
Due from other governments	7,128,855	10,547	-	42,189
Accounts receivable	1,004,610	-	-	-
Interest receivable	242,738	7,414	17,576	7,644
Loans receivable	-	5,157,902	-	-
Rent receivable	299,304	-	-	-
Due from other funds (note 3)	866,865	-	-	16,250
Loan deposits	-	-	-	-
Advances to other funds (note 4)	15,188,668	-	-	-
Inventories	33,073	-	-	-
Prepaid items	52,974	-	-	-
	<u>\$ 54,516,732</u>	<u>7,390,869</u>	<u>2,518,375</u>	<u>1,725,864</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,329,353	4,840	70,732	8,256
Accrued liabilities	831,259	-	-	-
Retentions payable	-	-	16,175	-
Deposits payable	2,213,382	-	-	-
Due to other funds (note 3)	16,250	35,824	-	-
Advances from other funds (note 4)	-	-	4,063,874	11,296,680
Deferred revenue	1,269,769	5,157,902	-	-
	<u>5,660,013</u>	<u>5,198,566</u>	<u>4,150,781</u>	<u>11,304,936</u>
Fund balances (note 12):				
Reserved for:				
Encumbrances	363,384	-	149,812	-
Prepaid items/loan deposits	52,974	-	-	-
Inventories	33,073	-	-	-
Advances to other funds	14,691,133	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	33,716,155	-	-	-
Special revenue funds	-	2,192,303	(1,782,218)	-
Debt service funds	-	-	-	(9,579,072)
Capital projects funds	-	-	-	-
	<u>48,856,719</u>	<u>2,192,303</u>	<u>(1,632,406)</u>	<u>(9,579,072)</u>
Total liabilities and fund balances	<u>\$ 54,516,732</u>	<u>7,390,869</u>	<u>2,518,375</u>	<u>1,725,864</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects</u>			
<u>Measure "M"</u> <u>Construction</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>	
		<u>2009</u>	<u>2008</u>
12,688,856	21,062,480	69,122,267	91,168,268
-	10,771,678	11,475,978	17,751,957
269,689	657,300	8,108,580	9,992,185
-	6,633	1,011,243	795,479
81,614	1,322,626	1,679,612	2,928,213
-	2,778,180	7,936,082	7,053,061
-	1,090,330	1,389,634	1,336,129
-	-	883,115	900,675
-	486,506	486,506	472,660
-	171,886	15,360,554	15,882,906
-	-	33,073	29,158
-	-	52,974	56,036
<u>13,040,159</u>	<u>38,347,619</u>	<u>117,539,618</u>	<u>148,366,727</u>
2,200,614	697,075	4,310,870	7,023,858
-	248,093	1,079,352	1,176,245
1,344,259	1,233,794	2,594,228	2,724,879
-	-	2,213,382	3,223,962
-	831,041	883,115	900,675
-	-	15,360,554	15,882,906
<u>191,872</u>	<u>5,922,652</u>	<u>12,542,195</u>	<u>11,272,197</u>
<u>3,736,745</u>	<u>8,932,655</u>	<u>38,983,696</u>	<u>42,204,722</u>
2,180,066	929,947	3,623,209	15,849,254
-	-	52,974	-
-	-	33,073	29,158
-	-	14,691,133	15,438,614
-	7,316,866	7,316,866	7,407,474
-	-	33,716,155	50,467,786
-	12,632,587	13,042,672	8,610,100
-	-	(9,579,072)	(10,400,263)
<u>7,123,348</u>	<u>8,535,564</u>	<u>15,658,912</u>	<u>18,759,882</u>
<u>9,303,414</u>	<u>29,414,964</u>	<u>78,555,922</u>	<u>106,162,005</u>
<u>13,040,159</u>	<u>38,347,619</u>	<u>117,539,618</u>	<u>148,366,727</u>



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2009

Fund balances of governmental funds \$ 78,555,922

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	537,375,426
Accumulated depreciation	(266,978,298)

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	(50,590,000)
Capital leases payable	(1,898,535)
Employee benefits leave payable	(6,875,301)
OPEB	(664,000)
Police 1% Retirement Supplemental	(2,713,058)

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. (542,814)

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. 12,606,901

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. 2,539,841

Deferred Revenue

Certain revenues that do not provide current financial resources are reported as deferred revenues in the funds. 12,235,314

Net assets of governmental activities \$ 313,051,398

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, 2009

(With Comparative Data for Prior Year)

	General	Special Revenue		Debt Service
		Low and Mod Income Housing	Park Development Fees	Redevelopment Agency
<b>Revenues:</b>				
Taxes	\$ 69,615,217	825,167	-	3,299,797
Licenses and permits	1,168,026	-	-	-
Fines and forfeits	2,806,468	-	-	-
Intergovernmental	9,948,124	-	-	-
Charges for services	3,689,586	-	10,829	-
Rental	2,881,668	-	-	-
Investment income	1,220,378	42,844	-	35,336
Miscellaneous	2,049,685	170,065	-	16,250
<b>Total revenues</b>	<b>93,379,152</b>	<b>1,038,076</b>	<b>10,829</b>	<b>3,351,383</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	27,960,414	-	-	-
Protection of persons and property	67,036,962	-	-	-
Community programs	5,156,035	-	803,915	-
Public services	6,615,348	1,129,420	-	-
Redevelopment	-	-	-	-
<b>Debt service:</b>				
Principal	1,138,687	-	-	485,000
Interest and fiscal charges	105,650	-	230,031	1,145,192
<b>Total expenditures</b>	<b>108,013,096</b>	<b>1,129,420</b>	<b>1,033,946</b>	<b>1,630,192</b>
Excess (deficiency) of revenues over (under) expenditures	(14,633,944)	(91,344)	(1,023,117)	1,721,191
<b>Other financing sources (uses):</b>				
Transfers in (note 5)	220,963	-	-	-
Transfers out (note 5)	(5,038,098)	-	-	(900,000)
<b>Total other financing sources (uses)</b>	<b>(4,817,135)</b>	<b>-</b>	<b>-</b>	<b>(900,000)</b>
<b>Net change in fund balances</b>	<b>(19,451,079)</b>	<b>(91,344)</b>	<b>(1,023,117)</b>	<b>821,191</b>
<b>Fund balances (deficit) at beginning of year, as restated ( note 22)</b>	<b>68,307,798</b>	<b>2,283,647</b>	<b>(609,289)</b>	<b>(10,400,263)</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 48,856,719</b>	<b>2,192,303</b>	<b>(1,632,406)</b>	<b>(9,579,072)</b>

See accompanying notes to the basic financial statements.

<u>Capital Projects</u>			
<u>Measure "M"</u> <u>Construction</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>	
		<u>2009</u>	<u>2008</u>
		-	829,959
-	-	1,168,026	1,876,959
-	159,492	2,965,960	3,066,355
6,422,989	9,988,015	26,359,128	27,088,736
-	479,132	4,179,547	4,355,738
-	308,307	3,189,975	3,128,271
-	328,989	1,627,547	5,869,106
-	106,611	2,342,611	1,182,749
<u>6,422,989</u>	<u>12,200,505</u>	<u>116,402,934</u>	<u>128,970,894</u>
-	1,659,281	29,619,695	28,723,990
-	1,654,202	68,691,164	66,889,007
-	5,590,666	11,550,616	9,622,552
8,717,417	11,492,054	27,954,239	33,343,249
-	375,499	375,499	1,168,763
-	2,770,000	4,393,687	5,486,427
-	1,979,682	3,460,555	3,683,198
<u>8,717,417</u>	<u>25,521,384</u>	<u>146,045,455</u>	<u>148,917,186</u>
<u>(2,294,428)</u>	<u>(13,320,879)</u>	<u>(29,642,521)</u>	<u>(19,946,292)</u>
-	6,902,205	7,123,168	9,014,877
(190,475)	(1,029,508)	(7,158,081)	(8,195,611)
<u>(190,475)</u>	<u>5,872,697</u>	<u>(34,913)</u>	<u>819,266</u>
(2,484,903)	(7,448,182)	(29,677,434)	(19,127,026)
<u>11,788,317</u>	<u>36,863,146</u>	<u>108,233,356</u>	<u>125,289,031</u>
<u>9,303,414</u>	<u>29,414,964</u>	<u>78,555,922</u>	<u>106,162,005</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, 2009

Net changes in fund balances - total governmental funds	\$ (29,677,434)
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	20,370,828
Depreciation expense	(11,213,832)
<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	(143,182)
Principal payments - bonds	3,255,000
Principal payments - capital leases	1,138,687
OPEB	(664,000)
Police Retirement 1% Supplemental	148,471
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	34,400
<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.	
	811,421
<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.	70,378
<u>Deferred Revenue</u>	
Certain revenues that do not provide current financial resources are reported as deferred revenue in the funds.	
	1,270,438
Change in net assets of governmental activities	<u><u>\$ (14,598,825)</u></u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Net Assets

June 30, 2009

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets:		
Cash and investments (note 2)	\$ 19,702,682	17,726,646
Accounts receivable	25,538	31,223
Prepaid items	6,434	-
Interest receivable	137,580	169,591
Inventories	115,348	145,480
Total current assets	<u>19,987,582</u>	<u>18,072,940</u>
Capital assets:		
Motorized equipment	11,088,733	10,807,594
Other equipment	319,940	261,316
Accumulated depreciation	<u>(6,104,987)</u>	<u>(5,458,100)</u>
Net capital assets	<u>5,303,686</u>	<u>5,610,810</u>
Total assets	<u>25,291,268</u>	<u>23,683,750</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	377,201	475,968
Accrued liabilities	12,059	8,907
Claims payable	<u>2,395,500</u>	<u>3,324,433</u>
Total current liabilities	<u>2,784,760</u>	<u>3,809,308</u>
Long-term liabilities:		
Claims payable	<u>9,899,607</u>	<u>8,078,962</u>
Total long-term liabilities	<u>9,899,607</u>	<u>8,078,962</u>
Total liabilities	<u>12,684,367</u>	<u>11,888,270</u>
Net assets:		
Invested in capital assets	5,303,686	5,610,810
Unrestricted	<u>7,303,215</u>	<u>6,184,670</u>
Total net assets	<u>\$ 12,606,901</u>	<u>11,795,480</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, 2009

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for services	\$ 7,518,738	6,956,543
Total operating revenues	<u>7,518,738</u>	<u>6,956,543</u>
Operating expenses:		
Allocated administrative costs	1,113,385	1,283,907
Depreciation	806,960	756,051
Fuel and repair parts	1,081,349	1,207,699
Claims and premiums	3,762,308	6,643,642
Total operating expenses	<u>6,764,002</u>	<u>9,891,299</u>
Operating income (loss)	<u>754,736</u>	<u>(2,934,756)</u>
Nonoperating revenues (expenses):		
Investment income	11,245	790,736
Gain (loss) on sale of equipment	10,527	(94,044)
Total nonoperating revenues (expenses)	<u>21,772</u>	<u>696,692</u>
Income (loss) before transfers	<u>776,508</u>	<u>(2,238,064)</u>
Transfers in (note 5)	65,395	-
Transfers out (note 5)	<u>(30,482)</u>	<u>(819,266)</u>
Total transfers	<u>34,913</u>	<u>(819,266)</u>
Change in net assets	811,421	(3,057,330)
Net assets at beginning of year	<u>11,795,480</u>	<u>14,852,810</u>
Net assets at end of year	<u>\$ 12,606,901</u>	<u>11,795,480</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, 2009

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2009	2008
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 7,524,426	6,990,101
Cash payments to suppliers for goods and services	(4,206,275)	(5,202,419)
Cash payments to employees for services	(918,200)	(892,723)
Net cash provided by (used for) operating activities	<u>2,399,951</u>	<u>894,959</u>
Cash flows from noncapital financing activities:		
Cash received from other funds	65,395	-
Cash paid to other funds	(30,482)	(824,003)
Net cash provided by (used for) noncapital financing activities	<u>34,913</u>	<u>(824,003)</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	107,589	-
Acquisition of capital assets	(596,899)	(909,212)
Net cash provided by (used for) capital and related financing activities	<u>(489,310)</u>	<u>(909,212)</u>
Cash flows from investing activities:		
Investment income received	30,482	819,267
Net cash provided by (used for) investing activities	<u>30,482</u>	<u>819,267</u>
Net increase (decrease) in cash and cash equivalents	1,976,036	(18,989)
Cash and cash equivalents at beginning of year	<u>17,726,646</u>	<u>17,745,635</u>
Cash and cash equivalents at end of year	<u>\$ 19,702,682</u>	<u>17,726,646</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 754,736	(2,934,756)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	806,960	756,051
(Increase) decrease in inventories	30,133	(43,178)
(Increase) decrease in accounts receivable	5,685	33,558
(Increase) decrease in prepaid items	(6,434)	-
Increase (decrease) in accounts payable	(98,767)	259,529
Increase (decrease) in accrued liabilities	3,152	(571)
Increase (decrease) in claims payable	904,486	2,824,326
Net cash provided by (used for) operating activities	<u>\$ 2,399,951</u>	<u>894,959</u>

Non-cash investing, capital and financing activities:

During fiscal year 2008/2009, there were no significant non-cash investing, capital or financing activities.

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2009  
(With Comparative Data for Prior Year)

	Agency Funds	
	2009	2008
<u>Assets</u>		
Cash and investments (note 2)	\$ 5,413,374	6,662,329
Due from other governments	176,340	181,859
Accounts receivable	57,396	20,744
Interest receivable	24,277	29,592
Inventories	157,451	159,500
Prepaid items	17,138	-
	<u>\$ 5,845,976</u>	<u>7,054,024</u>
<u>Liabilities</u>		
Accounts payable	\$ 113,851	317,836
Accrued liabilities	1,376	-
Deposits payable	2,253,539	3,886,113
Due to other governments	3,477,210	2,850,075
	<u>\$ 5,845,976</u>	<u>7,054,024</u>

See accompanying notes to the basic financial statements.





CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Notes to the Financial Statements*



17TH STREET BUSINESS DISTRICT

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2009

(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. Non-current portions of long-term receivables are offset by fund balance reserve accounts.

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.

*Park Development Fees Fund* – This special revenue 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.

*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.

*Measure "M" Construction Fund* – This capital projects fund was established to account for the expenditures of the April 1991 voter-approved one-half percent sales tax for local transportation improvements.

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.



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications (Continued)

*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.

(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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(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) 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 City Manager. 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) converted for credit at the current rate of pay toward payment of the individual's post-retirement medical funding plan; or b) paid at employee's current hourly base rate of pay; or c) 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.

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.

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.

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

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

(k) 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.

(l) 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.

