

# Comprehensive Annual Financial Report



City of Costa Mesa, California • Fiscal Year Ended June 30, 2003





City of Costa Mesa, California

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2003



Prepared by the  
Finance Department

Marc R. Puckett, Director

CITY OF COSTA MESA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2003

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## Introductory Section



# CITY OF COSTA MESA

CALIFORNIA 92628-1200

P.O. BOX 1200

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FROM THE OFFICE OF THE DIRECTOR OF FINANCE—CITY TREASURER

December 19, 2003

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, 2003, 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 have been audited by Conrad and Associates, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involve examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Costa Mesa's financial statements for the fiscal year ended June 30, 2003, 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.

The independent audit of the financial statements of the City of Costa Mesa was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The City of Costa Mesa is required to have an annual single audit performed in conformity with the provisions of the Single Audit Act of 1984 and the United States Office of Management and Budget's Circular A-128, Audits of State and Local Governments. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and recommendations are included in a separately issued single audit report.

GAAP require 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.

### **THE FINANCIAL REPORTING ENTITY**

The financial reporting entity (the City of Costa Mesa) includes all the funds of the City of Costa Mesa as well as all of its component units. Component units are legally separate entities for which the City is fully accountable.

All of the City's component units are considered to be blended component units. Blended component units, although legal 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. Accordingly, the Costa Mesa Redevelopment Agency and the Costa Mesa Public Financing Authority have been reported as debt service and capital projects funds, as appropriate.

### **PROFILE OF THE GOVERNMENT**

The City of Costa Mesa, incorporated in 1953, has an estimated population of 111,512 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 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. Councilmembers are elected to four-

year staggered terms, with two or three Councilmembers elected every two years.

The City is not a full service city in the generally accepted meaning of that term, but it does provide 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.

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 also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. All estimated purchase amounts are encumbered prior to the release of purchase orders to vendors. At fiscal year end, all operating budget appropriations lapse. Open encumbrances are reported as reservations of fund balances at June 30, 2003. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's operations.

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. Intrafunctional budget changes are approved by the City Manager.

The City of Costa Mesa has continued to be proactive in its budget approach during 2002-2003. In December 2002, budget preparation began for the 2003-2004 fiscal year. Based on previous City Council direction, departments were instructed to prepare "flat" budgets with no bottom-line increases. Additionally, the 2003-2004 fiscal year budget will maintain all services at current levels; does not use the \$14.125 million General Fund operating reserve; and provides a strong Police field presence.

In March 2002, budget hearings were held with department management to review the submitted flat budgets, and supplemental proposals for additional appropriations. The City Manager, together with Finance department staff, reviewed each department's budget to ensure compliance with City Council direction and the City Manager's budget directives to curtail non-essential spending. As a result, the General Fund budget has been balanced in accordance with criteria established by the City Council and the City Manager.

### **ECONOMIC CONDITION AND OUTLOOK**

The City has continued to benefit from a robust local economy that has shown positive signs of a strong recovery from the nationwide recession. New construction has continued at a strong pace. 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, on the strength of 322 stores, places it among the highest volume regional shopping centers 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. The City expects that new development now under construction or planned will increase total revenues by as much as \$2.5 million per year. Sales tax and property tax revenue generated from the Shopping Center comprise approximately 37% of the City's total tax revenues. Also, total sales tax revenues for the City are expected to increase by an average of 4% per year for the next five years and total property tax revenues are expected to increase at a rate of 6.0% - 10% for the next five years.

The City of Costa Mesa 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. During this period, the City has been forced to absorb in excess of \$13.6 million in financial impacts from Federal, State, and County governments in the form of un-funded mandates or decreased subventions.

### **MAJOR DEVELOPMENT INITIATIVES**

***Segerstrom Home Ranch:*** This project is comprised of 93 acres and includes the following:

- Construction of a 308,000 square foot flagship IKEA store that is designed to serve the Orange County area; completed June, 2003.
- Construction of 791,050 square feet of high-quality corporate office and office-related uses along the Interstate 405 frontage; completion expected in 2004.
- Construction of 252,648 square feet of industrial park uses adjacent to the Los Angeles Times building; completed July, 2003.
- Construction of a 143 dwelling units (60 single-family detached and 83 town homes) in planned residential community; completion expected in 2004.
- Establishment of a 1.5-acre Historical Preservation Area that includes the historically significant Segerstrom Farmhouse and barn; completion expected in 2004.

***Two Town Center:*** Proposed construction of an 18-story high rise office building (400,000 sq.ft.) and a five-level parking structure in the South Coast Plaza Town Center Area.

***South Coast Metro Center/Experian:*** The master plan for the 47-acre South Coast Metro Center project area was approved to allow development of 1,405,800 square-feet of mixed-use commercial development that will include the following:

- In addition to the existing 749,288 square feet of office development, 600,000 square foot low-rise, campus style office space has been built and is now occupied by Experian's world headquarters.
- Construction of a 45,000 square foot 24 Hour Fitness health club has also been completed and is now open.
- Construction of a 300-room hotel; completion date unknown.
- Construction of 7,000 square feet of retail space and 22,000 square feet of restaurant space, that includes Macaroni Grill, which is now operating.

***Target Greatlands.*** A new 157,500 square foot Target Greatlands store has opened on an 18-

acre site, which formerly was occupied by Fedco department and home furnishing stores. The development will include an additional 76,125 square feet of retail space in phase two which is currently under construction.

### **FUTURE DEVELOPMENT INITIATIVES**

***Segerstrom Center for the Arts.*** The adopted center on a 5-acre site will include a new 2,000 seat concert hall, a 160 seat (32,000 square-feet) expansion of the South Coast Repertory theater and an art museum/academy.

***South Coast Plaza Town Center.*** A 186-room hotel and an additional 255,000 square-feet of office space has been adopted for the South Coast Plaza Town Center Property.

***Sakioka Farms Lot 1 and 2.*** In accordance with the North Costa Mesa Specific Plan, 1,400 new high-density residential units are adopted to be constructed on the "Lot 1" site at build-out development. The "Lot 1" site is 40.3 acres in total land area. This adopted development would consist of approximately 25-35 residential dwelling units per acre. On the "Lot 2" site, a total of 863,000 square feet of mixed use office and commercial development has been adopted at build-out development. The "Lot 2" site is 33 acres in total land area.

### **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.

The City of Costa Mesa currently enjoys an "Aa" bond rating from Moody's Investors Service. Briefly defined, this rating is given to bonds which are determined to be of high investment quality by all standards. On June 2, 1997, the City of Costa Mesa issued \$11,815,00 of Refunding Certificates of Participation in order to advance refund Certificates issued in 1984. The Certificates were originally issued to fund the construction of a parking garage adjacent to the Orange County Performing Arts Center. This issue is in name only and is considered to be no commitment debt of the City of Costa Mesa. On May 21, 1998, the Costa Mesa Financing Authority issued \$13,715,000 of Revenue Bonds. The proceeds of these bonds were used to advance refund the Financing Authority's 1990 Lease Revenue bonds.

The City continuously reviews existing debt for refunding possibilities to lower total debt service requirements. The City has no short-term borrowings. Further, the City is considering funding a non-bond fund for the purpose of funding projects for which debt may have otherwise been issued. 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 its good credit standing. These policies are reviewed annually and updated as is appropriate.

### **CASH MANAGEMENT**

The City invests its pooled idle cash investments utilizing the standard of prudence known as the "prudent man standard" which states, in part, that investments will be invested using the judgment and due care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the

probable income to be derived.

The City's cash management system is designed to monitor cash balances, forecast revenues and expenditures accurately, and to invest idle funds to the fullest extent possible. The City attempts to obtain the highest available investment yields consistent with the criteria established and outlined in the City's investment policy. This policy is reviewed and approved annually by the City Council. During 1995-96, an Investment Oversight Committee was formed by the City Council to review the City's Investment Policy, and make recommendations to the City Council. Some of the instruments in which the City may invest are securities of the U.S. Government or its agencies, certificates of deposit, banker's acceptances, medium term corporate notes, commercial paper, the State of California's Local Agency Investment Fund, the Orange County Treasurer's Pool, and demand deposit accounts. The weighted-average investment rate of return earned on the City's investment portfolio as of June 30, 2003, was 4.909%. The City's cash position remained healthy throughout the year. Cash and investments represented approximately 34.6% of the City's total assets as of June 30, 2003.

### **RISK MANAGEMENT**

The City of Costa Mesa has an aggressive risk management program designed to reduce the City's operational cost of risk to the lowest level possible. This program involves the making and carrying out of decisions that will minimize the adverse effects of accidental losses in the City. The program includes: 1) identifying loss exposures, 2) examining alternative techniques for handling these exposures, 3) selecting and implementing the chosen technique, and 4) monitoring the results to ensure program effectiveness. Some of the techniques chosen by the City include self-funding of small losses, purchasing insurance and reinsurance for large property and casualty exposures, and implementing an active safety and loss control program. The Risk Management Division is located within the Personnel Department and is responsible for workers' compensation; general, automobile and aviation liability; real and personal property asset protection; and industrial safety and loss control.