(m) 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	\$ 88,824,949
Cash and investments with fiscal agent	11,475,978
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>5,413,374</u>
Total cash and investments	<u>\$ 105,714,301</u>

Cash and investments at June 30, 2009 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 12,175
Demand deposits	<u>2,432,152</u>
Total cash and deposits	<u>2,444,327</u>

Investments:	
Costa Mesa Community Facilities District Bonds	1,810,000
Medium Term Notes	26,750,050
Federal agency securities	29,469,576
Money market mutual funds	11,564,479
State Treasurer's Investment Pool	<u>33,675,869</u>
Total investments	<u>103,269,974</u>
Total cash and investments	<u>\$ 105,714,301</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	None	60%
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
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	\$40 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	\$40 million	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	\$ 29,469,576	-	-	29,469,576	-
State Investment Pool (LAIF)	33,675,869	33,675,869	-	-	-
Medium Term Notes	26,750,050	-	10,756,775	15,993,275	-
Held by bond Trustee:					
Costa Mesa Community Facilities District Bonds	1,810,000	-	195,000	360,000	1,255,000
Money Market Mutual Funds	<u>11,564,479</u>	<u>11,564,479</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$103,269,974</u>	 <u>45,240,348</u>	 <u>10,951,775</u>	 <u>45,822,851</u>	 <u>1,255,000</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 Rating</u>	<u>Rating as of Year End</u>						
			<u>AAA</u>	<u>Aa3</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>Baa1</u>	<u>Not Rated</u>
Federal Agency Securities	\$29,469,576	N/A	29,469,576	-	-	-	-	-	-
Medium Term Notes:									
Bear Stearns Co. Corp. Note	3,579,765	A	-	3,579,765	-	-	-	-	-
Bear Stearns Co. Corp. Note	3,068,370	A	-	3,068,370	-	-	-	-	-
HSBC Corp. Note	2,013,500	A	-	-	-	-	2,013,500	-	-
Morgan Stanley Dean Witter Corp. Note	2,095,140	A	-	-	-	2,095,140	-	-	-
Lehman Bros. Hldg Corp. Note	368,750	A	-	-	-	-	-	-	368,750
Regions Financial Corp. Note *	4,587,250	A	-	-	-	-	-	4,587,250	-
HSBC Corp. Note	3,021,360	A	-	-	-	-	3,021,360	-	-
Merrill Lynch Corp. Note	2,506,600	A	-	-	-	2,506,600	-	-	-
Goldman Sachs Corp. Note	3,101,970	A	-	-	3,101,970	-	-	-	-
Morgan Stanley Corp. Note	2,029,220	A	-	-	-	2,029,220	-	-	-
Lehman Bros. Hldg Corp. Note	378,125	A	-	-	-	-	-	-	378,125
State Investment Pool (LAIF)	33,675,869	N/A	-	-	-	-	-	-	33,675,869
Held by Bond Trustee:									
Costa Mesa Community Facilities District Bonds	1,810,000	N/A	-	-	-	-	-	-	1,810,000
Money Market Mutual Funds	<u>11,564,479</u>	A	<u>11,564,479</u>	-	-	-	-	-	-
<b>Total</b>	<b><u>\$103,269,974</u></b>		<b><u>41,034,055</u></b>	<b><u>6,648,135</u></b>	<b><u>3,101,970</u></b>	<b><u>6,630,960</u></b>	<b><u>5,034,860</u></b>	<b><u>4,587,250</u></b>	<b><u>36,232,744</u></b>

\* Sold after year end (October 27, 2009) at a loss of \$461,312.50.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

The investment policy of the City of Costa Mesa limits the amount that can be invested in any one Federal Agency issuer to 60%, which is beyond that stipulated by California Government Code. Investments in any one issuer (other than mutual funds and external investment pools) represent 5% or more of the total Costa Mesa's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Portfolio</u>
FHLMC	Federal Agency Securities	\$13,518,170	13.09%
FNMA	Federal Agency Securities	8,883,906	8.60%
HSBC	Corporate Note	5,034,860	5.00%
Bear Stearns	Corporate Note	<u>6,648,135</u>	6.44%
		<u>\$34,085,071</u>	

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, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 831,041
General Fund	Low and Moderate Housing Fund	<u>35,824</u>
	Subtotal	866,865
Redevelopment Agency	General Fund	<u>16,250</u>
Total		<u>\$ 883,115</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, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Fund	\$11,124,794
General Fund	Park Development Fee Fund	<u>4,063,874</u>
	Subtotal	15,188,668
Nonmajor Governmental Funds	Redevelopment Agency Fund	<u>171,886</u>
Total		<u>\$ 15,360,554</u>

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

The \$11,124,794 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 \$4,063,874 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 \$171,886 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, 2009 are as follows:

<u>Transfers out</u>	<u>Transfers In</u>	<u>Total</u>	
General Fund	Nonmajor Governmental Funds	\$ 4,972,703	(a)
General Fund	Internal Service Fund	65,395	(b)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,029,502	(c)
Measure "M" Construction Fund	General Fund	190,475	(d)
Nonmajor Governmental Funds	General Fund	6	(e)
Redevelopment Agency – Debt Service Fund	Nonmajor Governmental Fund	900,000	(f)
Internal Service Funds	General Fund	<u>30,482</u>	(g)
		<u>\$7,188,563</u>	

- (a) The General Fund transferred the following to the Nonmajor Governmental Funds:
1. \$37,228 to the Supplemental Law Enforcement Block Grant Fund for the reimbursement of public safety expenditures;
  2. \$460,000 to the Prop. 172 Public Safety Fund for the reimbursement of public safety expenditures;
  3. \$4,475,475 to the Finance Authority Debt Service Fund for debt service payments.
- (b) The General Fund transferred \$65,395 to the Equipment Replacement Fund for the purchase of police replacement vehicles;
- (c) The Nonmajor Governmental Funds were transferred to the following Nonmajor Funds:
1. Capital Improvement Fund transferred \$930,193 to the Gas Tax Fund for various street improvements
  2. Redevelopment Projects Fund transferred \$99,309 from Community Development Block Grant for the revenues received from Costa Mesa Family Village.
- (d) Measure "M" Construction Fund transferred to the General Fund for the following:
1. \$100,000 for the reimbursement of the City Engineer's salary and benefits;
  2. \$90,475 for the reimbursement of FEMA expenditures;
- (e) The Parking District Fund transferred \$6 in investment earnings back to the General Fund.
- (f) \$900,000 from the Redevelopment Debt Service Fund to the Redevelopment Projects Fund to fund various project costs.
- (g) \$30,482 from the Equipment Replacement and Self Insurance Funds (Internal Service) for the transfer 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:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</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>31,059,766</u>	<u>20,481,082</u>	<u>(33,045,029)</u>	<u>18,495,819</u>
Total capital assets not being depreciated	<u>92,866,782</u>	<u>20,481,082</u>	<u>(33,045,029)</u>	<u>80,302,835</u>
Capital assets being depreciated:				
Building improvements and structures	34,461,782	24,828,209	-	59,289,991
Landscaping and sprinklers	9,363,689	-	-	9,363,689
Automotive equipment	12,937,078	572,819	(756,788)	12,753,109
Office furniture	442,575	15,657	-	458,232
Office machines	9,208,784	414,012	(13,250)	9,609,546
Other equipment	9,013,993	163,591	(9,147)	9,168,437
Park system	11,242,616	1,600,398	-	12,843,014
Infrastructure – roads	259,319,602	5,936,987	(928,000)	264,328,589
Infrastructure – storm drains	<u>90,666,656</u>	<u>-</u>	<u>-</u>	<u>90,666,656</u>
Total capital assets being depreciated	<u>436,656,775</u>	<u>33,531,673</u>	<u>(1,707,185)</u>	<u>468,481,263</u>
Less accumulated depreciation for:				
Building improvements and structure	(24,213,433)	(776,448)	-	(24,989,881)
Landscaping and sprinkler	(9,168,415)	(51,361)	-	(9,219,776)
Automotive equipment	(7,263,918)	(829,207)	660,640	(7,432,485)
Office furniture	(216,065)	(42,025)	-	(258,090)
Office machines	(5,720,778)	(488,071)	13,250	(6,195,599)
Other equipment	(6,505,232)	(509,017)	8,233	(7,006,016)
Park system	(2,112,207)	(735,909)	-	(2,848,116)
Infrastructure – roads	(138,866,091)	(6,379,857)	928,000	(144,317,948)
Infrastructure – storm drain	<u>(68,606,476)</u>	<u>(2,208,898)</u>	<u>-</u>	<u>(70,815,374)</u>
Total accumulated depreciation	<u>(262,672,615)</u>	<u>(12,020,793)</u>	<u>1,610,123</u>	<u>(273,083,285)</u>
Total capital assets being depreciated, net	<u>173,984,160</u>	<u>21,510,880</u>	<u>(97,062)</u>	<u>195,397,978</u>
Governmental activities capital assets, net	<u>\$266,850,942</u>	<u>41,991,962</u>	<u>(33,142,091)</u>	<u>275,700,813</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, 2009:

<u>Governmental activities:</u>	
General government	\$ 2,032,765
Protection of persons and property	638,715
Community programs	746,262
Public services	<u>8,603,051</u>
 Total depreciation expense-governmental activities	 <u>\$12,020,793</u>

The City has active construction projects as of June 30, 2009. The projects include the following:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Newport and 17 <sup>th</sup> Street Improvements	300052	\$ 3,099,836	1,978,920	1,120,916
Fairview and I-405 Interchange Improvements	300084	7,115,161	6,340,757	774,404
Harbor and I-405 SB to Sunflower	300085	5,458,865	4,630,389	828,476
Newport and 19 <sup>th</sup> Street Improvements	300094	<u>3,285,967</u>	<u>2,193,188</u>	<u>1,092,779</u>
 Total		 <u>\$18,959,829</u>	 <u>15,143,254</u>	 <u>3,816,575</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, 2009 is as follows:

	Balance at July 1, 2008, as restated (1)	Additions	Reductions	Balance at June 30, 2009	Portion Due Within One Year	Portion Due Beyond One Year
<u>Governmental Activities</u>						
Bonds:						
Redevelopment Agency 2003 Tax Allocation Refunding Bonds	\$5,630,000	-	(485,000)	5,145,000	495,000	4,650,000
Public Financing Authority 2003 Refunding Certificate of Participation	11,075,000	-	(855,000)	10,220,000	875,000	9,345,000
Public Financing Authority 2006 Refunding Revenue Refunding Bonds	2,245,000	-	(135,000)	2,110,000	135,000	1,975,000
Public Financing Authority 2007 Certificate of Participation	29,215,000	-	(750,000)	28,465,000	940,000	27,525,000
Public Financing Authority 1998 Refunding Revenue Bonds	<u>5,680,000</u>	<u>-</u>	<u>(1,030,000)</u>	<u>4,650,000</u>	<u>1,080,000</u>	<u>3,570,000</u>
Total bonds payable	<u>53,845,000</u>	<u>-</u>	<u>(3,255,000)</u>	<u>50,590,000</u>	<u>3,525,000</u>	<u>47,065,000</u>
Other liabilities:						
Claims payable	11,403,395	3,291,032	(2,399,320)	12,295,107	2,395,500	9,899,607
Employee leave benefits payable	6,732,116	1,105,745	(962,560)	6,875,301	1,200,000	5,675,301
OPEB	-	1,978,000	(1,314,000)	664,000	-	664,000
Police Retirement 1% Supplemental	<u>2,861,529</u>	<u>78,000</u>	<u>(226,471)</u>	<u>2,713,058</u>	<u>-</u>	<u>2,713,058</u>
Total other liabilities	<u>20,997,040</u>	<u>6,452,777</u>	<u>(4,902,351)</u>	<u>22,547,466</u>	<u>3,595,500</u>	<u>18,951,966</u>
Capital leases:						
P.D. Computer System	619,115	-	(619,115)	-	-	-
HVAC System	273,981	-	(74,774)	199,207	77,528	121,679
Tewinkle Park Athletic Field	<u>2,144,126</u>	<u>-</u>	<u>(444,798)</u>	<u>1,699,328</u>	<u>462,314</u>	<u>1,237,014</u>
Total capital leases payable	<u>3,037,222</u>	<u>-</u>	<u>(1,138,687)</u>	<u>1,898,535</u>	<u>539,842</u>	<u>1,358,693</u>
Total	<u>\$77,879,262</u>	<u>6,452,777</u>	<u>(9,296,038)</u>	<u>75,036,001</u>	<u>7,660,342</u>	<u>67,375,659</u>

(1) The beginning balance was restated to properly reflect the Police Retirement Supplemental liability as of July 1, 2008.

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, 2009. The principal balance outstanding at June 30, 2009 is \$5,145,000.

The annual debt service requirements for the Redevelopment Agency 2003 Tax Allocation Refunding Bonds as of June 30, 2009 are as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 495,000	197,275
2011	510,000	182,200
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>\$5,145,000</u>	<u>1,057,475</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, 2009. The principal balance outstanding at June 30, 2009 is \$28,465,000.

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 \$236,500 on the 2006 Revenue Refunding Bonds. The City has \$235,929 on reserve with the fiscal agent at June 30, 2009. The principal balance outstanding at June 30, 2009 is \$2,110,000.

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. For the County remitted taxes on December 12, 2008 and April 30, 2009 the City remitted payment 17 and 4 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, 2009. The principal balance outstanding at June 30, 2009 is \$10,220,000.

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, 2009, the City had \$1,312,501 on reserve with the fiscal agent. The principal balance outstanding on the bonds as on June 30, 2009 is \$4,650,000.

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, 2009 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>
2010	\$ 135,000	98,106	875,000	384,562	1,080,000	202,726	940,000	1,146,004
2011	125,000	92,634	900,000	357,937	1,130,000	149,402	1,170,000	1,103,804
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>\$2,110,000</u>	<u>739,826</u>	<u>10,220,000</u>	<u>2,294,394</u>	<u>4,650,000</u>	<u>475,628</u>	<u>28,465,000</u>	<u>11,899,480</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, 2009, 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, 2009 for general liability amounted to \$7,127,465 and workers' compensation was \$5,167,642.

\$ 12,295,107

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2009 is expected to be paid primarily by the general fund in future years.

6,875,301

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, 2009 was \$664,000.

664,000

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, 2009 for the 1% enhancement was \$2,713,058.

2,713,058

Total other liabilities

\$ 22,547,466

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 \$43,095. Interest is computed at a stated rate of 4.90%. \$ 199,207

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. 1,699,328

Total capital leases payable \$1,898,535

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Park system	\$ 3,183,781
Equipment	<u>6,295,310</u>
Subtotal	9,479,091
Less: accumulated depreciation	<u>(3,993,512)</u>
Total	<u>\$ 5,485,579</u>

Amount of future minimum lease payments required for years ending June 30, 2009:

Year Ending June 30	<u>Governmental Activities</u>			
	<u>HVAC and Lighting System</u>		<u>Tewinkle Park Athletic Field</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$77,528	6,570	462,314	61,810
2011	80,383	3,714	480,520	43,604
2012	41,296	754	499,443	24,680
2013	-	-	<u>257,051</u>	<u>5,013</u>
Total	<u>\$199,207</u>	<u>11,038</u>	<u>1,699,328</u>	<u>135,107</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(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, 2009 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, 2009 was \$1,895,000.

In May 1997, the City issued \$11,815,000 Certificates of Participation (1997 Public Parking Refunding Project), consisting of \$9,765,000 of serial bonds and \$2,050,000 of term bonds. The serial bonds mature from December 1, 1997 through December 1, 2012 in annual principal payments ranging from \$85,000 to \$940,000 and bear an interest rate of 4.50% to 5.75%. The term bonds mature on December 1, 2014 and bear an interest rate of 5.80%. The certificates were issued to advance refund the remaining portion of the \$14,000,000 certificates of participation issued by the City in December 1984. The 1984 certificates were issued to finance the acquisition and construction of a public parking project at the Orange County Performing Arts Center. Both of these certificates are payable only from the assets of the Center Tower Associates, a California general partnership. The outstanding balance at June 30, 2009 was \$5,525,000.