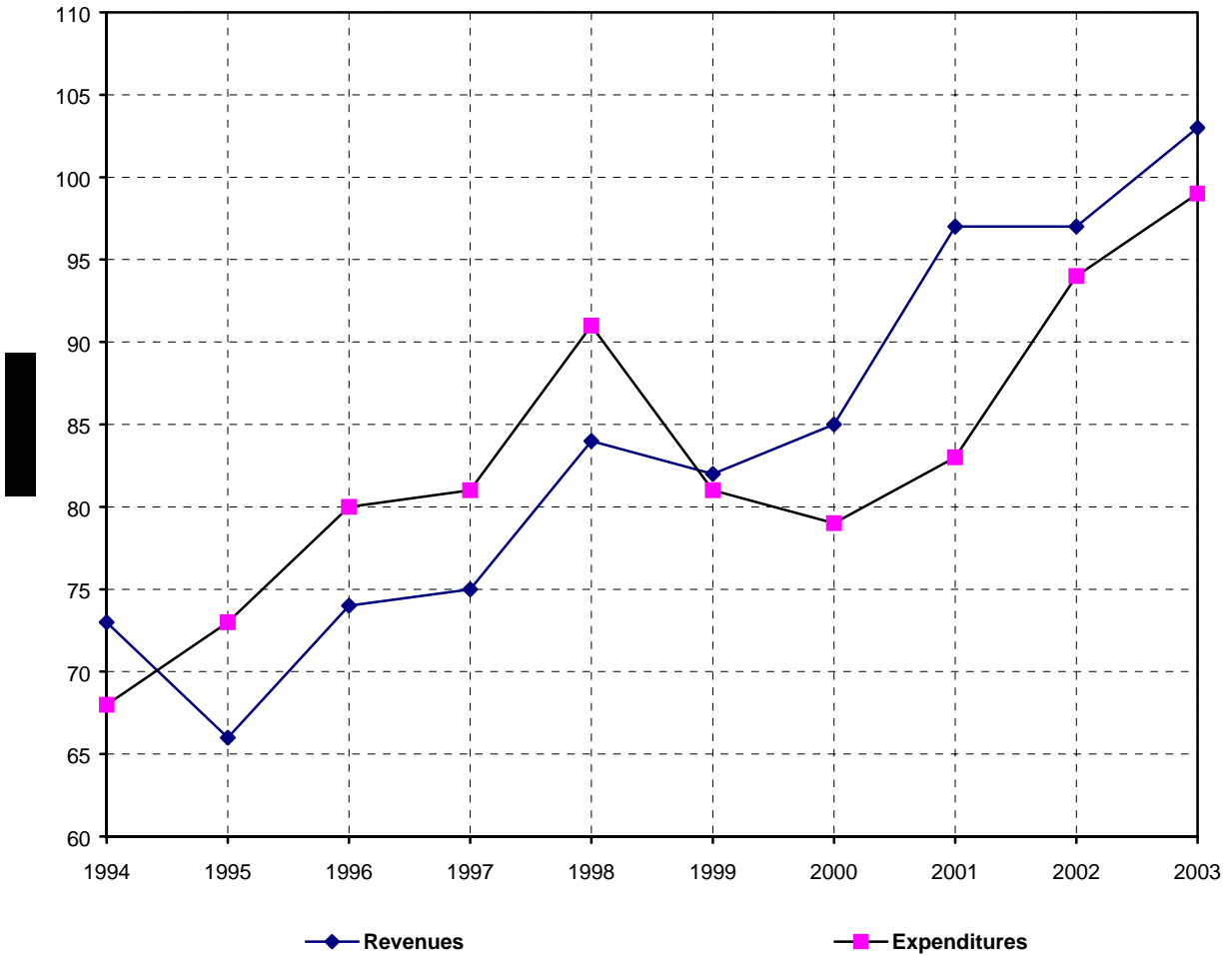
Self-insured programs with responsible loss retention levels are utilized for workers' compensation and automobile/general liability exposures. Commercial excess insurance or excess coverage provided through pooling arrangements with other municipalities have been procured for loss exposure above the retention levels and through catastrophic limits. Real and personal property and aviation liability exposures are protected by comprehensive policies of commercial insurance.

Liabilities for self-insured losses are fully funded when incurred. Funding levels for accrued liabilities are verified for adequacy by periodic internal and external actuarial reviews.



# CITY OF COSTA MESA

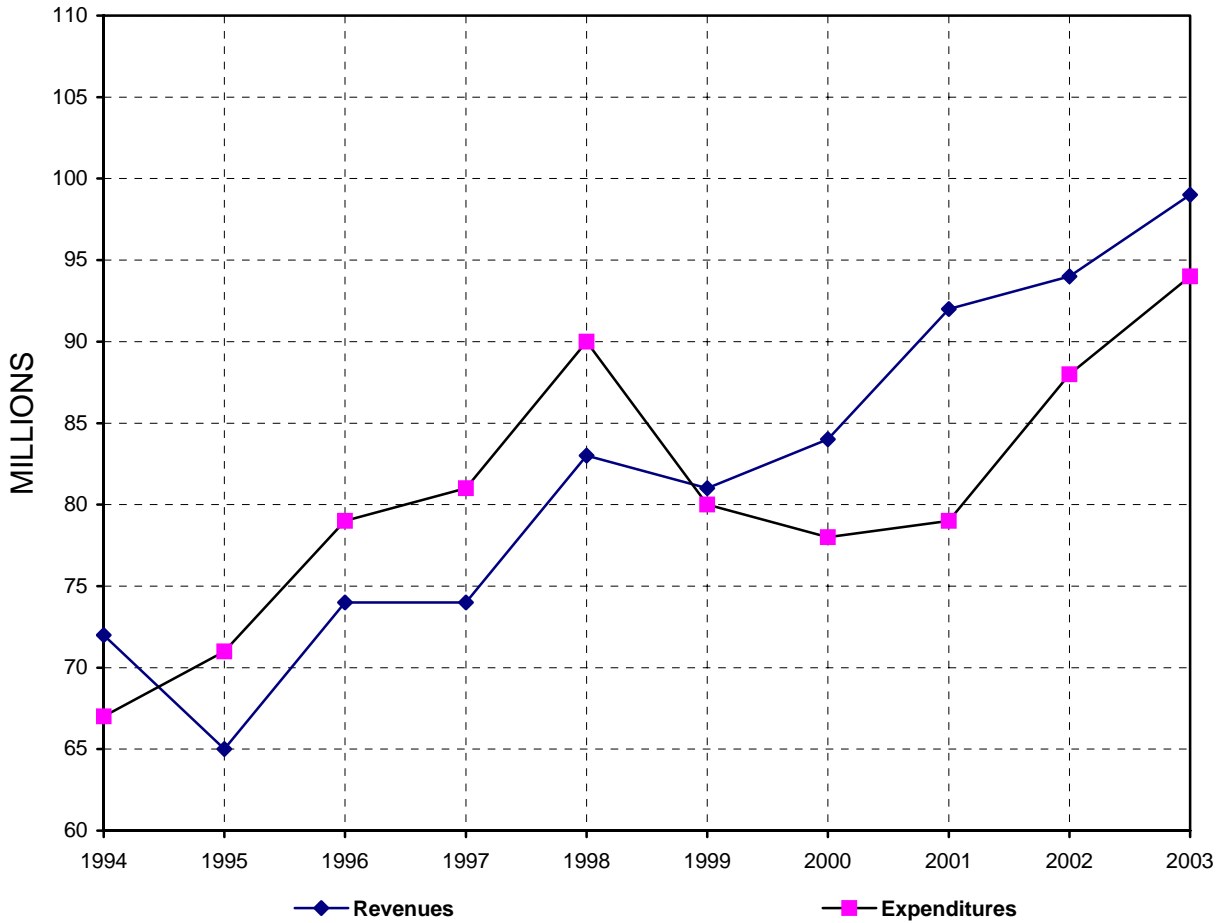
## Revenue and Expenditures – All Governmental Funds Combined Reporting Entity For the Last Ten Fiscal Years



The graph above illustrates the revenue and expenditures for the last ten fiscal years of the combined reporting entity which includes the City of Costa Mesa, the Costa Mesa Redevelopment Agency, and the Costa Mesa Public Finance Authority. The data presented includes all government fund types: general, special revenue, debt service, and capital projects funds. Revenues exceeded expenditures for the last four consecutive fiscal years.

# CITY OF COSTA MESA

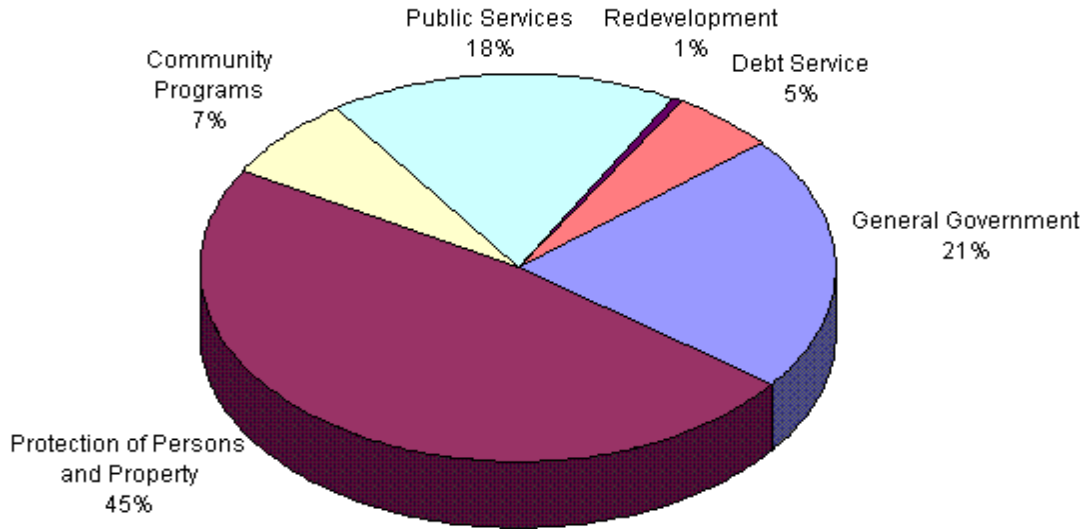
## Revenue and Expenditures – All Governmental Funds Excluding Component Units For the Last Ten Fiscal Years



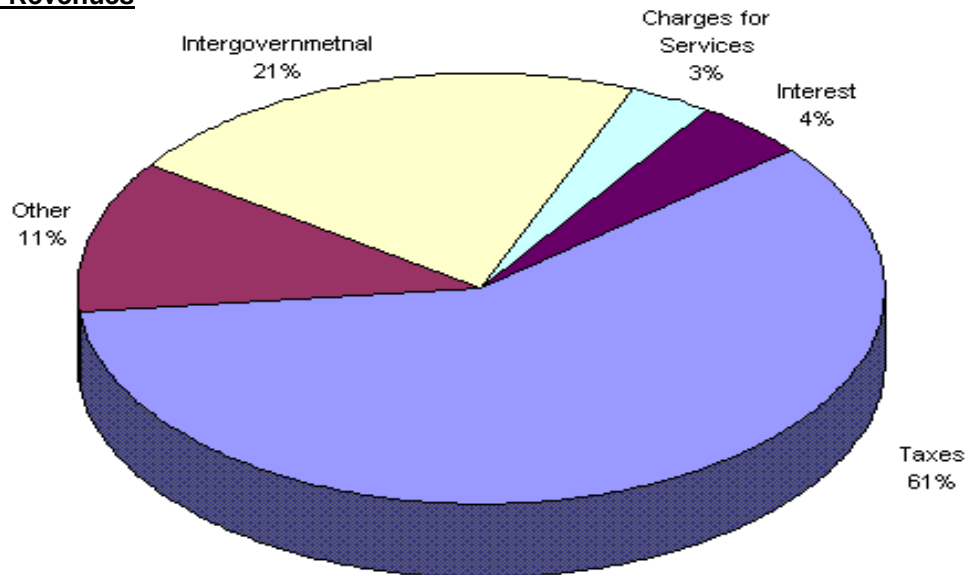
The graph above illustrates the revenue and expenditures of the City of Costa Mesa, excluding its component units, for the last ten fiscal years. The data presented includes all governmental fund types: general, special revenue, debt service, and capital projects funds. Revenues exceeded expenditures for the last four consecutive years.

**CITY OF COSTA MESA FINANCIAL PERFORMANCE**  
*ALL GOVERNMENTAL FUND TYPES*  
Fiscal Years Ending June 30

**2002-2003 Expenditures/Expenses**



**2002-2003 Revenues**



## **INDEPENDENT AUDIT**

The Government Code of the State of California requires general law cities, such as the City of Costa Mesa, to be audited annually by independent certified public accountants. The accounting firm of Conrad and Associates, LLP, CPA's, was selected by the City Council in fiscal year 2002-2003 to continue to conduct the City's annual audit. Conrad and Associates has continuously performed the City's audit since they were first selected by the City Council in fiscal year 1990-91. In addition to meeting the requirements set forth in the Government Code, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-128. The independent auditors' report on the general purpose financial statements, and combining and individual statements and schedules is included in the Financial Section of this CAFR. The independent auditors' reports related specifically to the single audit are provided in a separate report.

## **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, 2002. This was the twenty-second consecutive year that the City 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 conform 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 Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for the Certificate.

In addition, the California Society of Municipal Finance Officers (CSMFO) has awarded its Certificate of Award for Outstanding Financial Reporting to the City of Costa Mesa for its CAFR for the fiscal year ended June 30, 2002. The CSMFO annually conducts the California Award Program to promote excellence in financial reporting among California cities. Awards are presented in two categories: Outstanding and Meritorious. The judging standards for the Outstanding Award are substantially the same as those of the GFOA Certificate of Achievement for Excellence in Financial Reporting.

## **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 Leigh Chalkley and 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, Conrad and Associates, for their expertise and advice in preparing an improved financial report this past year.

Members of the City Council have continued to express their interest and extend their 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 Heads, and employees, the City expects to continue the high level of service, which is 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 black ink, appearing to read "Marc R. Puckett", written in a cursive style.

MARC R. PUCKETT

Director of Finance





# City of Costa Mesa List of Principal Officials

June 30, 2003

**Mayor**

Gary C. Monahan

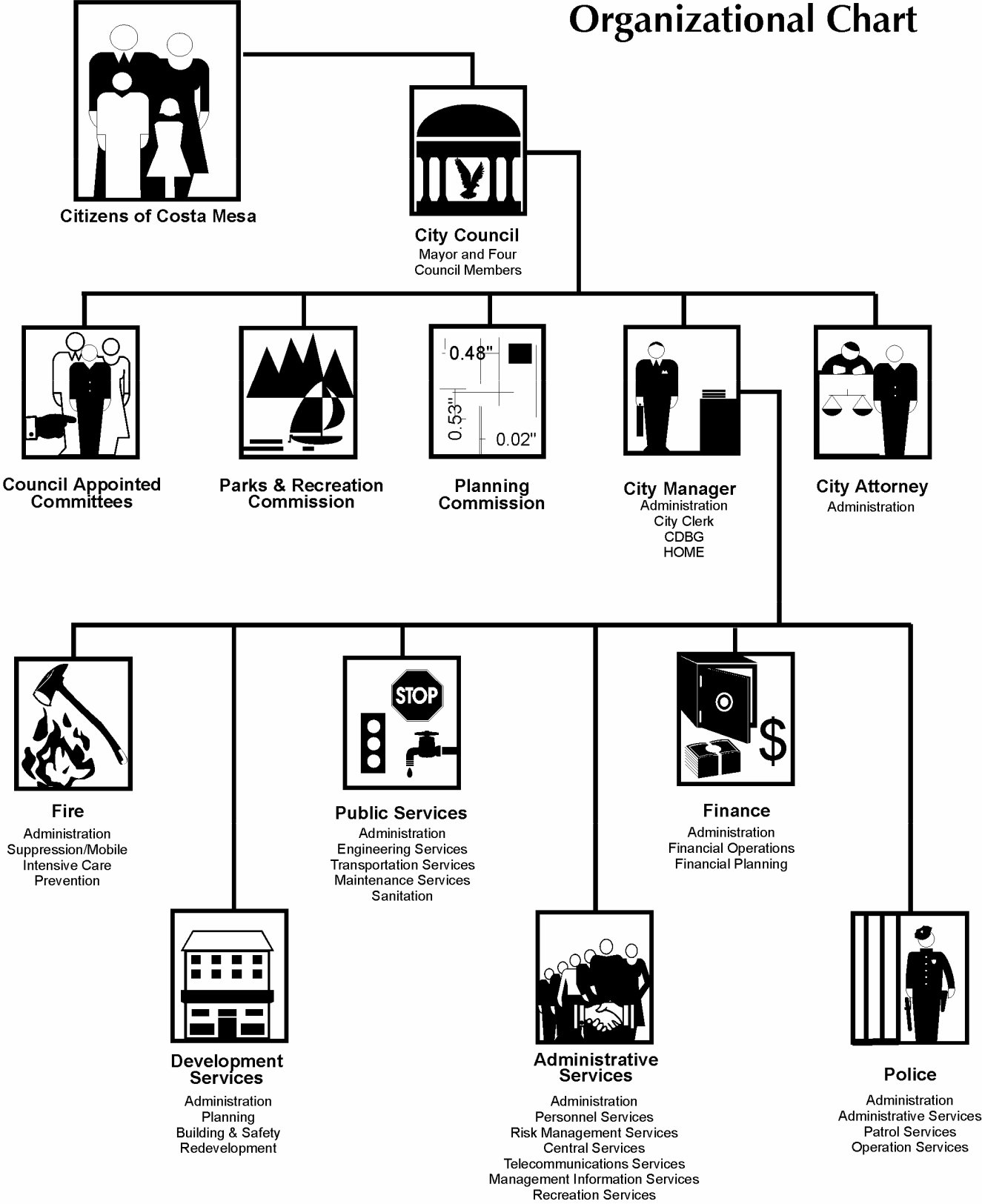
**City Council**

Elizabeth A. Cowan  
Allan R. Mansoor  
Mike L. Scheafer  
Chris M. Steel

City Manager-----	Allen L. Roeder
Acting City Attorney-----	Tom C. Wood
Director of Administrative Services-----	Steven E. Hayman
Director of Development Services-----	Donald D. Lamm
Director of Finance-----	Marc R. Puckett
Director of Public Works-----	William J. Morris
Fire Chief-----	James M. Ellis
Police Chief-----	John D. Hensley

# 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)

CITY OF COSTA MESA

GFOA Certificate of Achievement for Excellence in Financial Reporting

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, 2002

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

In order to be awarded a certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes the current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and is submitting it to GFOA to determine its eligibility for another certificate.

CITY OF COSTA MESA

CSMFO Certificate of Award for Outstanding Financial Reporting

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2001-2002*

Presented to the

*City of Costa Mesa*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2003*

*Bret M. Plumlee*

Chair, Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*



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On February 24, 2003, the California Society of Municipal Finance Officers (CSMFO) awarded the City of Costa Mesa its Award for Outstanding Financial Report, for the fiscal year ended June 30, 2002. To qualify for this award, a governmental unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to award program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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Financial Section

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, 2003, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the City of Costa Mesa, California. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 opinion.

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, 2003, 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 discussed further in the notes to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the implementation of GASB Statement No. 34 for the year ended June 30, 2003.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Costa Mesa, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical schedules 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 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 our report dated September 22 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Conrad and Associates, L.L.P.*

September 22, 2003



Management's Discussion  
and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Costa Mesa for the fiscal year ended June 30, 2003. 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-xi 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 2003 by \$272,370,517 (*net assets*). Of this amount, \$51,430,661 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$16,807,059.
- As of the close of fiscal year 2003, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$96,867,533, an increase of \$6,960,072 in comparison with the prior year. More than half of this total amount, \$61,129,375, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of 2003, unreserved fund balance for the general fund was \$46,239,990 or 56.8 percent of total general fund expenditures.
- The City of Costa Mesa's total debt had a net increase of \$1,645,264 or 3.0 percent during fiscal year 2003.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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, transportation, sanitation, health, culture and leisure, and community development. The business-type activities of the City of Costa Mesa include electric, water, refuse, parking, and telecommunication operations.

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 objective. 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 funds 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-six 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-four 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 18-21 of this report.

## **Proprietary Funds**

The City of Costa Mesa maintains one type of proprietary funds. *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 and 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 22-24 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. 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 25 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 27-63 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 page 63 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 69-114 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 \$272,370,517 at the close of the most recent fiscal year.

Sixty-two percent of the City of Costa Mesa's 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

	Governmental Activities
	<u>2003</u>
Current and other assets	\$134,581,274
Capital assets	<u>206,192,405</u>
<b>Total Assets</b>	<u>340,773,679</u>
Long-term debt outstanding	55,673,653
Other liabilities	<u>12,729,509</u>
<b>Total Liabilities</b>	<u>68,403,162</u>
Net assets:	
Invested in capital assets, Net of debt	169,744,591
Restricted	51,195,265
Unrestricted	<u>51,430,661</u>
<b>Total net Assets</b>	<u>\$272,370,517</u>

At the end of the 2003 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 and business-type activities. During the 2003 fiscal year, the government's net assets increased by \$16,807,059.



City of Costa Mesa's Changes in Net Assets

**Governmental  
Activities**

**Revenues:**

Program Revenues:

Charges for services	\$ 7,526,768
Operating contributions and grants	12,012,746
Capital contributions and grants	3,592,565

General revenues:

Taxes:

Property taxes, levied for general purpose	17,853,053
Sales taxes	36,255,107
Utility users tax	-
Transient occupancy tax	3,799,682
Business license tax	854,580
Franchise taxes	2,308,683
Other taxes	-

Other intergovernmental	7,811,132
Fines and forfeits	1,971,320
Investment earnings	5,314,256
Miscellaneous revenues	<u>5,411,936</u>
Total revenues	<u>104,711,828</u>

**Expenses:**

General government	17,466,434
Public safety	47,765,134
Community Programs	4,999,104
Public Services	14,099,350
Redevelopment	528,350
Interest on long-term debt	<u>3,046,397</u>
Total expenses	<u>87,904,769</u>

Change in net assets	16,807,059
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<b>Net assets at beginning of year</b>	<u>255,563,458</u>
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<b>Net assets at end of year</b>	<u>\$272,370,517</u>
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## Governmental Activities

Governmental activities increased the City of Costa Mesa's net assets by \$16,807,059, which accounted for 100.00 percent of the total increase in the net assets. Key elements of this increase are as follows:

- Tax revenues increased by \$2,004,785 or 3.4% from fiscal year 2003. This change was due primarily to an increase in sales tax collections of \$1,066,000 and property tax collections of \$932,000. Tax rates did not increase for the fiscal year. Therefore the increase was generally due to rising property values and a slight rebound in retail sales in Costa Mesa.
- Licenses and permits increased by 16% (\$250,000) primarily due to processing of the "Home Ranch" development project, a large, multi-phased, development which included construction of an IKEA big box retailer store, world headquarters for Emulex Corporation and Standard Pacific Homes including 60 single family detached homes and 83 townhomes. The largest percentage increase in revenues occurred in Charges for Services which increased by 55%. This increase resulted from an increase in program revenues. Also, Investment Income declined by over \$700,000 (21%) due to declining interest rates.
- The City's governmental expenses in fiscal year 2003 increased by 5% over the prior fiscal year. The largest dollar increase was \$2.7 million or 6% in protection of persons and property due to higher personnel costs and the expansion of some police programs, such as adding a Foot Patrol on the City's Westside. The second largest dollar increase was \$1.5 million or 8% in General Government due to due to higher personnel costs.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Costa Mesa uses fund accounting to ensure and demonstrate compliance with 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 2003 fiscal year, the City of Costa Mesa's governmental funds reported combined ending fund balances of \$96,867,533, a decrease of \$6,312,971 in comparison with the prior year. Of this total amount, \$22,157,479 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 \$46,239,990, while total fund balance amounted to \$59,819,921. The fund balance of the City of Costa Mesa's general fund decreased by \$3,925,833, during 2003 fiscal year. Key factors in this loss are as follows:

- The largest revenue decrease occurred in investment income which decreased from \$5.8 million to \$4.6 million, respectively.
- The deficiency of revenues and other financing sources over expenditures and other financing uses amounted to \$3,925,833. This deficiency primarily resulted from increased personnel costs and decreased revenues as a result of the recessionary market environment.