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

(12) Fund Balances

The City has established the following fund balance reserves and designations at June 30, 2009:

	<u>General</u>	Low and Moderate Income <u>Housing</u>	Park Development <u>Fees</u>	Debt Service Redevelopment <u>Agency</u>	Measure <u>"M"</u>	Nonmajor Governmental <u>Funds</u>
Reserved for:						
Encumbrances	\$ 363,384	-	149,812	-	2,180,066	929,947
Prepaid items/loan deposits	52,974	-	-	-	-	-
Inventories	33,073	-	-	-	-	-
Advances to other funds	14,691,133	-	-	-	-	-
Debt service	-	-	-	-	-	7,316,866
Total reserved	<u>15,140,564</u>	<u>-</u>	<u>149,812</u>	<u>-</u>	<u>2,180,066</u>	<u>8,246,813</u>
Unreserved:						
Designated for working capital	14,125,000	-	-	-	-	-
Designated for self insurance	2,000,000	-	-	-	-	-
Designated for workers' compensation and general liability claims	1,346,808	-	-	-	-	-
Designated for accrued compensated absences	6,875,301	-	-	-	-	-
Designated for Police Retirement 1% Supplemental	2,713,058	-	-	-	-	-
Designated for other post employment benefits	664,000	-	-	-	-	-
Designated for FY 09-10 operating budget	4,652,629	-	-	-	-	-
Undesignated	<u>1,339,359</u>	<u>2,192,303</u>	<u>(1,782,218)</u>	<u>(9,579,072)</u>	<u>7,123,348</u>	<u>21,168,151</u>
Total unreserved	<u>33,716,155</u>	<u>2,192,303</u>	<u>(1,782,218)</u>	<u>(9,579,072)</u>	<u>7,123,348</u>	<u>21,168,151</u>
Total fund balance	<u>\$48,856,719</u>	<u>2,192,303</u>	<u>(1,632,406)</u>	<u>(9,579,072)</u>	<u>9,303,414</u>	<u>29,414,964</u>

The following funds had deficits at June 30, 2009:

Major Fund:	
Redevelopment Agency Fund	\$(9,579,072)
Parkway Development Fees Fund	(1,632,406)
Nonmajor Funds:	
Special Revenue Funds:	
Home Program Fund	(385,049)
Community Development Fund	(90,745)
Supplemental Law Enforcement Services	(2,595)
Rental Rehabilitation Program	(86,997)
Local Law Enforcement Block Grant Fund	(4,618)
Office of Traffic Safety Fund	(85,181)

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. 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, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate indicated for the period is 24.674% for safety fire and 29.372% for safety police and 12.564% 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, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid from the period July 1, 2008 to June 30, 2009.



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, 2006
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date for safety police, and 25 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 % 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>
6/30/05	\$125,802	\$ 97,319	\$28,483	77.4%	\$14,760	193.0%
6/30/06	137,410	106,101	31,309	77.2%	15,187	206.2%
6/30/07	148,600	115,854	32,746	78.0%	16,112	203.2%

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>
6/30/05	\$126,027	\$113,213	\$12,814	89.8%	\$22,379	57.3%
6/30/06	137,864	121,732	16,132	88.3%	24,789	65.1%
6/30/07	152,898	132,442	20,456	86.6%	26,171	78.2%

\*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 (Cost Employer Contribution)

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$1,557,693	\$1,006,121	\$1,770,376	100%	-
6/30/08	1,718,510	1,085,385	1,848,596	100%	-
6/30/09	1,815,402	1,187,343	1,920,967	100%	-

(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, 2007. The number of participants as June 30, 2007 was twenty-one with an average age of 62.3. 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.

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

Valuation Date	June 30, 2007
Actuarial Cost Method	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

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*

<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>
6/30/07	\$3,010,000	\$ -	\$3,010,000	00.0%	\$16,112,000	18.68%
6/30/08	2,861,529	-	2,861,529	00.0%	17,517,941	17.18%
6/30/09	2,713,058	-	2,713,058	00.0%	18,505,678	16.27%

*Schedule of Employer Contributions*

<u>Date</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$78,000	\$226,471	552.2%	(\$148,471)
6/30/09	78,000	226,471	552.2%	(148,471)

*Determination of Net Pension Obligation as of June 30, 2009*

Annual Required Contribution	\$ 78,000
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	<u>78,000</u>
Contributions made	<u>(226,471)</u>
Increase (Decrease) in Net Pension Obligation	<u>(148,471)</u>
Net Pension Obligation, beginning of year	<u>2,861,529</u>
Net Pension Obligation, end of year	<u><u>\$2,713,058</u></u>

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

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

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2008/09, the City

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

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

contributed \$1.3 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.

*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. 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	\$1,978,000
Interest on net OPEB obligation	-
Adjustment to annual required contributions	<u>-</u>
Annual OPEB cost (expense)	1,978,000
Contributions made (including premiums paid)	<u>(1,314,000)</u>
Increase in net OPEB cost (expense)	664,000
Net OPEB obligation (beginning of year)	<u>-</u>
Net OPEB obligation (end of year)	<u>\$ 664,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

*Schedule of Employer Contributions*

<u>Fiscal Year Date</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/07	N/A	N/A	N/A
6/30/08	N/A	N/A	N/A
6/30/09	\$1,978,000	\$664,000	66.4%

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, 2007, was as follows:

Actuarial accrued liability(AAL)	\$24,438,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$24,438,000</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll (active plan members)	\$42,283,000
UAAL as a percentage of covered payroll	57.79%

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 (BAN) cost method. Under the BAN 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 2008/09 fiscal year. The City has selected the discount rate (7%) and future medical benefit cap increase (0%) assumptions, with a 3% inflation rate. It is assumed the City's payroll will increase 3.5% per year.

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:

Actualial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/05	N/A	N/A	N/A	N/A	N/A	N/A
6/30/06	N/A	N/A	N/A	N/A	N/A	N/A
6/30/07	\$-	\$24,438,000	\$24,438,000	0%	\$42,283,000	57.79%

(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, 2009 was \$488,470. The City has no payment obligations once the employee separates from the City.

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, 2009:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Funds:				
Low and Moderate				
Income Housing	Redevelopment	\$1,129,420	398,583	730,837
Nonmajor Funds:				
Special Revenue Fund:				
Rental Rehabilitation				
Program	Community Programs	98,702	-	98,702
Capital Project Funds:				
Parking District	Public Services	4,445	4,403	42
Redevelopment				
Projects	Redevelopment	375,499	356,180	19,319

(19) Risk Management

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

In the Self-Insurance Workers’ Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$12,295,107 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 \$10,000,000 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 \$5,167,642 for workers’ compensation and \$7,127,465 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, 2009 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 \$45,000 to \$3,000,000 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>
2007-2008	\$8,579,069	\$6,272,919	(\$3,448,593)	\$11,403,395
2008-2009	11,403,395	3,291,032	(2,399,320)	12,295,107

(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)	\$3,299,797	\$695,762	21.085 %
Mello-Roos CFD 91-1	242,285	238,590	98.470 %

(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, 2009, ABLE did not experience any fiscal stress as indicated by year-end unrestricted net assets of \$5,079,681. This year each member City contributed \$858,010 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 Adjustments

The beginning net assets of the Governmental Activities and the beginning fund balance of the General Fund have been restated. In the prior years, resources that were set aside for a supplemental retirement benefit were recorded as a liability in the General Fund. As of July 1, 2008, beginning fund balance (and beginning net assets in the government-wide financial Statements) have been restated to remove this liability from the General Fund and properly recognize it as a net pension obligation in the government-wide financial statements as provided by GASB Statement No. 27. The following summarizes the effects of the restatement to the beginning net assets/fund balance as of July 1, 2008:

	Government-Wide <u>Financials</u> Governmental <u>Activities</u>	Fund <u>Financials</u> General <u>Fund</u>
Net assets/fund balance at beginning of the year, as previously reported	\$328,440,401	\$66,236,447
Adjustment of Police Retirement Supplemental 1% to comply with GAAP	<u>(790,178)</u>	<u>2,071,351</u>
Net assets/fund balance at beginning of the year, as restated	<u>\$327,650,223</u>	<u>\$68,307,798</u>

(23) Subsequent Events

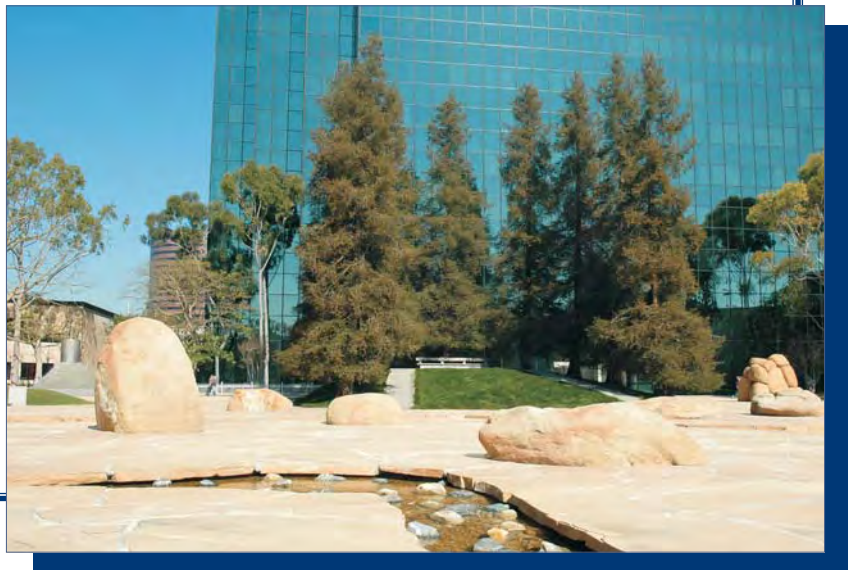
On July 27, 2009, the City of Costa Mesa entered into a 6 year lease purchase agreement with Oshkosh Capital in the amount of \$983,045 for the purchase of a Pierce Heavy Duty Tiller for the fire department. The obligation is due in annual principal and interest payments of \$219,641. Each payment includes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

CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

*Required Supplementary  
Information*



*NOGUCHI GARDENS BY ISAMU NOGUCHI*

## **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.

### **Park Development Fees 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.

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 49,075,000	44,167,500	38,659,256	(5,508,244)	45,990,428
Property tax	22,535,000	22,785,000	21,202,140	(1,582,860)	20,717,675
Transient occupancy tax	6,000,000	5,415,600	4,719,158	(696,442)	5,791,004
Franchise tax	3,970,000	3,970,000	4,174,172	204,172	4,046,517
Business license tax	900,000	900,000	860,491	(39,509)	932,278
Total taxes	82,480,000	77,238,100	69,615,217	(7,622,883)	77,477,902
Licenses and permits	1,640,200	1,640,600	1,168,026	(472,574)	1,876,959
Fines and forfeits	3,663,000	3,663,000	2,806,468	(856,532)	2,913,006
Investment income	2,920,173	2,920,173	1,220,378	(1,699,795)	3,234,215
<b>Intergovernmental:</b>					
Motor vehicle in-lieu	9,203,000	9,203,000	9,215,928	12,928	9,155,864
Grants and other reimbursements	256,000	541,055	732,196	191,141	671,833
Total intergovernmental	9,459,000	9,744,055	9,948,124	204,069	9,827,697
Charges for services	4,091,550	4,099,550	3,689,586	(409,964)	4,001,197
Rental	2,761,800	2,761,800	2,881,668	119,868	2,822,724
Miscellaneous	319,100	1,126,414	2,049,685	923,271	1,166,488
Total revenues	107,334,823	103,193,692	93,379,152	(9,814,540)	103,320,188
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	284,640	284,640	270,545	14,095	269,434
City manager	1,226,700	1,255,055	1,154,142	100,913	1,112,332
City clerk	467,966	551,075	476,344	74,731	342,448
City attorney	677,900	677,900	448,050	229,850	454,075
Financial services	2,906,381	3,008,936	2,753,554	255,382	2,780,787
<b>Administrative services:</b>					
Administration	680,519	689,239	677,905	11,334	696,095
Personnel services	1,037,616	1,059,513	820,739	238,774	903,170
Central services	665,927	683,260	651,146	32,114	648,024
Risk management services	1,077,609	1,092,903	2,355,921	(1,263,018)	2,076,159
Communication services	4,129,969	4,432,505	4,164,937	267,568	3,996,814
Computer services	3,080,074	3,456,447	2,766,564	689,883	2,776,074
<b>Development services:</b>					
Administration	535,645	548,340	531,254	17,086	530,567
Facilities and equipment maintenance	11,788,360	12,320,924	10,889,313	1,431,611	10,626,102
Total general government	28,559,306	30,060,737	27,960,414	2,100,323	27,212,081

(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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Protection of persons and property:					
Police protection	43,711,769	44,445,811	41,292,338	3,153,473	40,650,223
Fire protection	22,166,701	23,215,281	22,898,621	316,660	21,568,367
Building and safety	3,221,635	3,382,671	2,846,003	536,668	3,029,686
Total protection of persons and property	69,100,105	71,043,763	67,036,962	4,006,801	65,248,276
Community programs:					
Community recreation	4,300,234	4,381,205	4,013,915	367,290	3,898,829
Planning	1,306,531	1,359,841	1,142,120	217,721	1,327,083
Total community programs	5,606,765	5,741,046	5,156,035	585,011	5,225,912
Public services:					
Administration	1,238,526	1,280,038	1,225,459	54,579	1,177,899
Engineering	3,086,057	3,203,235	2,925,828	277,407	2,752,270
Transportation	2,753,250	2,782,707	2,464,061	318,646	2,699,806
Total public services	7,077,833	7,265,980	6,615,348	650,632	6,629,975
Debt service:					
Principal	1,138,687	1,138,687	1,138,687	-	2,331,427
Interest and fiscal charges	105,650	105,650	105,650	-	197,659
Total debt service	1,244,337	1,244,337	1,244,337	-	2,529,086
Total expenditures	111,588,346	115,355,863	108,013,096	7,342,767	106,845,330
Excess (deficiency) of revenues over (under) expenditures	(4,253,523)	(12,162,171)	(14,633,944)	(2,471,773)	(3,525,142)
Other financing sources (uses):					
Transfers in	305,000	305,000	220,963	(84,037)	2,073,195
Transfers out	4,475,475	4,475,475	(5,038,098)	(9,513,573)	(5,695,673)
Total other financing sources (uses)	4,780,475	4,780,475	(4,817,135)	(9,597,610)	(3,622,478)
Net change in fund balance	526,952	(7,381,696)	(19,451,079)	(12,069,383)	(7,147,620)
Fund balance at beginning of year, as restated	68,307,798	68,307,798	68,307,798	-	73,384,067
Fund balance at end of year	\$ 68,834,750	60,926,102	48,856,719	(12,069,383)	66,236,447

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 729,972	729,972	825,167	95,195	799,375
Fines and forfeits	-	-	-	-	-
Intergovernmental	368,111	368,111	-	(368,111)	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	7,300	7,300	42,844	35,544	68,277
Miscellaneous	-	-	170,065	170,065	292
<b>Total revenues</b>	<b>1,105,383</b>	<b>1,105,383</b>	<b>1,038,076</b>	<b>(67,307)</b>	<b>867,944</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Redevelopment	398,583	398,583	1,129,420	(730,837)	953,731
<b>Total expenditures</b>	<b>398,583</b>	<b>398,583</b>	<b>1,129,420</b>	<b>(730,837)</b>	<b>953,731</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>706,800</b>	<b>706,800</b>	<b>(91,344)</b>	<b>(798,144)</b>	<b>(85,787)</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>706,800</b>	<b>706,800</b>	<b>(91,344)</b>	<b>(798,144)</b>	<b>(85,787)</b>
Fund balance at beginning of year,	2,283,647	2,283,647	2,283,647	-	2,369,434
Fund balance at end of year	<u>\$ 2,990,447</u>	<u>2,990,447</u>	<u>2,192,303</u>	<u>(798,144)</u>	<u>2,283,647</u>

CITY OF COSTA MESA, CALIFORNIA

Park Development Fees Fund

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

For the fiscal year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	103,269	103,269	10,829	(92,440)	65,204
Rental	-	-	-	-	-
Investment income	118,925	118,925	-	(118,925)	139,348
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>222,194</b>	<b>222,194</b>	<b>10,829</b>	<b>(211,365)</b>	<b>204,552</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	490,000	2,423,957	803,915	1,620,042	859,759
Public services	-	-	-	-	-
<b>Debt service:</b>					
Interest and fiscal charges	-	-	230,031	(230,031)	217,010
<b>Total expenditures</b>	<b>490,000</b>	<b>2,423,957</b>	<b>1,033,946</b>	<b>1,390,011</b>	<b>1,076,769</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(267,806)</b>	<b>(2,201,763)</b>	<b>(1,023,117)</b>	<b>1,178,646</b>	<b>(872,217)</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>(267,806)</b>	<b>(2,201,763)</b>	<b>(1,023,117)</b>	<b>1,178,646</b>	<b>(872,217)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(609,289)</b>	<b>(609,289)</b>	<b>(609,289)</b>	<b>-</b>	<b>262,928</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (877,095)</b>	<b>(2,811,052)</b>	<b>(1,632,406)</b>	<b>1,178,646</b>	<b>(609,289)</b>



CITY OF COSTA MESA, CALIFORNIA  
Notes to Required Supplementary Information  
For the fiscal year ended June 30, 2009

(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:

- 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 City Manager 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 City Manager. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2009, several supplementary appropriations were made totaling \$3,119,912. At fiscal year-end all operating budget appropriations lapse.

(2) Expenditures in Excess of Appropriations

The following individual funds at a function level (level of budgetary control) had excess of expenditures over appropriations:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Low and Moderate Income Housing	Redevelopment	\$1,129,420	398,583	730,837

CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Supplementary Schedules*



METRO POINTE RETAIL CENTER

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2009

	Special Revenue	Debt Service	Capital Projects	Totals	
				2009	2008
<u>Assets</u>					
Cash and investments	\$ 14,264,980	1,810,000	4,987,500	21,062,480	25,003,530
Cash and investments with fiscal agent	-	5,506,866	5,264,812	10,771,678	17,045,912
Due from other governments	623,300	-	34,000	657,300	1,050,444
Accounts receivable	6,616	-	17	6,633	25,114
Interest receivable	87,855	-	1,234,771	1,322,626	1,322,182
Loans receivable	2,778,180	-	-	2,778,180	2,501,301
Rent receivable	-	-	1,090,330	1,090,330	1,079,985
Due from other funds	-	-	-	-	4,758
Loan deposit	459,506	-	27,000	486,506	472,660
Advances to other funds	171,886	-	-	171,886	176,787
	<u>\$ 18,392,323</u>	<u>7,316,866</u>	<u>12,638,430</u>	<u>38,347,619</u>	<u>48,682,673</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 565,583	-	131,492	697,075	3,124,678
Accrued liabilities	248,093	-	-	248,093	275,480
Retentions payable	221,448	-	1,012,346	1,233,794	2,387,763
Due to other funds	809,748	-	21,293	831,041	503,298
Deferred revenue	3,409,572	-	2,513,080	5,922,652	5,528,308
	<u>5,254,444</u>	<u>-</u>	<u>3,678,211</u>	<u>8,932,655</u>	<u>11,819,527</u>
Fund balances:					
Reserved for:					
Encumbrances	505,292	-	424,655	929,947	13,966,195
Debt service	-	7,316,866	-	7,316,866	7,407,474
Unreserved, reported in:					
Special revenue funds	12,632,587	-	-	12,632,587	7,371,115
Capital projects funds	-	-	8,535,564	8,535,564	8,118,362
	<u>13,137,879</u>	<u>7,316,866</u>	<u>8,960,219</u>	<u>29,414,964</u>	<u>36,863,146</u>
Total liabilities and fund balances	<u>\$ 18,392,323</u>	<u>7,316,866</u>	<u>12,638,430</u>	<u>38,347,619</u>	<u>48,682,673</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, 2009

	Special Revenue	Debt Service	Capital Projects	Totals	
				2009	2008
<b>Revenues:</b>					
Taxes	\$ 829,159	-	800	829,959	928,203
Fines and forfeits	159,492	-	-	159,492	153,349
Intergovernmental	7,671,168	-	2,316,847	9,988,015	10,299,500
Charges for services	212,488	-	266,644	479,132	510,832
Rental	18,055	-	290,252	308,307	305,547
Investment income	45,386	183,599	100,004	328,989	1,808,307
Miscellaneous	80,603	-	26,008	106,611	969
<b>Total revenues</b>	<b>9,016,351</b>	<b>183,599</b>	<b>3,000,555</b>	<b>12,200,505</b>	<b>14,006,707</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,659,281	-	-	1,659,281	1,511,909
Protection of persons and property	1,654,202	-	-	1,654,202	1,640,731
Community programs	5,590,666	-	-	5,590,666	3,536,881
Public services	4,033,233	-	7,458,821	11,492,054	23,078,807
Redevelopment	-	-	375,499	375,499	215,032
<b>Debt service:</b>					
Principal	-	2,770,000	-	2,770,000	2,680,000
Interest and fiscal charges	-	1,979,682	-	1,979,682	2,084,877
<b>Total expenditures</b>	<b>12,937,382</b>	<b>4,749,682</b>	<b>7,834,320</b>	<b>25,521,384</b>	<b>34,748,237</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,921,031)</b>	<b>(4,566,083)</b>	<b>(4,833,765)</b>	<b>(13,320,879)</b>	<b>(20,741,530)</b>
<b>Other financing sources (uses):</b>					
Transfers in	1,526,730	4,475,475	900,000	6,902,205	6,941,682
Transfers out	-	-	(1,029,508)	(1,029,508)	(1,344,938)
<b>Total other financing sources (uses)</b>	<b>1,526,730</b>	<b>4,475,475</b>	<b>(129,508)</b>	<b>5,872,697</b>	<b>5,596,744</b>
<b>Net change in fund balances</b>	<b>(2,394,301)</b>	<b>(90,608)</b>	<b>(4,963,273)</b>	<b>(7,448,182)</b>	<b>(15,144,786)</b>
<b>Fund balances at beginning of year</b>	<b>15,532,180</b>	<b>7,407,474</b>	<b>13,923,492</b>	<b>36,863,146</b>	<b>52,007,932</b>
<b>Fund balances at end of year</b>	<b>\$ 13,137,879</b>	<b>7,316,866</b>	<b>8,960,219</b>	<b>29,414,964</b>	<b>36,863,146</b>

## **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.

### **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.

### **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.

### **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.

### **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.

### **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.

### **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).

### **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.

### **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.

### **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.

### **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.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2009

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Drainage Fees	Supplemental Law Enforcement Services
<u>Assets</u>							
Cash and investments	\$ 7,982,613	-	708,929	-	-	954,870	-
Cash with fiscal agent	-	-	-	-	-	-	-
Due from other governments	234,727	56,022	35,625	110,335	169,617	-	-
Accounts receivable	-	-	-	-	6,616	-	-
Interest receivable	43,701	-	4,983	-	-	6,711	-
Loans receivable	-	-	-	2,596,672	-	-	-
Due from other funds	-	-	-	-	-	-	-
Loan deposit	-	-	-	-	459,506	-	-
Advances to other funds	-	-	-	-	171,886	-	-
Total assets	<u>\$ 8,261,041</u>	<u>56,022</u>	<u>749,537</u>	<u>2,707,007</u>	<u>807,625</u>	<u>961,581</u>	<u>-</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 200,891	1,456	73,356	32,763	70,543	3,273	-
Accrued liabilities	-	8,026	-	6,622	20,344	-	2,595
Retentions payable	221,448	-	-	-	-	-	-
Due to other funds	-	2,866	-	455,999	176,091	-	-
Advance from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	2,596,672	631,392	-	-
Total liabilities	<u>422,339</u>	<u>12,348</u>	<u>73,356</u>	<u>3,092,056</u>	<u>898,370</u>	<u>3,273</u>	<u>2,595</u>
Fund balances:							
Reserved for:							
Encumbrances	277,018	-	142,042	64,183	-	10,000	-
Unreserved, reported in special revenue funds	<u>7,561,684</u>	<u>43,674</u>	<u>534,139</u>	<u>(449,232)</u>	<u>(90,745)</u>	<u>948,308</u>	<u>(2,595)</u>
Total fund balances (deficit)	<u>7,838,702</u>	<u>43,674</u>	<u>676,181</u>	<u>(385,049)</u>	<u>(90,745)</u>	<u>958,308</u>	<u>(2,595)</u>
Total liabilities and fund balances	<u>\$ 8,261,041</u>	<u>56,022</u>	<u>749,537</u>	<u>2,707,007</u>	<u>807,625</u>	<u>961,581</u>	<u>-</u>

Traffic Impact Fees	Rental Rehabilitation Program	Narcotics Forfeiture	Fire System Development Fees	Local Law Enforcement Block Grant	Office of Traffic Safety	Totals	
						2009	2008
3,809,090	-	374,991	434,487	-	-	14,264,980	17,675,339
-	-	-	-	-	-	-	-
-	-	16,974	-	-	-	623,300	959,912
-	-	-	-	-	-	6,616	-
26,771	-	2,635	3,054	-	-	87,855	172,946
-	181,508	-	-	-	-	2,778,180	2,447,301
-	-	-	-	-	-	-	4,758
-	-	-	-	-	-	459,506	472,660
-	-	-	-	-	-	171,886	176,787
<u>3,835,861</u>	<u>181,508</u>	<u>394,600</u>	<u>437,541</u>	<u>-</u>	<u>-</u>	<u>18,392,323</u>	<u>21,909,703</u>
180,197	-	1,100	-	1,250	754	565,583	1,923,718
9,120	-	201,386	-	-	-	248,093	275,480
-	-	-	-	-	-	221,448	598,297
-	86,997	-	-	3,368	84,427	809,748	483,280
-	-	-	-	-	-	-	-
-	181,508	-	-	-	-	3,409,572	3,096,748
<u>189,317</u>	<u>268,505</u>	<u>202,486</u>	<u>-</u>	<u>4,618</u>	<u>85,181</u>	<u>5,254,444</u>	<u>6,377,523</u>
12,049	-	-	-	-	-	505,292	8,161,065
<u>3,634,495</u>	<u>(86,997)</u>	<u>192,114</u>	<u>437,541</u>	<u>(4,618)</u>	<u>(85,181)</u>	<u>12,632,587</u>	<u>7,371,115</u>
<u>3,646,544</u>	<u>(86,997)</u>	<u>192,114</u>	<u>437,541</u>	<u>(4,618)</u>	<u>(85,181)</u>	<u>13,137,879</u>	<u>15,532,180</u>
<u>3,835,861</u>	<u>181,508</u>	<u>394,600</u>	<u>437,541</u>	<u>-</u>	<u>-</u>	<u>18,392,323</u>	<u>21,909,703</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, 2009

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Drainage Fees	Supplemental Law Enforcement Services
Revenues:							
Taxes	\$ -	829,159	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Intergovernmental	4,487,673	-	143,133	851,381	1,561,385	-	109,171
Charges for services	-	-	-	-	-	212,488	-
Rental	-	-	-	-	18,055	-	-
Investment income	-	1,051	-	-	5,303	39,032	-
Miscellaneous	-	-	-	78,949	1,654	-	-
<b>Total revenues</b>	<b>4,487,673</b>	<b>830,210</b>	<b>143,133</b>	<b>930,330</b>	<b>1,586,397</b>	<b>251,520</b>	<b>109,171</b>
Expenditures:							
Current:							
General government	-	-	-	-	1,659,281	-	-
Protection of persons and property	-	1,135,725	-	-	-	-	220,102
Community programs	-	-	-	1,016,211	-	73,680	-
Public services	3,779,337	-	253,896	-	-	-	-
<b>Total expenditures</b>	<b>3,779,337</b>	<b>1,135,725</b>	<b>253,896</b>	<b>1,016,211</b>	<b>1,659,281</b>	<b>73,680</b>	<b>220,102</b>
Excess (deficiency) of revenues over (under) expenditures	708,336	(305,515)	(110,763)	(85,881)	(72,884)	177,840	(110,931)
Other financing sources (uses):							
Transfers in	930,193	460,000	-	-	99,309	-	37,228
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>930,193</b>	<b>460,000</b>	<b>-</b>	<b>-</b>	<b>99,309</b>	<b>-</b>	<b>37,228</b>
<b>Net change in fund balances</b>	<b>1,638,529</b>	<b>154,485</b>	<b>(110,763)</b>	<b>(85,881)</b>	<b>26,425</b>	<b>177,840</b>	<b>(73,703)</b>
Fund balances (deficit) at beginning of year	6,200,173	(110,811)	786,944	(299,168)	(117,170)	780,468	71,108
<b>Fund balances (deficit) at end of year</b>	<b>\$ 7,838,702</b>	<b>43,674</b>	<b>676,181</b>	<b>(385,049)</b>	<b>(90,745)</b>	<b>958,308</b>	<b>(2,595)</b>