The Redevelopment Agency Debt Service Fund has a total fund deficit of \$(13,160,320). The deficit exists since GAAP requires the debt service funds to record advances from other funds as a liability. At June 30, 2003, the balance in advances from other funds is \$14,127,897. The fund deficit decreased during the fiscal year by a minimal amount of \$127,133.

### **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 \$6,655,631. The total growth in net assets for the fiscal year was \$1,132,770. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Costa Mesa's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were relatively minor (\$3.7 million increase in appropriations) and can be briefly summarized as follows:

- \$1,036,000 in Council approved Capital Improvement projects.
- \$662,000 in personnel cost increases in the Police department due to contractual compensation increases.
- \$960,000 in appropriation increases due to prior year carryforwards for capital improvement projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City of Costa Mesa's investment in capital assets for its governmental and business-type activities as of June 30, 2003 amounts to \$206,192,405 net of accumulated depreciation. This investment in capital assets includes land, buildings, and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Costa Mesa's investment in capital assets for the current fiscal year was 4.6 percent.

Major capital asset events during the 2003 fiscal year included the following:

- A variety of street construction projects continue Citywide. Some of the major street projects this fiscal year included: Street Improvements, Preventive Maintenance of Asphalt Streets, Improvements of Alleys, Concrete Streets and Walkways, and Traffic Mitigation, and Preventive Maintenance of Curbs and Gutters. Work on these projects during the 2003 fiscal year increased capital assets by \$10,058,970 in capital assets not being depreciated and by \$7,904,174 in capital assets being depreciated. Construction in progress as of the end of the current fiscal year totaled \$21,312,544.

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

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$28,949,103	\$28,949,103
Land rights related to streets	3,181,500	3,181,500
Buildings and improvements	24,395,085	24,395,085
Machinery and equipment	159,113,238	12,281,918
Park System	2,734,701	950,168
Infrastructure- roads	104,362,602	104,191,654
Infrastructure- storm drains	33,907,663	36,371,697
Construction in progress	<u>21,312,544</u>	<u>11,253,574</u>
Totals	<u>\$152,749,258</u>	<u>\$153,795,437</u>

Additional information on the City of Costa Mesa's capital assets can be found in note 7 on pages 47-48 of this report.

## Long-Term Debt

At year-end, the City has a number of debt issues outstanding. These issues include \$14.6 million of PFA 1993 refunding revenue bonds, \$10.2 of PFA 1998 refunding revenue bonds, \$7.6 million of Redevelopment Agency tax allocation bonds, \$2.4 million in PFA 1991 lease revenue bonds, and \$4.4 million of capitalized lease obligations. The City has maintained its AA rating from Standard and Poor's Corporation and an Aa rating from Moody's Investor Service on general obligation bond issues. Long-term debt increased by \$1.7 million as a result of issuance of new capital lease debt in the amount \$3.4 million for the purchase of a public safety computer system, less normal scheduled principal maturities of \$2.1 million.

### City of Costa Mesa's Outstanding Debt

	<b>Governmental Activities</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Bonds payable	\$35,035,000	\$37,020,000
Loans –Triangle Square	-	309,953
Other liabilities	16,285,324	15,601,056
Capitalized lease obligations	<u>4,353,329</u>	<u>1,097,380</u>
Totals	<u>\$55,673,653</u>	<u>\$54,028,389</u>

Additional information on the City of Costa Mesa's long-term debt can be found in notes 8 through 12 on pages 49-56 of this report.

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

- The unemployment rate for the City of Costa Mesa is currently 3.2 percent, which is an increase from a rate of 2.6 percent a year ago. This compares favorably to the state's average unemployment rate of 6.3 percent and the national average rate of 5.7 percent.
- The property values in Costa Mesa increased by 6.5% overall from the prior fiscal year. Property values in Costa Mesa are projected to increase between 6-10% for the next several years.
- The occupancy rate of the government's central business district has remained at 94 percent for the past three years.
- 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 2004 fiscal year.

During the 2003 fiscal year, the unreserved fund balance in the General Fund decreased by \$3.9 million. The fiscal year 2004 operating and capital improvement budget assumed an operating deficit for the General Fund for fiscal year 2004 in the amount of \$4.0 million. Due to signs of an economic recovery in the local economy, it is anticipated that the net result will be better than anticipated assuming that there are no adverse impacts to the City's revenue base as a result of adverse actions by the State government.

## **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 Director of Finance, City of Costa Mesa, P.O. Box 1200, 77 Fair Drive, Costa Mesa, California, 92628-1200.



Government-Wide  
Financial Statements

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

### **Statement of Net Assets**

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

### **Statement of Activities**

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



CITY OF COSTA MESA, CALIFORNIA  
Statement of Net Assets  
June 30, 2003

Governmental Activities

Assets:

Cash and investments (note 3)	\$ 105,277,109
Cash and investments with fiscal agent (note 3)	7,097,628
Due from other governments	9,931,918
Accounts receivable	855,489
Interest receivable	2,360,403
Loans receivable	4,967,980
Rent receivable	970,278
Loan deposits	547,218
Inventories	74,441
Prepaid items	801,145
Land held for resale	1,697,665
Capital assets (note 7):	
Land	28,949,103
Land rights related to streets	3,181,500
Construction in progress	21,312,544
Other capital assets, net of accumulated depreciation	<u>152,749,258</u>
Total assets	<u>340,773,679</u>

Liabilities:

Accounts payable	4,168,916
Accrued liabilities	1,562,951
Accrued interest	515,291
Retentions payable	388,335
Deposits payable	6,094,016
Long-term liabilities:	
Portion due within one year:	
Claims payable (notes 8, 10 and 18)	2,951,327
Bonds payable (notes 8 and 9)	2,085,000
Capital leases payable (notes 8 and 11)	669,718
Employee leave benefits payable (note 8)	971,233
Portion due beyond one year:	
Claims payable (notes 8, 10 and 18)	7,984,984
Bonds payable (notes 8 and 9)	32,950,000
Capital leases payable (notes 8 and 11)	3,683,611
Employee leave benefits payable (note 8)	<u>4,377,780</u>
Total liabilities	<u>68,403,162</u>

Net assets:

Invested in capital assets, net of related debt	169,744,591
Restricted for:	
Public safety	2,411,456
Community programs	4,541,217
Public services	35,868,367
Redevelopment	8,374,225
Unrestricted	<u>51,430,661</u>
Total net assets	<u>\$ 272,370,517</u>

CITY OF COSTA MESA, CALIFORNIA

Statement of Activities  
Year Ended June 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental activities:					
General government	\$ 17,466,434	-	-	-	(17,466,434)
Public safety	47,765,134	1,393,368	409,452	-	(45,962,314)
Community programs	4,999,104	3,641,000	3,688,152	-	2,330,048
Public services	14,099,350	2,312,339	6,422,108	3,592,565	(1,772,338)
Redevelopment	528,350	180,061	1,493,034	-	1,144,745
Interest on long-term debt	<u>3,046,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,046,397)</u>
Total governmental activities	<u>87,904,769</u>	<u>7,526,768</u>	<u>12,012,746</u>	<u>3,592,565</u>	<u>(64,772,690)</u>

General revenues:

Taxes:

Property taxes	17,853,053
Sales and use taxes	36,255,107
Transient occupancy tax	3,799,682
Franchise taxes	2,308,683
Business license tax	854,580
Fines and forfeits	1,971,320
Other intergovernmental	7,811,132
Investment income	5,314,256
Miscellaneous	<u>5,411,936</u>

Total general revenues 81,579,749

Change in net assets 16,807,059

Net assets - beginning of year 255,563,458

Net assets - end of year \$ 272,370,517





**Fund Financial  
Statements**

## **GOVERNMENTAL FUNDS**

### **Major Governmental Funds**

#### **GENERAL FUND**

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

#### **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 1993 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.

### **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 fourteen Special Revenue Funds, two Debt Service Funds and all six Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Balance Sheet

June 30, 2003

	General	Debt	Nonmajor Governmental Funds	Totals	
		Service Redevelopment Agency		2003	2002
<u>Assets</u>					
Cash and investments (note 3)	\$ 44,480,615	1,286,298	42,321,074	88,087,987	80,909,620
Cash and investments with fiscal agent (note 3)	-	762,440	6,335,188	7,097,628	4,584,636
Due from other governments	8,357,674	14,005	1,560,239	9,931,918	9,539,391
Accounts receivable	730,471	-	119,243	849,714	1,040,541
Interest receivable	1,297,369	6,524	960,119	2,264,012	2,137,344
Loans receivable	-	-	4,967,980	4,967,980	3,830,103
Rent receivable	-	-	970,278	970,278	939,027
Due from other funds (note 4)	63,731	-	48,651	112,382	1,022,413
Loan deposits	-	-	547,218	547,218	-
Advances to other funds (note 5)	13,018,886	-	1,109,011	14,127,897	14,226,062
Inventories	16,529	-	-	16,529	20,150
Prepaid items	392,005	-	5,625	397,630	824,655
Land held for resale	-	-	1,697,665	1,697,665	1,697,665
Total assets	<u>\$ 68,357,280</u>	<u>2,069,267</u>	<u>60,642,291</u>	<u>131,068,838</u>	<u>120,771,607</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 957,731	1,101,690	1,969,579	4,029,000	3,160,223
Accrued liabilities	1,363,423	-	179,421	1,542,844	1,339,508
Retentions payable	6,708	-	381,627	388,335	535,868
Deposits payable	5,620,321	-	473,695	6,094,016	4,166,744
Due to other funds (note 4)	-	-	111,632	111,632	1,021,194
Advances from other funds (note 5)	-	14,127,897	-	14,127,897	953,019
Deferred revenue	589,176	-	7,318,405	7,907,581	6,414,547
Total liabilities	<u>8,537,359</u>	<u>15,229,587</u>	<u>10,434,359</u>	<u>34,201,305</u>	<u>17,591,103</u>
Fund balances (note 13):					
Reserved for:					
Encumbrances	-	-	-	-	4,151,247
Loan deposits	-	-	547,218	547,218	-
Advances to other funds	13,018,886	-	-	13,018,886	14,226,062
Inventories	16,529	-	-	16,529	20,150
Prepaid items	392,005	-	5,625	397,630	824,655
Retirement buyback receivable	152,511	-	-	152,511	152,511
Debt service	-	-	6,327,040	6,327,040	6,334,427
Land held for resale	-	-	1,697,665	1,697,665	1,697,665
Unreserved, reported in:					
General fund	46,239,990	-	-	46,239,990	49,532,133
Special revenue funds	-	-	24,055,526	24,055,526	14,149,407
Debt service funds	-	(13,160,320)	-	(13,160,320)	(14,410)
Capital projects funds	-	-	17,574,858	17,574,858	12,106,657
Total fund balances	<u>59,819,921</u>	<u>(13,160,320)</u>	<u>50,207,932</u>	<u>96,867,533</u>	<u>103,180,504</u>
Total liabilities and fund balances	<u>\$ 68,357,280</u>	<u>2,069,267</u>	<u>60,642,291</u>	<u>131,068,838</u>	<u>120,771,607</u>