Traffic Impact Fees	Rental Rehabilitation Program	Narcotics Forfeiture	Fire System Development Fees	Local Law Enforcement Block Grant	Office of Traffic Safety	Totals	
						2009	2008
-	-	-	-	-	-	829,159	927,417
-	-	159,492	-	-	-	159,492	153,349
310,692	-	16,329	-	15,342	176,062	7,671,168	7,426,363
-	-	-	-	-	-	212,488	289,337
-	-	-	-	-	-	18,055	22,218
-	-	-	-	-	-	45,386	849,530
-	-	-	-	-	-	80,603	969
<u>310,692</u>	<u>-</u>	<u>175,821</u>	<u>-</u>	<u>15,342</u>	<u>176,062</u>	<u>9,016,351</u>	<u>9,669,183</u>
-	-	-	-	-	-	1,659,281	1,511,909
-	-	62,247	952	4,787	230,389	1,654,202	1,640,731
4,402,073	98,702	-	-	-	-	5,590,666	3,536,881
-	-	-	-	-	-	4,033,233	8,909,549
<u>4,402,073</u>	<u>98,702</u>	<u>62,247</u>	<u>952</u>	<u>4,787</u>	<u>230,389</u>	<u>12,937,382</u>	<u>15,599,070</u>
<u>(4,091,381)</u>	<u>(98,702)</u>	<u>113,574</u>	<u>(952)</u>	<u>10,555</u>	<u>(54,327)</u>	<u>(3,921,031)</u>	<u>(5,929,887)</u>
-	-	-	-	-	-	1,526,730	92,009
-	-	-	-	-	-	-	(198,000)
-	-	-	-	-	-	1,526,730	(105,991)
<u>(4,091,381)</u>	<u>(98,702)</u>	<u>113,574</u>	<u>(952)</u>	<u>10,555</u>	<u>(54,327)</u>	<u>(2,394,301)</u>	<u>(6,035,878)</u>
<u>7,737,925</u>	<u>11,705</u>	<u>78,540</u>	<u>438,493</u>	<u>(15,173)</u>	<u>(30,854)</u>	<u>15,532,180</u>	<u>21,568,058</u>
<u>3,646,544</u>	<u>(86,997)</u>	<u>192,114</u>	<u>437,541</u>	<u>(4,618)</u>	<u>(85,181)</u>	<u>13,137,879</u>	<u>15,532,180</u>

CITY OF COSTA MESA, CALIFORNIA

Special Gas Tax Fund

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

For the fiscal year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	2,085,000	2,085,000	4,487,673	2,402,673	4,559,591
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	234,100	234,100	-	(234,100)	389,115
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>2,319,100</b>	<b>2,319,100</b>	<b>4,487,673</b>	<b>2,168,573</b>	<b>4,948,706</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	1,850,000	8,546,234	3,779,337	4,766,897	8,777,408
<b>Total expenditures</b>	<b>1,850,000</b>	<b>8,546,234</b>	<b>3,779,337</b>	<b>4,766,897</b>	<b>8,777,408</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>469,100</b>	<b>(6,227,134)</b>	<b>708,336</b>	<b>6,935,470</b>	<b>(3,828,702)</b>
<b>Other financing sources (uses):</b>					
Transfers in	460,000	460,000	930,193	470,193	-
Transfers out	-	-	-	-	(99,000)
<b>Total other financing sources (uses)</b>	<b>460,000</b>	<b>460,000</b>	<b>930,193</b>	<b>470,193</b>	<b>(99,000)</b>
<b>Net change in fund balance</b>	<b>929,100</b>	<b>(5,767,134)</b>	<b>1,638,529</b>	<b>7,405,663</b>	<b>(3,927,702)</b>
<b>Fund balance at beginning of year</b>	<b>6,200,173</b>	<b>6,200,173</b>	<b>6,200,173</b>	<b>-</b>	<b>10,127,875</b>
<b>Fund balance at end of year</b>	<b>\$ 7,129,273</b>	<b>433,039</b>	<b>7,838,702</b>	<b>7,405,663</b>	<b>6,200,173</b>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 950,000	950,000	829,159	(120,841)	927,417
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	1,051	1,051	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>950,000</b>	<b>950,000</b>	<b>830,210</b>	<b>(119,790)</b>	<b>927,417</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	1,411,250	1,424,225	1,135,725	288,500	1,199,750
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>1,411,250</b>	<b>1,424,225</b>	<b>1,135,725</b>	<b>288,500</b>	<b>1,199,750</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(461,250)</b>	<b>(474,225)</b>	<b>(305,515)</b>	<b>168,710</b>	<b>(272,333)</b>
<b>Other financing sources (uses):</b>					
Transfers in	460,000	460,000	460,000	-	-
Transfers out	-	-	-	-	(39,000)
<b>Total other financing sources (uses)</b>	<b>460,000</b>	<b>460,000</b>	<b>460,000</b>	<b>-</b>	<b>(39,000)</b>
<b>Net change in fund balance</b>	<b>(1,250)</b>	<b>(14,225)</b>	<b>154,485</b>	<b>168,710</b>	<b>(311,333)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(110,811)</b>	<b>(110,811)</b>	<b>(110,811)</b>	<b>-</b>	<b>200,522</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (112,061)</b>	<b>(125,036)</b>	<b>43,674</b>	<b>168,710</b>	<b>(110,811)</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	140,000	140,000	143,133	3,133	135,925
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	28,900	28,900	-	(28,900)	30,891
Miscellaneous	-	-	-	-	-
Total revenues	<u>168,900</u>	<u>168,900</u>	<u>143,133</u>	<u>(25,767)</u>	<u>166,816</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	428,200	893,919	253,896	640,023	132,141
Total expenditures	<u>428,200</u>	<u>893,919</u>	<u>253,896</u>	<u>640,023</u>	<u>132,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(259,300)</u>	<u>(725,019)</u>	<u>(110,763)</u>	<u>614,256</u>	<u>34,675</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>(259,300)</u>	<u>(725,019)</u>	<u>(110,763)</u>	<u>614,256</u>	<u>34,675</u>
Fund balance at beginning of year	<u>786,944</u>	<u>786,944</u>	<u>786,944</u>	<u>-</u>	<u>752,269</u>
Fund balance at end of year	<u>\$ 527,644</u>	<u>61,925</u>	<u>676,181</u>	<u>614,256</u>	<u>786,944</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	685,233	685,233	851,381	166,148	564,338
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	78,949	78,949	-
<b>Total revenues</b>	<b>685,233</b>	<b>685,233</b>	<b>930,330</b>	<b>245,097</b>	<b>564,338</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	1,054,952	1,060,491	1,016,211	44,280	962,127
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>1,054,952</b>	<b>1,060,491</b>	<b>1,016,211</b>	<b>44,280</b>	<b>962,127</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(369,719)</b>	<b>(375,258)</b>	<b>(85,881)</b>	<b>289,377</b>	<b>(397,789)</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>(369,719)</b>	<b>(375,258)</b>	<b>(85,881)</b>	<b>289,377</b>	<b>(397,789)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(299,168)</b>	<b>(299,168)</b>	<b>(299,168)</b>	<b>-</b>	<b>98,621</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (668,887)</b>	<b>(674,426)</b>	<b>(385,049)</b>	<b>289,377</b>	<b>(299,168)</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	1,349,027	1,349,027	1,561,385	212,358	1,198,398
Charges for services	-	-	-	-	-
Rental	-	-	18,055	18,055	22,218
Investment income	-	-	5,303	5,303	5,446
Miscellaneous	-	-	1,654	1,654	969
<b>Total revenues</b>	<b>1,349,027</b>	<b>1,349,027</b>	<b>1,586,397</b>	<b>237,370</b>	<b>1,227,031</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,653,122	2,786,775	1,659,281	1,127,494	1,511,909
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>1,653,122</b>	<b>2,786,775</b>	<b>1,659,281</b>	<b>1,127,494</b>	<b>1,511,909</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(304,095)</b>	<b>(1,437,748)</b>	<b>(72,884)</b>	<b>1,364,864</b>	<b>(284,878)</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	99,309	99,309	92,009
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>99,309</b>	<b>99,309</b>	<b>92,009</b>
<b>Net change in fund balance</b>	<b>(304,095)</b>	<b>(1,437,748)</b>	<b>26,425</b>	<b>1,464,173</b>	<b>(192,869)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(117,170)</b>	<b>(117,170)</b>	<b>(117,170)</b>	<b>-</b>	<b>75,699</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (421,265)</b>	<b>(1,554,918)</b>	<b>(90,745)</b>	<b>1,464,173</b>	<b>(117,170)</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	150,000	150,000	212,488	62,488	289,337
Rental	-	-	-	-	-
Investment income	21,600	21,600	39,032	17,432	28,923
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>171,600</b>	<b>171,600</b>	<b>251,520</b>	<b>79,920</b>	<b>318,260</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	200,000	371,834	73,680	298,154	58,067
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>200,000</b>	<b>371,834</b>	<b>73,680</b>	<b>298,154</b>	<b>58,067</b>
<b>Excess (deficiency) of revenues over (under) expenditures:</b>	<b>(28,400)</b>	<b>(200,234)</b>	<b>177,840</b>	<b>378,074</b>	<b>260,193</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>(28,400)</b>	<b>(200,234)</b>	<b>177,840</b>	<b>378,074</b>	<b>260,193</b>
Fund balance at beginning of year	780,468	780,468	780,468	-	520,275
Fund balance at end of year	\$ 752,068	580,234	958,308	378,074	780,468

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	165,000	165,000	109,171	(55,829)	218,841
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	4,800	4,800	-	(4,800)	4,677
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>169,800</b>	<b>169,800</b>	<b>109,171</b>	<b>(60,629)</b>	<b>223,518</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	220,680	222,782	220,102	2,680	221,694
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>220,680</b>	<b>222,782</b>	<b>220,102</b>	<b>2,680</b>	<b>221,694</b>
<b>Excess (deficiency) of revenues over (under) expenditures:</b>	<b>(50,880)</b>	<b>(52,982)</b>	<b>(110,931)</b>	<b>(57,949)</b>	<b>1,824</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	37,228	37,228	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>37,228</b>	<b>37,228</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(50,880)</b>	<b>(52,982)</b>	<b>(73,703)</b>	<b>(20,721)</b>	<b>1,824</b>
<b>Fund balance at beginning of year</b>	<b>71,108</b>	<b>71,108</b>	<b>71,108</b>	<b>-</b>	<b>69,284</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ 20,228</b>	<b>18,126</b>	<b>(2,595)</b>	<b>(20,721)</b>	<b>71,108</b>



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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	400,000	400,000	310,692	(89,308)	620,819
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	316,500	316,500	-	(316,500)	357,935
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>716,500</b>	<b>716,500</b>	<b>310,692</b>	<b>(405,808)</b>	<b>978,754</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	140,200	5,289,472	4,402,073	887,399	2,446,578
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>140,200</b>	<b>5,289,472</b>	<b>4,402,073</b>	<b>887,399</b>	<b>2,446,578</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>576,300</b>	<b>(4,572,972)</b>	<b>(4,091,381)</b>	<b>481,591</b>	<b>(1,467,824)</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>576,300</b>	<b>(4,572,972)</b>	<b>(4,091,381)</b>	<b>481,591</b>	<b>(1,467,824)</b>
<b>Fund balance at beginning of year</b>	<b>7,737,925</b>	<b>7,737,925</b>	<b>7,737,925</b>	<b>-</b>	<b>9,205,749</b>
<b>Fund balance at end of year</b>	<b>\$ 8,314,225</b>	<b>3,164,953</b>	<b>3,646,544</b>	<b>481,591</b>	<b>7,737,925</b>

CITY OF COSTA MESA, CALIFORNIA

Rental Rehabilitation Program Fund

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

For the fiscal year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	3,370	3,370	-	(3,370)	2,509
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>3,370</b>	<b>3,370</b>	<b>-</b>	<b>(3,370)</b>	<b>2,509</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	98,702	(98,702)	70,109
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>98,702</b>	<b>(98,702)</b>	<b>70,109</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,370</b>	<b>3,370</b>	<b>(98,702)</b>	<b>(102,072)</b>	<b>(67,600)</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>3,370</b>	<b>3,370</b>	<b>(98,702)</b>	<b>(102,072)</b>	<b>(67,600)</b>
Fund balance at beginning of year	11,705	11,705	11,705	-	79,305
<b>Fund balance (deficit) at end of year</b>	<b>\$ 15,075</b>	<b>15,075</b>	<b>(86,997)</b>	<b>(102,072)</b>	<b>11,705</b>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	70,000	70,000	159,492	89,492	153,349
Intergovernmental	30,000	30,000	16,329	(13,671)	2,219
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	6,150	6,150	-	(6,150)	10,845
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>106,150</b>	<b>106,150</b>	<b>175,821</b>	<b>69,671</b>	<b>166,413</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	99,351	102,351	62,247	40,104	82,970
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>99,351</b>	<b>102,351</b>	<b>62,247</b>	<b>40,104</b>	<b>82,970</b>
Excess (deficiency) of revenues over (under) expenditures	6,799	3,799	113,574	109,775	83,443
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(60,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60,000)</b>
<b>Net change in fund balance</b>	<b>6,799</b>	<b>3,799</b>	<b>113,574</b>	<b>109,775</b>	<b>23,443</b>
Fund balance at beginning of year	78,540	78,540	78,540	-	55,097
<b>Fund balance at end of year</b>	<b>\$ 85,339</b>	<b>82,339</b>	<b>192,114</b>	<b>109,775</b>	<b>78,540</b>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	17,050	17,050	-	(17,050)	19,189
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>17,050</b>	<b>17,050</b>	<b>-</b>	<b>(17,050)</b>	<b>19,189</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	250,000	250,000	952	249,048	3,499
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>250,000</b>	<b>250,000</b>	<b>952</b>	<b>249,048</b>	<b>3,499</b>
Excess (deficiency) of revenues over (under) expenditures	(232,950)	(232,950)	(952)	231,998	15,690
<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>(232,950)</b>	<b>(232,950)</b>	<b>(952)</b>	<b>231,998</b>	<b>15,690</b>
Fund balance at beginning of year	438,493	438,493	438,493	-	422,803
<b>Fund balance at end of year</b>	<b>\$ 205,543</b>	<b>205,543</b>	<b>437,541</b>	<b>231,998</b>	<b>438,493</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	5,263	15,342	10,079	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>5,263</b>	<b>15,342</b>	<b>10,079</b>	<b>-</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	5,263	4,787	476	15,031
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>5,263</b>	<b>4,787</b>	<b>476</b>	<b>15,031</b>
Excess (deficiency) of revenue: over (under) expenditures	-	-	10,555	10,555	(15,031)
<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>10,555</b>	<b>10,555</b>	<b>(15,031)</b>
Fund balance (deficit) at beginning of yea	(15,173)	(15,173)	(15,173)	-	(142)
Fund balance (deficit) at end of year	<u>\$ (15,173)</u>	<u>(15,173)</u>	<u>(4,618)</u>	<u>10,555</u>	<u>(15,173)</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	300,880	176,062	(124,818)	126,232
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>300,880</b>	<b>176,062</b>	<b>(124,818)</b>	<b>126,232</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	300,880	230,389	70,491	117,787
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>300,880</b>	<b>230,389</b>	<b>70,491</b>	<b>117,787</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>(54,327)</b>	<b>(54,327)</b>	<b>8,445</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>-</b>	<b>-</b>	<b>(54,327)</b>	<b>(54,327)</b>	<b>8,445</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(30,854)</b>	<b>(30,854)</b>	<b>(30,854)</b>	<b>-</b>	<b>(39,299)</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (30,854)</b>	<b>(30,854)</b>	<b>(85,181)</b>	<b>(54,327)</b>	<b>(30,854)</b>