See the accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 June 30, 2003

Fund balances of governmental funds \$ 96,867,533

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. 202,025,558

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. (44,737,342)

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. (515,291)

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. 10,822,478

Deferred Revenue

Certain revenues that do not provide current financial resources are reported as deferred revenues in the funds. 7,907,581

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses for the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated. -

Net assets of governmental activities \$ 272,370,517

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the fiscal year ended June 30, 2003

	Debt			Totals	
	General	Service	Nonmajor	2003	2002
		Redevelopment	Governmental		
	Agency	Funds			
<b>Revenues:</b>					
Taxes	\$ 57,321,828	2,200,644	1,548,633	61,071,105	59,066,320
Licenses and permits	1,766,850	-	-	1,766,850	1,516,212
Fines and forfeits	1,971,320	-	362,333	2,333,653	2,145,631
Intergovernmental	7,940,702	-	17,653,012	25,593,714	22,541,858
Charges for services	2,671,359	-	805,911	3,477,270	2,233,011
Rental	2,607,667	-	78,669	2,686,336	2,643,323
Investment income	2,644,724	41,345	1,909,689	4,595,758	5,858,172
Miscellaneous	265,558	-	710,054	975,612	1,040,544
Total revenues	<u>77,190,008</u>	<u>2,241,989</u>	<u>23,068,301</u>	<u>102,500,298</u>	<u>97,045,071</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	20,011,775	-	1,207,241	21,219,016	19,648,587
Protection of persons and property	46,657,375	-	964,984	47,622,359	44,953,141
Community programs	5,183,313	-	1,642,470	6,825,783	6,195,499
Public services	4,964,263	-	12,714,099	17,678,362	17,294,673
Redevelopment	-	-	528,350	528,350	986,134
<b>Debt service:</b>					
Principal	-	629,953	1,665,000	2,294,953	2,232,295
Interest and fiscal charges	-	1,484,903	1,512,696	2,997,599	3,000,282
Total expenditures	<u>76,816,726</u>	<u>2,114,856</u>	<u>20,234,840</u>	<u>99,166,422</u>	<u>94,310,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>373,282</u>	<u>127,133</u>	<u>2,833,461</u>	<u>3,333,876</u>	<u>2,734,460</u>
<b>Other financing sources (uses):</b>					
Transfers in (note 6)	260,943	-	4,976,974	5,237,917	6,551,610
Transfers out (note 6)	(4,560,058)	-	(451,663)	(5,011,721)	(6,243,568)
Lease proceeds	-	-	3,400,000	3,400,000	797,298
Total other financing sources (uses)	<u>(4,299,115)</u>	<u>-</u>	<u>7,925,311</u>	<u>3,626,196</u>	<u>1,105,340</u>
Net change in fund balance	<u>(3,925,833)</u>	<u>127,133</u>	<u>10,758,772</u>	<u>6,960,072</u>	<u>3,839,800</u>
Fund balance (deficit) at beginning of year, as restated (note 20)	<u>63,745,754</u>	<u>(13,287,453)</u>	<u>39,449,160</u>	<u>89,907,461</u>	<u>99,340,704</u>
Fund balance (deficit) at end of year	<u>\$ 59,819,921</u>	<u>(13,160,320)</u>	<u>50,207,932</u>	<u>96,867,533</u>	<u>103,180,504</u>

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
Year ended June 30, 2003

Net changes in fund balances - total governmental funds \$ 6,960,072

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

Capital Related Items

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.

8,716,594

Long-Term Debt Transactions

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.

(1,446,613)

Accrued Interest

Beginning fund balances in the Statement of Activities have been restated to reflect the retroactive recording of accrued interest on outstanding debt payable.

(48,798)

Internal Service Funds

Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds' costs for the year.

1,132,770

Deferred Revenue

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

1,493,034

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses for the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated.

-

Net assets of governmental activities

\$ 16,807,059

See accompanying notes to the basic financial statements.

## CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds  
Statement of Net Assets  
June 30, 2003

	Governmental Activities - Internal Service Funds	
	2003	2002
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 17,189,122	16,510,127
Accounts receivable	5,025	-
Interest receivable	96,391	95,488
Inventories	57,912	69,387
Prepaid items	403,515	63,583
Total current assets	17,751,965	16,738,585
Capital assets:		
Automotive equipment	7,568,961	6,954,127
Other equipment	288,983	300,586
Accumulated depreciation	(3,691,097)	(3,384,062)
Net capital assets	4,166,847	3,870,651
Total assets	21,918,812	20,609,236
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	139,916	163,413
Accrued liabilities	20,107	18,455
Claims payable	2,951,327	3,569,170
Total current liabilities	3,111,350	3,751,038
Long-term liabilities:		
Claims payable	7,984,984	7,168,490
Total long-term liabilities	7,984,984	7,168,490
Total liabilities	11,096,334	10,919,528
Net assets:		
Invested in capital assets, net of related debt	4,166,847	3,870,651
Unrestricted	6,655,631	5,819,057
Total net assets	\$ 10,822,478	9,689,708

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the fiscal year ended June 30, 2003

	Governmental Activities - Internal Service Funds	
	2003	2002
Operating revenues:		
Charges for services	\$ 6,200,408	5,019,938
Total operating revenues	6,200,408	5,019,938
Operating expenses:		
Allocated administrative costs	1,006,470	818,207
Depreciation	523,348	488,028
Automotive fuel and parts	632,706	514,558
Claims and premiums	3,389,042	3,937,494
Total operating expenses	5,551,566	5,758,287
Operating income (loss)	648,842	(738,349)
Nonoperating revenues (expenses):		
Investment income	718,496	827,865
Loss on sale of equipment	(8,372)	(82,448)
Miscellaneous	-	-
Total nonoperating revenues (expenses)	710,124	745,417
Income (loss) before transfers	1,358,966	7,068
Transfers in (note 6)	20,000	-
Transfers out (note 6)	(246,196)	(308,042)
Total transfers	(226,196)	(308,042)
Change in net assets	1,132,770	(300,974)
Net assets at beginning of year, as restated (note 20)	9,689,708	9,990,682
Net assets at end of year	\$ 10,822,478	9,689,708

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Cash Flows  
For the fiscal year ended June 30, 2003

	Governmental Activities - Internal Service Funds	
	2003	2002
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 6,195,383	5,023,694
Cash payments to suppliers for goods and services	(4,354,441)	(3,520,433)
Cash payments to employees for services	(833,800)	(641,149)
Net cash provided by (used for) operating activities	1,007,142	862,112
Cash flows from noncapital financing activities:		
Cash received from other funds	20,000	-
Cash paid to other funds	(246,196)	(315,407)
Net cash provided by (used for) noncapital financing activities	(226,196)	(315,407)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(819,544)	(828,615)
Net cash provided by (used for) capital and related financing activities	(819,544)	(828,615)
Cash flows from investing activities:		
Investment income received	717,593	935,203
Net cash provided by (used for) investing activities	717,593	935,203
Net increase (decrease) in cash and cash equivalents	678,995	653,293
Cash and cash equivalents at beginning of year	16,510,127	15,856,834
Cash and cash equivalents at end of year	\$ 17,189,122	16,510,127
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 648,842	(738,349)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	523,348	488,028
Loss on sale of equipment	(8,372)	(82,448)
(Increase) decrease in accounts receivable	(5,025)	3,756
(Increase) decrease in inventories	11,475	(2,451)
(Increase) decrease in prepaid items	(339,932)	(63,583)
(Increase) decrease in other assets	-	117,698
Increase (decrease) in accounts payable	(23,497)	(121,803)
Increase (decrease) in accrued liabilities	1,652	4,035
Increase (decrease) in claims payable	198,651	1,257,229
Net cash provided by (used for) operating activities	\$ 1,007,142	862,112

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Fiduciary Assets and Liabilities  
June 30, 2003

	2003	2002
<u>Assets</u>		
Cash and investments	\$ 4,394,847	4,315,023
Due from other governments	171,660	264,469
Accounts receivable	36,161	34,316
Interest receivable	13,039	7,750
Inventories	7,754	1,283
Prepaid items	-	2,502
	\$ 4,623,461	4,625,343
Total assets	\$ 4,623,461	4,625,343
<u>Liabilities</u>		
Accounts payable	\$ 83,190	228,022
Accrued liabilities	-	10,345
Deposits payable	2,276,614	2,962,897
Due to other funds	750	1,219
Due to other governments	2,138,547	1,177,115
Held for bondholders	124,360	245,745
	\$ 4,623,461	4,625,343
Total liabilities	\$ 4,623,461	4,625,343





# Notes to the Financial Statements

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2003

(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

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

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 discretely

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)

presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets 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.

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

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)

nonmajor funds in the aggregate for governmental funds. Proprietary statements include financial information for internal service funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

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

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

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are 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.

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)

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.

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.

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)

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. 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 a 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.

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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(c) Fund Classifications, (Continued)

*Redevelopment Debt Service Fund* – This fund is used to account for the accumulation of monies for payment of the 1993 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 City’s fund structure also includes the following fund types:

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

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

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets

The “total fund balances” of the City’s governmental funds \$96,867,533 reported in the Balance Sheet differs from “total net assets” of governmental activities \$272,370,517 reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental funds Balance Sheet.

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	\$421,841,677
Accumulated depreciation	<u>(219,815,519)</u>
Total capital assets, net	<u>\$202,025,558</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets, (Continued)

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	\$(35,035,000)
Capital leases payable	(4,353,329)
Employee benefits leave payable	<u>(5,349,013)</u>
Total long-term liabilities	<u>\$(44,737,342)</u>

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.

Accrued interest	<u>\$(515,291)</u>
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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 serve governmental activities of the City.

Net assets of Internal Service Funds	<u>\$10,822,478</u>
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Deferred Revenue

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

	<u>\$7,907,581</u>
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CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Assets, (Continued)

*Reclassifications and Eliminations*

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses for the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated.

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The “net changes in fund balances” for governmental funds \$6,960,072 reported in the Statement of revenues, Expenditures and Changes in Fund Balances differs from the “change in net assets” for governmental activities \$16,807,059 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

*Capital Related Items*

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	\$17,095,016
Depreciation expense	<u>(8,378,512)</u>
Difference	<u>\$ 8,716,594</u>



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

Long-term Debt Transactions

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.

Net changes in employee benefits leave payable \$(485,617)

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.

Bonds payable	\$1,985,000
Loans payable	309,953
Capital leases payable	<u>144,051</u>

Total principal payments \$2,439,004

Proceeds of capital lease are reported as revenue in governmental funds, however, does not result in revenues in the Statement of Activities.

\$(3,400,000)

Accrued Interest

Beginning fund balances in the Statement of Activities have been restated to reflect the retroactive recording of accrued interest on outstanding debt payable.

Accrued interest deducted \$(48,798)

Internal Service Funds

Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds “close” those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds’ costs for the year.

Net change in net assets of Internal Service Funds \$1,132,770

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities, (Continued)

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses for the function from which the expenses are being allocated, so that expenses are reported only once in the function in which they are allocated.

Deferred Revenue

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

\$1,493,034

(f) 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(g) 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.

(h) 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.

(i) 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.

(j) Land Held for Resale

Land held for resale represents land, structures and their related improvements that were acquired for resale in accordance with the objectives of the Redevelopment Plan for the Costa Mesa Downtown Redevelopment Project.

These costs will be charged to current year expenditures when the related land and structures are sold. Land held for resale is valued at the lower of cost or market.

(k) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at fair market value on the date received. Generally, capital asset purchases in excess of \$1,000 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(k) Capital Assets, (Continued)

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 balance sheet. 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

(l) Employee Leave Benefits

Regular full-time City employees earn from 92 to 263.2 hours of vacation a year, depending upon their length of employment. 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. 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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(l) Employee Leave Benefits, (Continued)

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.

(m) 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.

(n) Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative fund-type data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Change in Accounting Principle

During the year ended June 30, 2003, the City implemented GASB Statement No. 34, which changed the financial reporting model of local governmental units. As a result of GASB Statement No. 34, fund financials are required to be presented with a focus on the *major funds* of that local government. Previously, financial reporting for local governments had focused on reporting by *fund type*. The modified accrual basis of accounting and the current financial resources measurement focus is used in the fund financial statements for the governmental funds of the City.

GASB Statement No. 34 also requires the presentation of *government-wide financial statements*. Previously, government-wide financial statements were not required. Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. The *economic resources measurement focus* requires that all (both current and long-term) assets and liabilities of the City be reported in the government-wide financial statements. Additional information about the effects of these changes on the financial reporting of the City can be found in note 1 to the basic financial statements.

(3) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Assets:	
Cash and investments	\$ 105,277,109
Cash and investments with fiscal agent	7,097,628
Statement of Fiduciary Net Assets:	
Cash and investments	<u>4,394,847</u>
	<u>\$ 116,769,584</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(3) Cash and Investments, (Continued)

Cash and investments held by the City at June 30, 2003 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 11,405
Demand deposits	<u>(155,297)</u>
Total cash and deposits	<u>(143,892)</u>
Investments:	
Costa Mesa Community Facilities District Bonds	2,358,000
Federal agency securities	49,214,433
Commercial paper	7,493,572
Money market	1,171,851
Medium term notes	7,595,280
State Treasurer's Investment Pool	41,759,221
Deposits with parties other than financial institutions	<u>223,491</u>
Total investments	<u>109,815,848</u>
Total cash and investments held by the City	<u>\$109,671,956</u>

Cash and investments with fiscal agent at June 30, 2003 consisted of the following:

Federal agency securities	\$ 628,480
Mutual funds	<u>6,469,148</u>
Total cash and investments with fiscal agent	<u>\$ 7,097,628</u>

The City and its component units are generally authorized under the state statute and local resolutions to invest in U.S. Treasury bills, U.S. Treasury notes, federal agency securities, banker's acceptances, certificates of deposit, negotiable certificates of deposit, commercial paper, medium term notes, repurchase agreements, Local Agency Investment Fund of the State of California, Orange County Treasurer's Pool, asset-backed and mortgage-backed securities, and passbook savings account demand deposits.

The City and its component units have also established guidelines for security purchases with investment limitations as follows: The City limits its investments to no more than 20% of its surplus funds in any one Federal Agency. Banker's acceptances may not exceed 40% of the City's surplus money nor exceed 270 days maturity. Negotiable certificates of deposits may not exceed 30% of the City's surplus money. Commercial paper may not exceed 270 days maturity nor exceed 30% of the City's surplus funds.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(3) Cash and Investments, (Continued)

Medium term corporate notes may not exceed 30% of the City's surplus funds. The City may not invest more than 25% of its surplus in Federal Government sponsored Agency issues. The City may not invest more than 10% of its surplus funds in reverse repurchase agreements, and must always match its maturities to the reinvestment. The City may not invest more than 35% of its surplus money with the Orange County Treasurer's Pool. Asset-backed and mortgage-backed securities may not exceed 20% of the City's surplus money.

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. 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.

Deposits of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized agent and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. Category 3 also includes any uncollateralized deposits.

Deposits held by the City as of June 30, 2003 are classified in risk categories as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Deposits held by City:					
Demand deposits	\$100,000	1,454,121	-	1,554,121	(155,297)
	<u>\$100,000</u>	<u>1,454,121</u>	<u>-</u>	<u>1,554,121</u>	<u>(155,297)</u>



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(3) Cash and Investments, (Continued)

Investments of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured, registered or are held by the City or its agent (other than the institution through which the City purchased the securities) in the City's name. Investments held "in the City's name" include securities held in a separate custodial or fiduciary account and identified as owned by the City in the custodian's internal accounting records. Category 2 includes uninsured and unregistered securities which are held in the City's name by the counterparty's trust department or agent. Category 3 includes uninsured and unregistered securities which are held by the counterparty, or the counterparty's trust department or agent, but not in the City's name. The counterparty is the party that acts as the broker-dealer for the transaction. Category 3 also includes all securities held by the broker-dealer agent of the City (purchased on behalf of the City) regardless of whether or not the securities are being held in the City's name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Investments held by the City:				
Costa Mesa Community				
Facilities District Bonds	\$ 2,358,000	-	-	2,358,000
Federal agency securities	49,214,433	-	-	49,214,433
Medium term notes	7,595,280	-	-	7,595,280
Commercial paper	7,493,572	-	-	7,493,572
Investments held by fiscal agent:				
Federal agency securities	-	-	<u>628,480</u>	<u>628,480</u>
	<u>\$66,661,285</u>	<u>-</u>	<u>628,480</u>	67,289,765
Investments held by City not subject to categorization:				
Investment in State Treasurer's Investment Pool (LAIF)				41,759,221
Deposits with parties other than financial institutions				223,491
Mutual funds				1,171,851
Investments held by fiscal agent not subject to categorization:				
Investment in mutual funds				<u>6,469,148</u>
				<u>\$116,913,476</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(3) Cash and Investments, (Continued)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

(4) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-Major Funds	\$ 62,981
General Fund	Agency Fund	750
Nonmajor Governmental Funds	RDA Capital Projects	15,880
Nonmajor Governmental Funds	Rental Rehabilitation Loan Fund	<u>32,771</u>
Total		<u>\$112,382</u>

The receivables result from the recording of reimbursement of miscellaneous costs, which is expected to be reimbursed next year.

(5) Advances To and From Other Funds

Advances to and from other funds at June 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Debt Service Fund	\$13,018,886
Nonmajor Governmental Funds	Redevelopment Debt Service Fund	<u>1,109,011</u>
Total		<u>\$14,127,897</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(5) Advances To and From Other Funds, (Continued)

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

The \$13,018,886 advance from the General Fund to the Redevelopment Debt Service Fund represents a note between the General Fund and the Redevelopment Agency. Interest is stated at a rate of 8%. Repayment of the note is not expected in the forthcoming year.

The \$199,310 advance from the Community Development Special Revenue Fund to the Redevelopment Debt Service Fund represents a loan to the Redevelopment Agency which bears an interest rate of 3% and likewise is not expected to be repaid in the forthcoming year.

The \$909,701 advance payable from the Redevelopment Debt Service Fund is due to the Low and Moderate Income Housing Fund. The amount due to the Low and Moderate Income Housing Fund has no stipulated repayment terms and no stated interest rate.

(6) Transfers In and Out

Transfers in and out for the year ended June 30, 2003 are as follows:

<u>Transfers out</u>	<u>Transfers In</u>	<u>Total</u>	
General Fund	Nonmajor Governmental Funds	\$4,560,058	(a)
Internal Service Fund	General Fund	246,196	(b)
Nonmajor Governmental Funds	General Fund	14,747	(c)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	416,916	(d)
Nonmajor Governmental Funds	Internal Service Fund	<u>20,000</u>	(e)
		<u>\$5,257,917</u>	

(a) The General Fund transferred the following:

1. \$48,000 to the Capital Improvements Fund for the City Monument Project;
2. \$65,575 to the Capital Improvements Fund for the 800MhZ project at South Coast Plaza;
3. \$105,050 to the Capital Improvements Fund for the Underground Storage Tank Project;
4. \$400,000 to the Capital Improvements Fund for the Fairview Road Wall Project;
5. \$98,584 to the Capital Improvements Fund for the NPDES Basin Insert project;
6. \$223,000 to the Capital Improvements Fund for the traffic signal at Fairview and McCormack;
7. \$985,900 to the Capital Improvements Fund for the 6 Net Revenue projects;
8. \$2,633,949 to the Financing Authority Debt Service Fund for the payment of debt service payments.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(6) Transfers In and Out, (Continued)

- (b) The Equipment Replacement Fund (Internal Service) transferred investment earnings back to the General Fund.
- (c) Transfer investment earnings back to the General Fund.
- (d) The Supplemental Law Enforcement Services Fund transferred \$310,713 to the Capital Improvement fund for the 800MhZ project at South Coast Plaza and transferred \$7,834 to the Local Law Enforcement Block Grant Fund to match funds. Also, The Park Development Fund transferred \$19,700 to the Capital Improvement Funds for the Fairview Road Wall project. And transferred Costa Mesa Family Village revenue in the amount of \$78,669 back to CDBG.
- (e) Transfer a portion of the funding on a new vehicle.