## **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, 2009

	Financing Authority Debt Service	Totals	
		2009	2008
<u>Assets</u>			
Cash and investments	\$ 1,810,000	1,810,000	1,895,000
Cash and investments with fiscal agents	5,506,866	5,506,866	5,512,474
Total assets	<u>\$ 7,316,866</u>	<u>7,316,866</u>	<u>7,407,474</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accrued liabilities	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	7,316,866	7,316,866	7,407,474
Total fund balances	<u>7,316,866</u>	<u>7,316,866</u>	<u>7,407,474</u>
Total liabilities and fund balances	<u>\$ 7,316,866</u>	<u>7,316,866</u>	<u>7,407,474</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, 2009

	Financing Authority Debt Service	Totals	
		2009	2008
Revenues:			
Investment income	\$ 183,599	183,599	179,197
Total revenues	183,599	183,599	179,197
Expenditures:			
Debt service:			
Principal	2,770,000	2,770,000	2,680,000
Interest and fiscal charges	1,979,682	1,979,682	2,084,877
Total expenditures	4,749,682	4,749,682	4,764,877
Excess (deficiency) of revenues over (under) expenditures	(4,566,083)	(4,566,083)	(4,585,680)
Other financing sources (uses):			
Transfers in	4,475,475	4,475,475	4,494,673
Transfers out	-	-	-
Total other financing sources (uses)	4,475,475	4,475,475	4,494,673
Net change in fund balances	(90,608)	(90,608)	(91,007)
Fund balances at beginning of year	7,407,474	7,407,474	7,498,481
Fund balances at end of year	\$ 7,316,866	7,316,866	7,407,474

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 2,919,890	2,919,890	3,299,797	379,907	3,197,500
Investment income	29,199	29,199	35,336	6,137	99,447
Miscellaneous	15,000	15,000	16,250	1,250	15,000
<b>Total revenues</b>	<u>2,964,089</u>	<u>2,964,089</u>	<u>3,351,383</u>	<u>387,294</u>	<u>3,311,947</u>
<b>Expenditures:</b>					
Debt service:					
Principal	1,237,383	1,237,383	485,000	752,383	475,000
Interest and fiscal charges	1,142,399	1,142,399	1,145,192	(2,793)	1,183,652
<b>Total expenditures</b>	<u>2,379,782</u>	<u>2,379,782</u>	<u>1,630,192</u>	<u>749,590</u>	<u>1,658,652</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>584,307</u>	<u>584,307</u>	<u>1,721,191</u>	<u>1,136,884</u>	<u>1,653,295</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	(900,000)	(900,000)	(900,000)	-	(1,055,000)
<b>Total other financing sources (uses)</b>	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>	<u>(1,055,000)</u>
<b>Net change in fund balance</b>	(315,693)	(315,693)	821,191	1,136,884	598,295
<b>Fund balance (deficit) at beginning of year</b>	(10,400,263)	(10,400,263)	(10,400,263)	-	(10,998,558)
<b>Fund balance (deficit) at end of year</b>	<u>\$ (10,715,956)</u>	<u>(10,715,956)</u>	<u>(9,579,072)</u>	<u>1,136,884</u>	<u>(10,400,263)</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 fund has been classified as a major fund in the accompanying government-wide financial statements:

### **Measure “M” Fund**

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

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.

### **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.

### **Redevelopment Projects Fund**

Established to account for 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, 2009

	Capital	Parking	Golf Course	Redevelopment	Totals	
	Improvements	Districts	Improvements	Projects	2009	2008
<u>Assets</u>						
Cash and investments	\$ 2,831,820	2,647	672,207	1,480,826	4,987,500	5,433,191
Cash and investments with fiscal agent	5,264,812	-	-	-	5,264,812	11,533,438
Accounts receivable	-	-	34,000	-	34,000	25,114
Due from other government	-	17	-	-	17	90,532
Interest receivable	32,386	19	4,724	1,197,642	1,234,771	1,149,236
Loans receivable	27,000	-	-	-	27,000	54,000
Rent receivable	-	-	-	1,090,330	1,090,330	1,079,985
Total assets	<u>\$ 8,156,018</u>	<u>2,683</u>	<u>710,931</u>	<u>3,768,798</u>	<u>12,638,430</u>	<u>19,365,496</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 128,960	-	-	2,532	131,492	1,200,960
Retentions payable	1,012,346	-	-	-	1,012,346	1,789,466
Due to other funds	-	-	-	21,293	21,293	20,018
Deferred revenue	230,949	-	-	2,282,131	2,513,080	2,431,560
Total liabilities	<u>1,372,255</u>	<u>-</u>	<u>-</u>	<u>2,305,956</u>	<u>3,678,211</u>	<u>5,442,004</u>
Fund Balances:						
Reserved for:						
Encumbrances	388,226	-	-	36,429	424,655	5,805,130
Unreserved, reported in capital projects funds	<u>6,395,537</u>	<u>2,683</u>	<u>710,931</u>	<u>1,426,413</u>	<u>8,535,564</u>	<u>8,118,362</u>
Total fund balances	<u>6,783,763</u>	<u>2,683</u>	<u>710,931</u>	<u>1,462,842</u>	<u>8,960,219</u>	<u>13,923,492</u>
Total liabilities and fund balances	<u>\$ 8,156,018</u>	<u>2,683</u>	<u>710,931</u>	<u>3,768,798</u>	<u>12,638,430</u>	<u>19,365,496</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, 2009

	Capital	Parking	Golf Course	Redevelopment	Totals	
	Improvements	Districts	Improvements	Projects	2009	2008
<b>Revenues:</b>						
Taxes	\$ -	800	-	-	800	786
Intergovernmental	2,316,847	-	-	-	2,316,847	2,873,137
Charges for services	-	-	266,644	-	266,644	221,495
Rental	190,943	-	-	99,309	290,252	283,329
Investment income	60,177	6	-	39,821	100,004	779,580
Miscellaneous	26,008	-	-	-	26,008	-
<b>Total revenues</b>	<b>2,593,975</b>	<b>806</b>	<b>266,644</b>	<b>139,130</b>	<b>3,000,555</b>	<b>4,158,327</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public services	6,891,108	4,445	563,268	-	7,458,821	14,169,258
Redevelopment	-	-	-	375,499	375,499	215,032
<b>Total expenditures</b>	<b>6,891,108</b>	<b>4,445</b>	<b>563,268</b>	<b>375,499</b>	<b>7,834,320</b>	<b>14,384,290</b>
Excess (deficiency) of revenues over (under) expenditures	(4,297,133)	(3,639)	(296,624)	(236,369)	(4,833,765)	(10,225,963)
<b>Other financing sources and (uses):</b>						
Transfers in	-	-	-	900,000	900,000	2,355,000
Transfers out	(930,193)	(6)	-	(99,309)	(1,029,508)	(1,146,938)
<b>Total other financing sources (uses)</b>	<b>(930,193)</b>	<b>(6)</b>	<b>-</b>	<b>800,691</b>	<b>(129,508)</b>	<b>1,208,062</b>
<b>Net change in fund balance</b>	<b>(5,227,326)</b>	<b>(3,645)</b>	<b>(296,624)</b>	<b>564,322</b>	<b>(4,963,273)</b>	<b>(9,017,901)</b>
Fund balance at beginning of year	12,011,089	6,328	1,007,555	898,520	13,923,492	22,941,393
Fund balance at end of year	\$ 6,783,763	2,683	710,931	1,462,842	8,960,219	13,923,492

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	1,894,650	4,179,079	6,422,989	2,243,910	6,740,044
Rental	-	-	-	-	-
Investment income	393,100	393,100	-	(393,100)	519,512
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>2,287,750</b>	<b>4,572,179</b>	<b>6,422,989</b>	<b>1,850,810</b>	<b>7,259,556</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	2,320,000	21,862,285	8,717,417	13,144,868	3,634,467
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>2,320,000</b>	<b>21,862,285</b>	<b>8,717,417</b>	<b>13,144,868</b>	<b>3,634,467</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(32,250)</b>	<b>(17,290,106)</b>	<b>(2,294,428)</b>	<b>14,995,678</b>	<b>3,625,089</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	100,000	100,000	(190,475)	(290,475)	(100,000)
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>100,000</b>	<b>(190,475)</b>	<b>(290,475)</b>	<b>(100,000)</b>
<b>Net change in fund balance</b>	<b>67,750</b>	<b>(17,190,106)</b>	<b>(2,484,903)</b>	<b>14,705,203</b>	<b>3,525,089</b>
<b>Fund balance at beginning of year</b>	<b>11,788,317</b>	<b>11,788,317</b>	<b>11,788,317</b>	<b>-</b>	<b>8,263,228</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ 11,856,067</b>	<b>(5,401,789)</b>	<b>9,303,414</b>	<b>14,705,203</b>	<b>11,788,317</b>

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	2,072,265	4,887,629	2,316,847	(2,570,782)	2,873,137
Rental	-	-	190,943	190,943	191,320
Investment income	122,000	122,000	60,177	(61,823)	694,789
Miscellaneous	-	-	26,008	26,008	-
<b>Total revenues</b>	<b>2,194,265</b>	<b>5,009,629</b>	<b>2,593,975</b>	<b>(2,415,654)</b>	<b>3,759,246</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public services	4,753,565	16,167,858	6,891,108	9,276,750	14,117,417
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>4,753,565</b>	<b>16,167,858</b>	<b>6,891,108</b>	<b>9,276,750</b>	<b>14,117,417</b>
Excess (deficiency) of revenues over (under) expenditures	(2,559,300)	(11,158,229)	(4,297,133)	6,861,096	(10,358,171)
<b>Other financing sources (uses):</b>					
Transfers in	120,000	120,000	-	(120,000)	1,300,000
Transfers out	-	-	(930,193)	(930,193)	(1,054,000)
<b>Total other financing sources (uses)</b>	<b>120,000</b>	<b>120,000</b>	<b>(930,193)</b>	<b>(1,050,193)</b>	<b>246,000</b>
<b>Net change in fund balance</b>	<b>(2,439,300)</b>	<b>(11,038,229)</b>	<b>(5,227,326)</b>	<b>5,810,903</b>	<b>(10,112,171)</b>
Fund balance at beginning of year	12,011,089	12,011,089	12,011,089	-	22,123,260
Fund balance at end of year	\$ 9,571,789	972,860	6,783,763	5,810,903	12,011,089

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 410	410	800	390	786
Intergovernmental	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	1,180	1,180	6	(1,174)	676
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,590</u>	<u>1,590</u>	<u>806</u>	<u>(784)</u>	<u>1,462</u>
Expenditures:					
Current:					
Public services	-	4,403	4,445	(42)	21,165
Redevelopment	-	-	-	-	-
Total expenditures	<u>-</u>	<u>4,403</u>	<u>4,445</u>	<u>(42)</u>	<u>21,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,590</u>	<u>(2,813)</u>	<u>(3,639)</u>	<u>(826)</u>	<u>(19,703)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(6)	(6)	(929)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>	<u>(929)</u>
Net change in fund balance	1,590	(2,813)	(3,645)	(832)	(20,632)
Fund balance at beginning of year	<u>6,328</u>	<u>6,328</u>	<u>6,328</u>	-	<u>26,960</u>
Fund balance at end of year	<u>\$ 7,918</u>	<u>3,515</u>	<u>2,683</u>	<u>(832)</u>	<u>6,328</u>



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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Rental	108,669	108,669	99,309	(9,360)	92,009
Investment income	-	-	39,821	39,821	42,441
Miscellaneous	-	-	-	-	-
Total revenues	<u>108,669</u>	<u>108,669</u>	<u>139,130</u>	<u>30,461</u>	<u>134,450</u>
Expenditures:					
Current:					
Public services	-	-	-	-	-
Redevelopment	350,280	356,180	375,499	(19,319)	215,032
Total expenditures	<u>350,280</u>	<u>356,180</u>	<u>375,499</u>	<u>(19,319)</u>	<u>215,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(241,611)</u>	<u>(247,511)</u>	<u>(236,369)</u>	<u>11,142</u>	<u>(80,582)</u>
Other financing sources (uses):					
Transfers in	900,000	900,000	900,000	-	1,055,000
Transfers out	(108,669)	(108,669)	(99,309)	9,360	(92,009)
Total other financing sources (uses)	<u>791,331</u>	<u>791,331</u>	<u>800,691</u>	<u>9,360</u>	<u>962,991</u>
Net change in fund balance	549,720	543,820	564,322	20,502	882,409
Fund balance at beginning of year	<u>898,520</u>	<u>898,520</u>	<u>898,520</u>	-	<u>16,111</u>
Fund balance at end of year	<u>\$ 1,448,240</u>	<u>1,442,340</u>	<u>1,462,842</u>	<u>20,502</u>	<u>898,520</u>



## **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, 2009

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2009	2008
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 8,596,858	11,105,824	19,702,682	17,726,646
Accounts receivable	24,293	1,245	25,538	31,223
Interest receivable	60,491	77,089	137,580	169,591
Prepaid Items	-	6,434	6,434	-
Inventories	115,348	-	115,348	145,480
Total current assets	8,796,990	11,190,592	19,987,582	18,072,940
Capital assets:				
Motorized equipment	11,088,733	-	11,088,733	10,807,594
Other equipment	319,940	-	319,940	261,316
Accumulated depreciation	(6,104,987)	-	(6,104,987)	(5,458,100)
Net capital assets	5,303,686	-	5,303,686	5,610,810
Total assets	14,100,676	11,190,592	25,291,268	23,683,750
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	135,781	241,420	377,201	475,968
Accrued liabilities	11,186	873	12,059	8,907
Claims payable	-	2,395,500	2,395,500	3,324,433
Total current liabilities	146,967	2,637,793	2,784,760	3,809,308
Long-term liabilities:				
Claims payable	-	9,899,607	9,899,607	8,078,962
Total long-term liabilities	-	9,899,607	9,899,607	8,078,962
Total liabilities	146,967	12,537,400	12,684,367	11,888,270
Net assets:				
Invested in capital assets	5,303,686	-	5,303,686	5,610,810
Unrestricted	8,650,023	(1,346,808)	7,303,215	6,184,670
Total net assets (deficit)	\$ 13,953,709	(1,346,808)	12,606,901	11,795,480

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, 2009

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2009	2008
Operating revenues:				
Charges for services	\$ 3,925,946	3,592,792	7,518,738	6,956,543
Total operating revenues	<u>3,925,946</u>	<u>3,592,792</u>	<u>7,518,738</u>	<u>6,956,543</u>
Operating expenses:				
Allocated administrative costs	952,265	161,120	1,113,385	1,283,907
Depreciation	806,960	-	806,960	756,051
Fuel and repair parts	1,081,349	-	1,081,349	1,207,699
Claims and premiums	-	3,762,308	3,762,308	6,643,642
Total operating expenses	<u>2,840,574</u>	<u>3,923,428</u>	<u>6,764,002</u>	<u>9,891,299</u>
Operating income (loss)	<u>1,085,372</u>	<u>(330,636)</u>	<u>754,736</u>	<u>(2,934,756)</u>
Nonoperating revenues (expenses):				
Investment income	11,245	-	11,245	790,736
Gain/(loss) on sale of equipment	10,527	-	10,527	(94,044)
Total nonoperating revenues (expenses)	<u>21,772</u>	<u>-</u>	<u>21,772</u>	<u>696,692</u>
Income (loss) before transfers	<u>1,107,144</u>	<u>(330,636)</u>	<u>776,508</u>	<u>(2,238,064)</u>
Transfers in	65,395	-	65,395	-
Transfers out	(20,559)	(9,923)	(30,482)	(819,266)
Total transfers	<u>44,836</u>	<u>(9,923)</u>	<u>34,913</u>	<u>(819,266)</u>
Change in net assets	<u>1,151,980</u>	<u>(340,559)</u>	<u>811,421</u>	<u>(3,057,330)</u>
Net assets (deficit) at beginning of year	<u>12,801,729</u>	<u>(1,006,249)</u>	<u>11,795,480</u>	<u>14,852,810</u>
Net assets (deficit) at end of year	<u>\$ 13,953,709</u>	<u>(1,346,808)</u>	<u>12,606,901</u>	<u>11,795,480</u>