(7) Capital Assets

A summary of changes in capital assets follows:

	Balance at July 1, 2002, as restated, (see note 2)	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2003</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 28,949,103	-	-	28,949,103
Land rights related to streets	3,181,500	-	-	3,181,500
Construction in progress	<u>11,253,574</u>	<u>10,058,970</u>	<u>-</u>	<u>21,312,544</u>
Total capital assets not being depreciated	<u>43,384,177</u>	<u>10,058,970</u>	<u>-</u>	<u>53,443,147</u>
Capital assets being depreciated:				
Landscaping and sprinklers	9,289,308	95,652	-	9,384,960
Building improvements and structures	24,395,085	-	-	24,395,085
Automotive equipment	9,606,505	916,810	(472,647)	10,050,668
Office furniture	404,775	13,130	-	417,905
Office machines	6,673,475	68,973	(21,151)	6,721,297
Other equipment	7,776,827	375,427	(78,238)	8,074,016
Park system	1,431,046	1,908,000	-	3,339,046
Infrastructure – roads	218,372,980	4,526,182	-	222,899,162
Infrastructure – storm drains	<u>90,666,506</u>	<u>-</u>	<u>-</u>	<u>90,666,506</u>
Total capital assets being depreciated	<u>368,616,507</u>	<u>7,904,174</u>	<u>(572,036)</u>	<u>375,948,645</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(7) Capital Assets, (Continued)

	Balance at July 1, 2002, as restated, (see note 2)	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2003</u>
Less accumulated depreciation for:				
Landscaping and sprinkler	(9,025,102)	(25,437)	-	(9,050,539)
Building improvements and structure	(20,874,464)	(307,073)	-	(21,181,537)
Underground lines and storm drains	(35,307)	(234)	-	(35,541)
Automotive equipment	(5,566,973)	(511,397)	425,314	(5,653,056)
Office furniture	(152,020)	(33,307)	-	(185,327)
Office machines	(4,269,105)	(807,421)	66,635	(5,009,891)
Other equipment	(5,941,086)	(274,256)	31,594	(6,183,748)
Park system	(480,878)	(123,467)	-	(604,345)
Infrastructure – roads	(114,181,326)	(4,355,234)	-	(118,536,560)
Infrastructure – storm drain	<u>(54,294,809)</u>	<u>(2,464,034)</u>	<u>-</u>	<u>(56,758,843)</u>
Total accumulated depreciation	<u>(214,821,070)</u>	<u>(8,901,860)</u>	<u>523,543</u>	<u>(223,199,387)</u>
Total capital assets being depreciated, net	<u>153,795,437</u>	<u>(997,686)</u>	<u>(48,493)</u>	<u>152,749,258</u>
Governmental activities capital assets, net	<u>\$197,179,614</u>	<u>9,061,284</u>	<u>(48,493)</u>	<u>206,192,405</u>

Depreciation expense is charged to the following functions in the Statement of Activities for the year ended June 30, 2003:

General government	\$1,225,422
Protection of persons and property	463,982
Community programs	210,594
Public services	<u>7,001,862</u>
Total	<u>\$8,901,860</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(8) Long-Term Liabilities

A summary of changes in long-term liabilities follows:

	<u>Balance at July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2003</u>	<u>Portion Due Within One Year</u>	<u>Portion Due Beyond One Year</u>
<u>Governmental Activities</u>						
Bonds:						
City General Obligation Redevelopment Agency 1993 Tax Allocation Refunding Bonds	\$ 490,000	-	240,000	250,000	250,000	-
Public Financing Authority 1991 Lease Revenue Bonds	7,890,000	-	320,000	7,570,000	340,000	7,230,000
Public Financing Authority 1993 Refunding Revenue Bonds	2,505,000	-	60,000	2,445,000	65,000	2,380,000
Public Financing Authority 1998 Refunding Revenue Bonds	15,175,000	-	580,000	14,595,000	610,000	13,985,000
	<u>10,960,000</u>	<u>-</u>	<u>785,000</u>	<u>10,175,000</u>	<u>820,000</u>	<u>9,355,000</u>
Total bonds payable	<u>37,020,000</u>	<u>-</u>	<u>1,985,000</u>	<u>35,035,000</u>	<u>2,085,000</u>	<u>32,950,000</u>
Loans:						
Triangle Square Joint Venture	<u>309,953</u>	<u>-</u>	<u>309,953</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total loans payable	<u>309,953</u>	<u>-</u>	<u>309,953</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other liabilities:						
Claims payable	10,737,660	3,149,978	2,951,327	10,936,311	2,951,327	7,984,984
Employee leave benefits payable	<u>4,863,396</u>	<u>485,617</u>	<u>-</u>	<u>5,349,013</u>	<u>971,233</u>	<u>4,377,780</u>
Total other liabilities	<u>15,601,056</u>	<u>3,635,595</u>	<u>2,951,327</u>	<u>16,285,324</u>	<u>3,922,560</u>	<u>12,362,764</u>
Capital leases:						
P.D. Computer System Municipal Finance Corp. Lease #01-073-AF	-	3,400,000	-	3,400,000	516,687	2,883,313
OCE Copier Lease	648,442	-	55,083	593,359	57,815	535,544
Avaya Telephone Lease	108,825	-	21,764	87,061	23,781	63,280
	<u>340,113</u>	<u>-</u>	<u>67,204</u>	<u>272,909</u>	<u>71,435</u>	<u>201,474</u>
Total capital leases payable	<u>1,097,380</u>	<u>3,400,000</u>	<u>144,051</u>	<u>4,353,329</u>	<u>669,718</u>	<u>3,683,611</u>
Total	<u>\$54,028,389</u>	<u>7,035,595</u>	<u>5,390,331</u>	<u>55,673,653</u>	<u>6,677,278</u>	<u>48,996,375</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(9) Bonds Payable

General Obligation Bonds

The City issued \$3,910,000 of 1974 Open Space Bonds as a general obligation of the City. The bonds are payable through annual principal installments ranging from \$50,000 to \$250,000, along with interest computed at 5.15%. The principal balance outstanding on the bonds at June 30, 2003 is \$250,000.

The annual debt service requirements for the 1974 General Open Space Bonds as of June 30, 2003 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	<u>\$250,000</u>	<u>163,125</u>
Total	<u>\$250,000</u>	<u>163,125</u>

Costa Mesa Redevelopment Agency Bonds

On October 15, 1993, the Redevelopment Agency of the City of Costa Mesa issued \$9,955,000 Tax Allocation Refunding Bonds, Series 1993 to Advance Refund \$8,565,000 of outstanding 1987 Tax Allocation Bonds. A portion of the proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. Of the total issue, \$4,265,000 mature serially through October 1, 2007 and pay interest varying from 5.10% to 5.60%; \$5,690,000 are 5.625% term bonds due October 1, 2017 and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$440,000 to \$720,000 on October 1 beginning 2008 through 2017. The bonds are secured by the tax revenues. On February 1, 1996, the defeased 1987 bonds were called in full and no bonds remain outstanding as of June 30, 2003. The principal balance outstanding on the 1993 Refunding Bonds at June 30, 2003, is \$7,570,000.

The amount required for the bond reserve of the 1993 bonds is \$754,220. The bond resolutions and indentures require that the bond reserve be maintained in an amount which, together with other amounts on deposit in the reserve account, is equal to the maximum amount of principal and interest to be paid in any single future bond year. The City has \$762,440 on reserve with the fiscal agent at June 30, 2003.

The annual debt service requirements for the Redevelopment Agency 1993 Tax Allocation Refunding Bonds as of June 30, 2003 are as follows:

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(9) Bonds Payable, (Continued)

Costa Mesa Redevelopment Agency Bonds, (Continued)

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$340,000	412,933
2005	355,000	394,685
2006	375,000	375,152
2007	395,000	354,165
2008	415,000	331,683
2009	440,000	307,687
2010	465,000	282,234
2011	490,000	255,375
2012	520,000	226,969
2013	545,000	197,016
2014	575,000	165,515
2015	610,000	132,188
2016	645,000	96,890
2017	680,000	59,625
2018	<u>720,000</u>	<u>20,250</u>
Total	<u>\$7,570,000</u>	<u>3,612,367</u>

Costa Mesa Public Financing Authority Bonds

The Costa Mesa Public Financing Authority issued \$3,225,000 of 1991 Lease Revenue Bonds on November 1, 1991, consisting of \$710,000 of serial bonds and \$2,515,000 (\$620,000 and \$1,895,000) of term bonds. The serial bonds mature from August 1, 1992 through August 1, 2005 in annual principal payments ranging from \$30,000 to \$80,000 and bear an interest rate of 6.90%. The term bonds mature on August 1, 2011 (\$620,000) and August 1, 2021 (\$1,895,000), with interest rates of 6.90% and 7.10%, respectively.

The bonds were issued to provide monies to enable the Authority to acquire on the delivery date of the Bonds, 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 Bonds were issued in denominations of \$5,000. There is a reserve requirement of \$238,245 which is the maximum annual debt service requirement of the bond issue. The City has \$249,328 on reserve with the fiscal agent at June 30, 2003. The principal outstanding on the bonds as of June 30, 2003 is \$2,445,000. The special taxes collected for debt service on the bonds are required to



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(9) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

be remitted to the fiscal agent for the bonds within ten days of receipt. All required amounts were remitted in a timely manner.

On October 1, 1993, the Costa Mesa Public Financing Authority issued \$18,970,000 Refunding Revenue Bonds, Series 1993A to advance refund \$640,000 of outstanding 1966 Bonds and \$16,430,000 of outstanding 1988 Lease Revenue Bonds. A portion of the proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. During the year ended June 30, 1996, the 1966 defeased bonds were fully paid and as of June 30, 1999, \$15,215,000 of the defeased 1988 bonds remain outstanding. Of the total issue, \$8,520,000 mature serially through October 1, 2008 and pay interest varying from 4.80% to 5.20%; \$10,450,000 are 5.25% term bonds due October 1, 2018 and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$820,000 to \$1,300,000 on October 1 beginning 2009 through 2018. The bonds are secured by the lease payments required to be made to the Authority by the City.

The amount required for the bond reserve of the 1993A bonds is \$1,361,185. The bond resolutions and indentures require that the bond reserve be maintained in an amount which, together with other amounts on deposit in the reserve account, is equal to the maximum amount of principal and interest to be paid in any single future bond year. The City has \$1,374,016 on reserve with the fiscal agent at June 30, 2003. The principal balance outstanding on the bonds as of June 30, 2003 is \$14,595,000.

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 \$1,312,500 which is the maximum annual debt service requirement of the bond issue. At June 30, 2003, the City had \$1,391,974 on reserve with the fiscal agent. The principal balance outstanding on the bonds as on June 30, 2003 is \$10,175,000.