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2009

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2009	2008
Cash flows from operating activities:				
Cash received from customers and user departments	\$ 3,932,878	3,591,548	7,524,426	6,990,101
Cash payments to suppliers for goods and services	(1,290,262)	(2,916,013)	(4,206,275)	(5,202,419)
Cash payments to employees for services	(790,100)	(128,100)	(918,200)	(892,723)
Net cash provided by (used for) operating activities	<u>1,852,516</u>	<u>547,435</u>	<u>2,399,951</u>	<u>894,959</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	65,395	-	65,395	-
Cash paid to other funds	(20,559)	(9,923)	(30,482)	(824,003)
Net cash provided by (used for) noncapital financing activities	<u>44,836</u>	<u>(9,923)</u>	<u>34,913</u>	<u>(824,003)</u>
Cash flows from capital and related financing activities:				
Cash received from disposal of assets	107,589	-	107,589	-
Acquisition of capital assets	(596,899)	-	(596,899)	(909,212)
Net cash provided by (used for) capital and related financing activities	<u>(489,310)</u>	<u>-</u>	<u>(489,310)</u>	<u>(909,212)</u>
Cash flows from investing activities:				
Investment income received	20,559	9,923	30,482	819,267
Net cash provided by (used for) investing activities	<u>20,559</u>	<u>9,923</u>	<u>30,482</u>	<u>819,267</u>
Net increase (decrease) in cash and cash equivalents	1,428,601	547,435	1,976,036	(18,989)
Cash and cash equivalents at beginning of year	<u>7,168,257</u>	<u>10,558,389</u>	<u>17,726,646</u>	<u>17,745,635</u>
Cash and cash equivalents at end of year	<u>\$ 8,596,858</u>	<u>11,105,824</u>	<u>19,702,682</u>	<u>17,726,646</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	1,085,372	(330,636)	754,736	(2,934,756)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	806,960	-	806,960	756,051
(Increase) decrease in inventories	30,133	-	30,133	(43,178)
(Increase) decrease in accounts receivable	6,930	(1,245)	5,685	33,558
(Increase) decrease in prepaid items	-	(6,434)	(6,434)	-
Increase (decrease) in accounts payable	(79,948)	(18,819)	(98,767)	259,529
Increase (decrease) in accrued liabilities	3,069	83	3,152	(571)
Increase (decrease) in claims payable	-	904,486	904,486	2,824,326
Net cash provided by (used for) operating activities	<u>\$ 1,852,516</u>	<u>547,435</u>	<u>2,399,951</u>	<u>894,959</u>

## **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, 2009

	Deposits	Community Facilities District	Costa Mesa Community Foundation	Airborne Law Enforcement	Totals	
					2009	2008
<u>Assets</u>						
Cash and investments	\$ 2,131,029	-	100,020	3,182,325	5,413,374	6,662,329
Due from other governments	-	-	-	176,340	176,340	181,859
Accounts receivable	57,396	-	-	-	57,396	20,744
Interest receivable	1,209	-	703	22,365	24,277	29,592
Inventories	-	-	-	157,451	157,451	159,500
Prepaid items	-	-	-	17,138	17,138	-
	<u>\$ 2,189,634</u>	<u>-</u>	<u>100,723</u>	<u>3,555,619</u>	<u>5,845,976</u>	<u>7,054,024</u>
<u>Liabilities</u>						
Accounts payable	\$ 31,505	-	6,386	75,960	113,851	317,836
Accrued liabilities	120	-	121	1,135	1,376	-
Deposits payable	2,158,009	-	94,216	1,314	2,253,539	3,886,113
Due to other governments	-	-	-	3,477,210	3,477,210	2,850,075
	<u>\$ 2,189,634</u>	<u>-</u>	<u>100,723</u>	<u>3,555,619</u>	<u>5,845,976</u>	<u>7,054,024</u>



CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2009

	<u>Balance at</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2009</u>
<b><u>DEPOSITS</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 3,789,861	39,414,034	41,072,866	2,131,029
Due from other governments	648	-	648	-
Accounts receivable	20,744	351,365	314,713	57,396
Interest receivable	1,735	1,209	1,735	1,209
Prepaid items	-	-	-	-
Total assets	<u>\$ 3,812,988</u>	<u>39,766,608</u>	<u>41,389,962</u>	<u>2,189,634</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 31,312	3,829,512	3,829,319	31,505
Accrued liabilities	-	120	-	120
Deposits payable	<u>3,781,676</u>	<u>41,569,363</u>	<u>43,193,030</u>	<u>2,158,009</u>
Total liabilities	<u>\$ 3,812,988</u>	<u>45,398,995</u>	<u>47,022,349</u>	<u>2,189,634</u>
<b><u>COMMUNITY FACILITIES DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ -	247,876	247,876	-
Prepaid items	-	-	-	-
Total assets	<u>\$ -</u>	<u>247,876</u>	<u>247,876</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Held for bondholders	\$ -	247,876	247,876	-
Total liabilities	<u>\$ -</u>	<u>247,876</u>	<u>247,876</u>	<u>-</u>
<b><u>COSTA MESA COMMUNITY FOUNDATION</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 111,905	67,518	79,403	100,020
Interest receivable	<u>1,085</u>	<u>703</u>	<u>1,085</u>	<u>703</u>
Total assets	<u>\$ 112,990</u>	<u>68,221</u>	<u>80,488</u>	<u>100,723</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 10,582	71,479	75,675	6,386
Accrued liabilities	-	121	-	121
Deposits payable	<u>102,408</u>	<u>91,098</u>	<u>99,290</u>	<u>94,216</u>
Total liabilities	<u>\$ 112,990</u>	<u>162,698</u>	<u>174,965</u>	<u>100,723</u>

## CITY OF COSTA MESA, CALIFORNIA

(Continued)

## Agency Funds

## Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2009

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<b><u>AIRBORNE LAW ENFORCEMENT</u></b>				
<u>Assets</u>				
Cash and investments	\$ 2,760,563	2,242,794	1,821,032	3,182,325
Due from other governments	181,211	1,729,626	1,734,497	176,340
Accounts receivable	-	52,522	52,522	-
Interest receivable	26,772	22,365	26,772	22,365
Inventories	159,500	-	2,049	157,451
Prepaid items	-	17,138	-	17,138
Total assets	<u>\$ 3,128,046</u>	<u>4,064,445</u>	<u>3,636,872</u>	<u>3,555,619</u>
<u>Liabilities</u>				
Accounts payable	\$ 275,942	1,721,184	1,921,166	75,960
Accrued liabilities	-	1,135	-	1,135
Deposits payable	2,029	1,314	2,029	1,314
Due to other governments	2,850,075	2,587,555	1,960,420	3,477,210
Total liabilities	<u>\$ 3,128,046</u>	<u>4,311,188</u>	<u>3,883,615</u>	<u>3,555,619</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<u>Assets</u>				
Cash and investments	\$ 6,662,329	41,972,222	43,221,177	5,413,374
Due from other governments	181,859	1,729,626	1,735,145	176,340
Accounts receivable	20,744	403,887	367,235	57,396
Interest receivable	29,592	24,277	29,592	24,277
Inventories	159,500	-	2,049	157,451
Prepaid items	-	17,138	-	17,138
Total assets	<u>\$ 7,054,024</u>	<u>44,147,150</u>	<u>45,355,198</u>	<u>5,845,976</u>
<u>Liabilities</u>				
Accounts payable	\$ 317,836	5,622,175	5,826,160	113,851
Accrued liabilities	-	1,376	-	1,376
Deposits payable	3,886,113	41,661,775	43,294,349	2,253,539
Due to other governments	2,850,075	2,587,555	1,960,420	3,477,210
Held for bondholders	-	247,876	247,876	-
Total liabilities	<u>\$ 7,054,024</u>	<u>50,120,757</u>	<u>51,328,805</u>	<u>5,845,976</u>

CITY OF COSTA MESA, CALIFORNIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

## *Statistical Section*



*EQUESTRIAN CENTER*

## **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 EIGHT FISCAL YEARS**  
**(accrual basis of accounting)**

	Fiscal Years									
	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	-	-
Restricted										
Protection of Persons and Property	-	2,411,456	2,723,835	1,714,903	1,481,296	747,564	431,303	407,718	-	-
Community programs	-	4,541,217	1,990,698	1,637,173	2,649,931	10,166,878	10,601,709	5,909,972	-	-
Public services	-	35,868,367	29,155,232	23,973,667	27,895,363	19,186,443	18,781,762	18,531,911	-	-
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	-	-
Total governmental activities net assets	-	<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>	-	-

(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 EIGHT 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	-	-
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	-	-
Community programs	-	4,999,104	4,937,852	4,927,306	3,770,475	5,945,293	7,704,374	10,953,425	-	-
Public services	-	14,099,350	16,699,275	14,728,739	19,371,276	24,479,949	28,707,820	22,068,699	-	-
Redevelopment	-	528,350	632,735	534,995	2,509,671	885,005	1,168,763	375,499	-	-
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	-	-
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	-	-
<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	-	-
Community programs	-	4,626,660	5,407,997	5,247,815	5,402,789	5,423,255	5,554,124	6,075,951	-	-
Public services	-	2,312,339	4,316,825	3,181,180	3,374,546	5,680,415	2,822,877	1,839,433	-	-
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	-	-
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	-	-
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	-	-
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)	-	-
<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	-	-
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	-	-
Transient occupancy tax	-	3,799,682	4,221,661	4,641,350	5,465,320	5,959,556	5,791,004	4,719,158	-	-
Franchise taxes	-	2,308,683	2,329,340	2,833,347	3,674,652	3,911,800	4,046,517	4,174,172	-	-
Business license tax	-	854,580	830,794	912,434	912,324	897,608	932,278	860,491	-	-
Other intergovernmental, unrestricted	-	7,811,132	5,208,889	8,659,395	8,108,852	8,687,055	9,155,864	9,215,927	-	-
Investment income	-	5,314,256	2,436,835	3,455,453	3,082,011	7,433,407	6,659,736	1,649,319	-	-
Miscellaneous	-	5,411,936	891,797	740,848	210,302	89,249	862,648	850,080	-	-
Total primary government	-	79,608,429	75,772,593	83,411,978	87,254,877	96,390,158	99,081,228	86,285,465	-	-
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)	-	-

(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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	14,745,647	14,818,438	14,213,621	13,579,931	15,225,005	15,227,236	14,744,220	18,326,310	15,768,661	15,140,564
Unreserved	45,444,311	49,362,775	49,532,133	46,239,990	46,375,225	54,605,118	56,192,948	55,057,757	50,467,786	33,716,155
Total general fund	<u>60,189,958</u>	<u>64,181,213</u>	<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>
All other governmental funds										
Reserved	16,364,880	14,275,069	13,193,096	9,686,559	12,496,295	12,565,629	12,561,311	26,378,785	23,661,322	10,576,691
Unreserved, reported in:										
Special revenue funds	2,957,335	11,153,965	14,149,407	22,738,847	17,411,372	16,637,291	18,233,112	20,625,152	7,904,617	13,042,672
Capital projects funds	6,035,171	9,793,205	12,106,657	17,782,526	13,443,518	8,349,839	8,730,735	15,128,023	18,759,882	15,658,912
Debt services funds	(387,137)	(81,636)	(14,410)	(13,160,320)	(12,732,031)	(12,226,674)	(11,783,729)	(11,002,058)	(10,400,263)	(9,579,072)
Total primary government net expense	<u>24,970,249</u>	<u>35,140,603</u>	<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>

Source: Fund Financial Statements

TABLE 4

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

	Fiscal Years									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Taxes	54,886,109	60,434,989	59,066,320	61,071,105	67,235,072	70,556,282	75,818,711	80,180,448	82,402,980	74,570,140
Licenses and permits	1,914,939	2,268,689	1,516,212	1,766,850	2,143,839	1,948,650	2,101,870	2,874,124	1,876,959	1,168,026
Fines and forfeits	1,940,865	1,887,675	2,145,631	2,333,653	3,358,468	2,953,385	3,157,859	2,915,299	3,066,355	2,965,960
Intergovernmental	16,617,033	19,077,230	22,541,858	25,593,714	16,080,227	19,585,648	22,199,470	22,675,698	27,088,736	26,359,128
Charges for services	2,688,370	2,661,860	2,233,011	3,477,270	3,170,569	3,325,517	4,771,803	7,789,875	4,355,738	4,179,547
Rental	2,397,473	2,498,142	2,643,323	2,686,336	2,816,656	2,858,286	2,792,016	2,909,707	3,128,271	3,189,975
Investment income	4,537,659	7,434,201	5,858,172	4,595,758	1,878,219	3,931,991	2,448,400	6,843,792	5,869,106	1,627,547
Miscellaneous	443,169	391,850	1,040,544.00	975,612	1,173,944	1,427,160	841,991	882,110	1,182,749	2,342,611
Total revenues	<u>85,425,617</u>	<u>96,654,636</u>	<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>
<b>Expenditures</b>										
General government	12,385,206	20,020,444	19,648,587	21,219,016	21,185,828	23,132,535	25,676,011	27,473,794	28,723,990	29,619,695
Protection of persons and property	35,798,506	41,684,236	44,953,141	47,622,359	48,965,777	51,926,311	58,653,822	61,444,097	66,889,007	68,691,164
Community programs	5,764,615	5,614,630	6,195,499	6,825,783	6,215,447	6,320,969	7,330,558	10,581,225	9,622,552	11,550,616
Public services	18,884,977	11,011,449	17,294,673	17,678,362	18,879,695	16,903,620	15,692,726	24,951,597	33,343,249	27,954,239
Redevelopment	552,131	410,324	986,134	528,350	488,843	549,793	2,509,671	885,005	1,168,763	375,499
Debt service:										
Principal	2,006,875	2,114,640	2,232,295	2,294,953	2,661,728	2,887,337	3,238,000	3,524,900	5,486,427	4,393,687
Interest	3,246,558	2,735,624	3,000,282	2,997,599	2,778,146	2,467,583	2,448,580	2,576,413	3,683,198	3,460,555
Other charges	-	-	-	-	2,730,272	-	90,345	593,136	-	-
Total expenditures	<u>78,638,868</u>	<u>83,591,347</u>	<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>
Excess of revenues over (under) expenditures	6,786,749	13,063,289	2,734,460	3,333,876	(6,048,742)	2,398,771	(1,507,593)	(4,959,114)	(19,946,292)	(29,642,521)
<b>Other financing sources (uses):</b>										
Transfers in	3,262,367	9,443,373	6,551,610	5,237,917	3,984,713	6,651,916	5,214,379	7,365,984	9,014,877	7,123,168
Transfers out	(3,086,514)	(9,132,723)	(6,243,568)	(5,011,721)	(3,468,827)	(6,111,632)	(4,627,108)	(6,611,691)	(8,195,611)	(7,158,081)
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	-	495,874	797,298	3,400,000	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	29,960,000	-	-
Sales of lands	58,200	445,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>234,053</u>	<u>1,251,524</u>	<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>
Net change in fund balances	<u>7,020,802</u>	<u>14,314,813</u>	<u>3,839,800</u>	<u>6,960,072</u>	<u>(2,950,484)</u>	<u>2,939,055</u>	<u>4,091,690</u>	<u>25,835,372</u>	<u>(19,127,026)</u>	<u>(29,677,434)</u>
Debt service as a percentage of noncapital expenditures	6.68%	5.80%	5.55%	5.34%	7.86%	5.14%	5.54%	6.15%	7.73%	6.25%

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>
2000	32,650,942	14,131,797	4,118,044	2,008,090	817,795	700,570	54,427,238
2001	36,117,542	15,783,325	4,856,772	2,132,795	794,196	749,571	60,434,201
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

Source: Required Supplementary Information

**TABLE 6**

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

	Fiscal Years									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Apparel stores	\$ 307,176	\$ 333,725	\$ 347,917	\$ 354,517	\$ 371,013	\$ 419,206	\$ 454,318	\$ 463,521	\$ 482,249	\$ 432,965
General merchandise	514,661	505,517	517,064	514,136	536,259	583,136	614,478	602,376	639,878	582,091
Food stores	83,755	88,647	92,150	91,818	93,223	89,945	95,332	100,243	101,762	102,519
Eating and drinking establishments	215,788	239,937	244,135	250,199	273,604	308,988	330,384	360,331	379,604	358,069
Building materials	109,606	157,195	167,901	176,453	189,652	208,049	233,108	237,727	222,523	192,021
Auto dealers and supplies	480,538	539,726	571,028	615,995	678,550	760,174	767,922	724,664	659,095	560,317
Service stations	93,151	107,910	106,569	102,732	115,955	136,154	151,650	173,583	183,362	203,309
Other retail stores	569,433	623,448	637,799	655,700	761,889	884,442	966,736	1,052,096	1,030,546	918,095
All other outlets	810,754	898,925	859,321	795,047	826,899	872,929	917,503	905,603	928,733	822,086
	<u>\$ 3,184,862</u>	<u>\$ 3,495,030</u>	<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>
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>	2008			1999		
	<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	918,095	1	22.01%	569,433	2	17.88%
All other outlets	822,086	2	19.71%	810,754	1	25.46%
General merchandise	582,091	3	13.95%	514,661	3	16.16%
Auto dealers and supplies	560,317	4	13.43%	480,538	4	15.09%
Apparel stores	432,965	5	10.38%	307,176	5	9.64%
Eating and drinking establishments	358,069	6	8.58%	215,788	6	6.78%
Service stations	203,309	7	4.87%	93,151	8	2.92%
Building materials	192,021	8	4.60%	109,606	7	3.44%
Food stores	102,519	9	2.46%	83,755	9	2.63%

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>
2000	1.00	0.50	6.00	7.50
2001	1.00	0.50	5.75	7.25
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

Source: State of California Board of Equalization

**TABLE 9**

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the		Collected for Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy <sup>(1)</sup>
2000	11,749,672	11,575,465	98.52%	218,157	11,793,622	100.37%
2001	12,837,737	12,656,164	98.59%	216,612	12,872,776	100.27%
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%

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

Source: Orange County Assessor 2008/09 Combined Tax Rolls

**TABLE 10**

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

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>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>
2000	3,985,556,014	1,987,997,215	743,854,287	898,361,731	-	7,615,769,247	0.17771%	7,615,769,247	100.00%
2001	4,385,154,916	1,322,224,744	738,057,361	1,918,956,278	-	8,364,393,299	0.17639%	8,364,393,299	100.00%
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%

<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 1999/2000 - 2008/09 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
2000	0.14879	0.00381	0.01270	1.00000	0.17771	0.36657	0.48300	0.01055
2001	0.14879	0.00301	0.01180	1.00000	0.17639	0.36657	0.48300	0.01045
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	0.17399	0.67550	0.00615

<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 1999/2000 - 2008/2009 Combined Tax Rolls.

TABLE 12

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

Taxpayer	2008-09			1999-2000		
	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue	Property Tax Revenue	Rank	Percentage of Total City Property Tax Revenue
Rreef America Reit II Corpotation Cccc2	\$ 392,314	1	1.55%			
Maguire Props-Pacific Arts Plaza	384,274	2	1.52%			
South Coast Plaza	371,427	3	1.47%	342,281	1	2.42%
Interinsurance Exchange of the Auto Club	207,644	4	0.82%	104,476	8	0.74%
RTS Sunflower LLC	187,515	5	0.74%			
Casden Lakes Limited Partnership	170,177	6	0.67%	142,148	6	1.01%
Los Angeles Times Communication LLC	154,050	7	0.61%			
Arden Realty LP	151,291	8	0.60%			
South Coast Home Furnishing Center LLC	146,810	9	0.58%			
CJ Segerstrom & Sons	131,060	10	0.52%	158,264	4	1.12%
New TMC Inc.				223,940	2	1.58%
Sakioka Farms Inc./Curci England				172,145	3	1.22%
Two Town Center Associates				151,011	5	1.07%
Riverville Family Associates LLC				108,252	7	0.77%
600 Anton Boulevard Associates				96,629	9	0.68%
Center Tower Associates				95,954	10	0.68%
Total	<u>\$ 2,296,562</u>		<u>9.07%</u>	<u>\$ 1,595,099</u>		<u>11.29%</u>

Source: HdL Coren & Cone, Orange County Assessor 2008/09 & 1999/2000 Combined Tax Rolls.



**TABLE 13**

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

	<b>Fiscal Years</b>									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General bonded debt outstanding										
General obligation bonds	930,000	720,000	490,000	250,000	-	-	-			
Redevelopment bonds	8,485,000	8,195,000	7,890,000	7,570,000	7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000
Total	<u>9,415,000</u>	<u>8,915,000</u>	<u>8,380,000</u>	<u>7,820,000</u>	<u>7,470,000</u>	<u>7,020,000</u>	<u>6,565,000</u>	<u>6,105,000</u>	<u>5,630,000</u>	<u>5,145,000</u>
Percentage of taxable assessed value	0.1126%	0.0997%	0.0883%	0.0778%	0.0699%	0.0603%	0.0516%	0.0442%	0.0392%	0.0358%
Per capita	\$ 21.27	\$ 18.85	\$ 16.69	\$ 14.70	\$ 16.31	\$ 16.47	\$ 14.09	\$ 12.07	\$ 7.18	\$ 6.56
Less: Amounts set aside to repay general debt	774,219	774,219	759,793	762,440	704,877	707,466	710,981	711,982	706,045	704,300
Total net debt applicable to debt limit	8,640,781	8,140,781	7,620,207	7,057,560	6,765,123	6,312,534	5,854,019	5,393,018	4,923,955	4,440,700
Legal debt limit (3.75% of Assessed Value)	286,136,500	313,664,749	335,172,897	381,059,948	405,242,385	430,391,123	465,925,448	515,894,487	556,242,642	583,264,697
Legal debt margin	277,495,719	305,523,968	327,552,690	374,002,388	398,477,262	424,078,589	460,071,429	510,501,469	551,318,687	578,823,997
Legal debt margin as a percentage of the debt limit	96.98%	97.40%	97.73%	98.15%	98.33%	98.53%	98.74%	98.95%	99.11%	99.24%

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			
2000	930,000	8,485,000	0.1236%	23.37	31,320,000	-	141,292	40,876,292	2.03%	2,162.77
2001	720,000	8,195,000	0.1066%	20.14	30,010,000	-	453,043	39,378,043	1.88%	2,083.49
2002	490,000	7,890,000	0.0938%	17.72	28,640,000	-	1,097,380	38,117,380	1.82%	2,016.79
2003	250,000	7,570,000	0.0824%	15.57	27,215,000	-	4,353,329	39,388,329	1.87%	2,084.04
2004	-	7,470,000	0.0743%	14.04	26,075,000	-	3,695,503	37,240,503	1.74%	1,970.40
2005	-	7,020,000	0.0657%	15.33	24,340,000	-	2,993,166	34,353,166	1.30%	1,471.73
2006	-	6,565,000	0.0564%	15.41	22,695,000	-	6,725,536	35,985,536	1.16%	1,316.78
2007	-	6,105,000	0.0479%	13.10	20,935,000	29,960,000	5,368,649	62,368,649	2.01%	2,282.18
2008	-	5,630,000	0.0407%	11.13	19,000,000	29,215,000	3,037,222	56,882,222	1.83%	2,081.42
2009	-	5,145,000	0.0358%	6.56	16,980,000	28,465,000	1,898,535	52,488,535	2.51%	2,865.91

Source: City of Costa Mesa Finance Department

**TABLE 15**

**CITY OF COSTA MESA, CALIFORNIA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2009**

<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	2,110,000	100%	2,110,000
Newport Mesa Unified School District	166,073,480	28.036%	46,560,361
Coast Community College District	341,668,867	14.912%	50,949,661
Santa Ana Unified School District	221,191,491	3.952%	8,741,488
Rancho Santiago Community College District	316,405,071	1.722%	5,448,495
Metropolitan Water District	293,425,000	0.752%	2,206,556
Subtotal overlapping Tax and Assessment debt repaid with property taxes			<u>116,016,561</u>
<b>Overlapping general fund debt repaid with property taxes</b>			
Newport Mesa Unified School District Certificates of Participation	525,000	28.036%	147,189
Municipal Water District of Orange County Water Facilities Corporation	17,685,000	4.340%	767,529
Santa Ana Unified School District Certificates of Participation	62,396,493	3.952%	2,465,909
Orange County General Fund Obligations	462,152,000	3.656%	16,896,277
Orange County Pension Obligations	69,713,001	3.656%	2,548,707
Orange County Board of Education Certificates of Participation	19,430,000	3.656%	710,361
Irvine Ranch Water District Certificates of Participation	103,100,000	1.675%	1,726,925
Subtotal overlapping general fund debt repaid with property taxes			<u>25,262,898</u>
Subtotal, all overlapping debt			141,279,459
City direct debt			
City of Costa Mesa General Fund Obligations	43,335,000	100%	<u>43,335,000</u>
Total direct and overlapping debt			<u><u>184,614,459</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)
2000	106,607	2,014,872	18,900	31	21,364	2.90%
2001	110,932	2,096,615	18,900	32	21,138	3.00%
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%

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

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

<u>Employer</u>	<u>2008-09</u>			<u>1999-2000<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	3,044	2	4.61%			
Orange Coast Community College	2,500	3	3.79%			
Coast Community College	2,500	3	3.79%			
White Cap Construction Supply	2,200	5	3.33%			
Fairview Developmental Center	1,500	6	2.27%			
Interinsurance Exchange	1,200	7	1.82%			
First Team Real Estate Inc	1,025	8	1.55%			
Los Angeles Times	1,000	9	1.52%			
Epl Intermediate Inc.	1,000	9	1.52%			

<sup>(1)</sup> - Data not available for the fiscal year 1999-2000

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Government</b>										
Number of residents served via public services programs	N\A	N\A	2,734	4,420	3,925	2,998	3,500	3,250	3,250	2,800
Accounts payable checks issued	10,861	11,122	11,357	12,037	11,525	11,693	12,075	12,250	12,000	12,500
Total printshop photocopies produced	N\A	N\A	2,800,000	6,243,573	6,223,133	5,257,928	5,010,580	5,200,000	5,250,000	4,965,000
<b>Protection of persons and property</b>										
<b>Police protection</b>										
Emergency calls	1,194	1,338	1,401	1,519	1,473	1,436	1,390	1,400	1,450	1,350
Calls responded to within 5 minutes	84%	86%	88%	85%	85%	85%	81%	80%	80%	82%
Assigned theft cases	1,441	1,934	1,872	1,932	1,998	2,130	2,000	1,000	1,000	2,055
Percentage of theft cases cleared	31%	29%	25%	25%	23%	23%	25%	25%	25%	25%
Assigned burglary cases	1,309	1,221	1,390	1,481	1,535	1,578	1,600	1,600	1,600	1,425
Percentage of burglary cases cleared	49%	45%	45%	30%	23%	21%	25%	25%	25%	25%
Case and arrest reports processed	43,221	45,324	45,357	47,583	46,236	27,704	46,300	24,180	24,603	24,603
<b>Fire protection</b>										
Number of calls for service	N\A	N\A	N\A	8,300	8,300	8,876	8,704	9,000	9,400	9,450
Fire related responses	94	99	98	249	255	178	261	180	188	283
Emergency medical aid responses	4,608	4,926	4,980	6,557	5,810	6,657	6,267	6,840	6,700	6,700
<b>Community Programs</b>										
Number of program participants at the Downtown Recreation Center	4,250	4,000	4,000	18,600	20,000	24,500	25,000	32,799	67,134	33,843
Over-the-counter plan checks reviewed within five (5) working days	264	390	264	290	420	438	482	600	650	600
Inspection requests with 24 hours	12,761	13,172	14,068	14,500	16,000	17,708	19,478	16,500	28,000	14,850
Complaint response within two (2) working days	15,000	13,000	9,908	13,000	15,025	15,459	22,742	22,000	12,000	19,800
<b>Public services</b>										
Number of trees pruned annually	5,586	5,465	5,400	5,400	5,410	5,430	5,400	5,065	6,435	8,007
Number of catch basins cleaned annually	1,073	1,065	1,065	1,300	1,275	1,236	1,300	1,275	1,200	1,260

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>2000</u>	<u>2001</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>
General Government										
City council	5	5	5	5	5.5	5.5	5.5	5.5	5.5	5.5
City manager	15	14	14	14	16.25	16.27	16.27	16.56	16.56	16.56
City attorney	6	6	6	6	6	6	-	-	-	-
Financial services	22	23	23	23	23.67	23.67	23.67	23.67	24.42	24.42
Administrative services	123	129	132	133	135.96	136.11	130.28	125.19	124.66	126.21
Development services	40	43	43	43	45.10	44.50	44.50	45.00	45.00	45.00
Protection of persons and property										
Police protection	225	228	232	234	254.88	255.25	254.75	258.73	262.73	266.75
Fire protection	111	111	111	111	112.92	112.92	112.92	113.40	112.92	112.92
Public services	114	113	119	118	114.46	113.94	101	107.90	108.90	108.90
	<u>661</u>	<u>672</u>	<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>

<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>2000</u>	<u>2001</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>
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	6,635	6,637	6,641	6,651	6,658	6,658	6,661	6,676	6,669	6,669
Traffic signals	112	113	114	114	115	115	116	116	122	122
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	27	27	30	30	30	30	30	30	30
Baseball/softball diamonds	5	5	5	5	5	5	6	6	6	6
Soccer/football fields	9	9	9	9	9	9	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