The 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. The net proceeds of \$13,325,580 (after payment of \$389,420 in underwriting fees, and other issuance costs) plus an additional

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(9) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

\$1,200,000 of 1990 Lease Revenue Bonds reserve fund monies were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series bonds. As a result, the 1990 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The annual debt service requirements for the Public Financing Authority Revenue Bonds as of June 30, 2003 are as follows:

Year Ending June 30	Governmental Activities					
	1991 Lease Revenue		1993 Refunding Revenue		1998 Refunding Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 65,000	169,792	610,000	745,440	820,000	460,332
2005	70,000	165,135	640,000	714,495	860,000	423,997
2006	75,000	160,133	670,000	681,410	895,000	385,379
2007	80,000	154,785	705,000	645,995	940,000	344,314
2008	85,000	149,092	740,000	608,425	980,000	300,626
2009	90,000	143,055	780,000	568,905	1,030,000	253,364
2010	100,000	136,500	820,000	527,100	1,080,000	202,726
2011	105,000	129,428	865,000	482,869	1,130,000	149,402
2012	110,000	122,010	910,000	436,275	1,190,000	92,250
2013	120,000	113,955	960,000	387,188	1,250,000	31,250
2014	130,000	105,080	1,010,000	335,475	-	-
2015	140,000	95,495	1,060,000	281,137	-	-
2016	145,000	85,377	1,115,000	244,044	-	-
2017	160,000	74,550	1,175,000	163,931	-	-
2018	170,000	62,835	1,235,000	100,669	-	-
2019	180,000	50,410	1,300,000	34,125	-	-
2020	195,000	37,098	-	-	-	-
2021	205,000	22,897	-	-	-	-
2022	<u>220,000</u>	<u>7,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,445,000</u>	<u>1,985,437</u>	<u>14,595,000</u>	<u>6,957,483</u>	<u>10,175,000</u>	<u>2,643,640</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(10) Other Liabilities

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in Note 1. The following liability at June 30, 2003 is expected to be paid primarily by the general fund in future years.

\$ 5,349,013

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note 18. 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, 2003, 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, 2003 for general liability amounted to \$4,875,548 and workers' compensation was \$6,060,763.

10,936,311

Total other liabilities

\$ 16,285,324

(11) Capital Leases Payable

On February 3, 2003, the City of Costa Mesa entered into a 6 year lease (lease no. 03-002-AF) for the purpose of purchasing a computer system for the police department. The obligation is due in semi-annual principal and interest payments of \$318,057. Each payment includes interest at a rate of 3.65% annum on the unpaid balance. The last payment is to be made on April 25, 2009.

\$ 3,400,000

On July 16, 2001, the City of Costa Mesa entered into a 10 year lease agreement with the Municipal Finance Corporation to provide financing for installation, retrofit and maintenance of HVAC and lighting system and 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%.

593,359

In October 2001, the City of Costa Mesa entered into a 5 year lease agreement for an OCE copier. The obligations are due in monthly principal and interest payments of \$2,548. Interest is computed at 8.9%.

87,061

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(11) Capital Leases Payable, (Continued)

On November 11, 1999, the City of Costa Mesa entered into a 7 year Avaya telephone lease (lease no. X091520) for the purchase of an Avaya telephone system. The obligations are due in monthly principal and interest payments of \$7,130. Interest is computed at a stated rate of 5.52%.

272,909

Total capital leases payable

\$4,353,329

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

Year Ending June 30	Governmental Activities					
	P.D. Computer Lease		Municipal Finance Corp.		OCE Copier Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 516,687	119,428	57,815	28,375	23,781	6,795
2005	535,718	100,397	60,683	25,507	25,987	4,589
2006	555,450	80,665	63,693	22,497	28,397	2,179
2007	575,909	60,206	66,852	19,338	8,896	1,296
2008	597,121	38,993	70,168	16,022	-	-
2009	619,115	16,998	73,648	12,542	-	-
2010	-	-	77,301	8,889	-	-
2011	-	-	81,135	5,055	-	-
2012	-	-	<u>42,064</u>	<u>1,031</u>	-	-
Totals	<u>\$3,400,000</u>	<u>416,687</u>	<u>593,359</u>	<u>139,256</u>	<u>87,061</u>	<u>14,859</u>

Year Ending June 30	Governmental Activities	
	Avaya Telephone Lease	
	Principal	Interest
2004	\$71,435	14,125
2005	75,931	9,629
2006	80,710	4,850
2007	44,833	539
2008	-	-
2009	-	-
2010	-	-
2011	-	-
2012	-	-
Totals	<u>\$272,909</u>	<u>29,143</u>

# CITY OF COSTA MESA, CALIFORNIA

## Notes to the Basic Financial Statements

(Continued)

### (12) Debt Without Government Commitment

The following issues of bonds and certificates of participation are not reflected in the General Long-Term Debt Account Group 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, 2003 was \$3,300,000.

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, 2003 was \$2,300,000.

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, 2003 was \$9,530,000.

### (13) Fund Balances

The following funds had deficits at June 30, 2003:

Redevelopment Agency Debt Service Fund	\$(13,160,320)
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## CITY OF COSTA MESA, CALIFORNIA

### Notes to the Basic Financial Statements

(Continued)

#### (14) 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.

#### (15) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer portions of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by third party administrators for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

#### (16) Defined Benefit Pension Plan

The City of Costa Mesa contributed to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(16) Defined Benefit Pension Plan, (Continued)

*Funding Policy*

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. For the year ended June 30, 2003, employee contribution paid by the City was \$3,388,272. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. For the year ended June 30, 2002, the employer contribution rate was 11.884% for safety fire and 21.0488% for safety police and 0% for miscellaneous employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

*Annual Pension Cost*

For the year ended June 30, 2003, the City's annual pension cost (employer contribution) was equal to the City's required and actual contributions. The required contribution was determined as part of an actuarial valuation performed as of June 30, 2000 using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. 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 rolling period, which results in an amortization of 10% 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 30-year amortization period.

Safety Employees

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$1,776,311	100%	-
6/30/02	1,881,527	100%	-
6/30/02	1,940,430	100%	-

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(16) Defined Benefit Pension Plan, (Continued)

*Required Supplementary Information (\$ amount in thousands)*

<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>
6/30/00	\$147,447	144,138	3,308	98.35%	18,621	17.76%
6/30/01	164,852	150,683	14,169	91.40%	19,942	71.1%
6/30/02	180,809	145,533	35,276	80.05%	20,911	168.7%

\*UAAL refers to unfunded actuarial accrued liability.

Miscellaneous Employees

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$1,191,883	100%	-
6/30/02	1,286,757	100%	-
6/30/03	1,447,842	100%	-

*Required Supplementary Information (\$ amount in thousands)*

<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>
6/30/00	74,370	98,700	(24,330)	132.7%	17,609	(138.2%)
6/30/01	81,571	102,813	(21,242)	126.0%	18,486	(114.9%)
6/30/02	89,757	98,370	(8,613)	109.6%	20,700	(41.6%)



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(17) Post-Employment Benefits

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees. These benefits are provided under Council Policy No. 300-1 and the City's contractual agreement with the Costa Mesa City Employees Association, the Costa Mesa Police Association, and the Costa Mesa Firefighters Association, Inc. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on the benefits paid during the year. As of June 30, 2003, approximately 213 retired employees were receiving benefits. The City pays up to 100% of these benefits, based upon the number of years of active service prior to retirement.

The City finances these post-employment benefits on a pay-as-you-go basis. For the year ended June 30, 2003, approximately \$491,520 of post-employment benefit expenditures were recognized.

(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, 2003:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Protection of persons and property	\$46,657,375	46,339,854	317,521
Special Revenue Fund:			
HOME	1,479,226	757,000	722,226
Supplemental Law Enforcement Svc.	167,519	146,471	21,048
Rental Rehabilitation Program	13,128	-	13,128
Capital Project Funds:			
Capital Improvements	3,970,988	2,419,021	1,551,967
Financing Authority Construction	26,764	-	26,764

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(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 \$10,936,311 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$1,500,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$1,500,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past two years, claim payments have not exceeded the amount of applicable insurance coverage.

The City has estimated losses for claims and judgments and has established liabilities of \$6,060,763 for workers’ compensation and \$4,875,548 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, 2003 is dependent on future developments, based upon information from the City Attorney, the City’s claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$100,000 to \$325,000 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>
2001-2002	\$ 9,480,431	4,826,399	(3,569,170)	10,737,660
2002-2003	10,737,660	3,149,978	(2,951,327)	10,936,311

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(20) Implementation of New Accounting Standard

The beginning fund balance of the Redevelopment Agency Debt Service Fund has been restated to reflect a liability for the City's advances to the Redevelopment Agency. In previous years, the advances were accounted for as liabilities in the General Long-Term Debt Account Group. The following summarizes the effects of the restatement to the beginning fund balance as of July 1, 2002:

	<u>Debt Service Redevelopment Agency Fund</u>
Fund balance (deficit) at beginning of the year, as previously reported	\$ (14,410)
To record advances from the City to the Redevelopment Agency as liabilities in the Redevelopment Agency's Debt Service Fund	<u>(13,273,043)</u>
Fund balance (deficit) at beginning of the year, as restated	<u>\$ (13,287,453)</u>

During the year ended June 30, 2003, the City implemented the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34. Under GASB Statement No. 34, retained earnings and contributed capital, the two components of equity in proprietary funds, are now combined and presented as net assets. The following summarizes the effects of the restatement to the beginning retained earnings as of July 1, 2001:

	<u>Internal Service Funds</u>
Retained earnings at beginning of the year, as previously reported	\$ 9,379,903
To reflect prior years' contributed capital as net assets	<u>610,779</u>
Net assets at beginning of the year, as restated	<u><u>9,990,682</u></u>



Required Supplementary  
Information

CITY OF COSTA MESA, CALIFORNIA  
Notes to Required Supplementary Information  
Year ended June 30, 2003

(1) Budgetary Data

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

- Special Revenue Fund:  
    Bicycle and Pedestrian Facilities
- Debt Service Fund:  
    Financing Authority Debt Service
- Capital Projects Fund:  
    Parking Districts

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, 2003, several supplementary appropriations were made totaling \$10,564,196. At fiscal year-end all operating budget appropriations lapse.

(2) 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, 2003:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
Protection of persons and property	\$46,657,375	46,339,854	317,521



## **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.

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, 2003

	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 36,000,000	35,500,000	35,527,005	27,005	34,460,553
Property tax	13,759,900	14,341,600	14,831,878	490,278	13,899,162
Transient occupancy tax	4,500,000	4,000,000	3,799,682	(200,318)	3,865,823
Franchise tax	2,300,000	2,380,000	2,308,683	(71,317)	2,366,926
Business license tax	842,500	842,500	854,580	12,080	842,838
Total taxes	<u>57,402,400</u>	<u>57,064,100</u>	<u>57,321,828</u>	<u>257,728</u>	<u>55,435,302</u>
Licenses and permits	<u>2,341,400</u>	<u>1,903,000</u>	<u>1,766,850</u>	<u>(136,150)</u>	<u>1,516,212</u>
Fines and forfeits	<u>1,642,000</u>	<u>1,672,000</u>	<u>1,971,320</u>	<u>299,320</u>	<u>1,919,652</u>
Investment income	<u>3,750,000</u>	<u>3,200,000</u>	<u>2,644,724</u>	<u>(555,276)</u>	<u>3,993,787</u>
<b>Intergovernmental:</b>					
Motor vehicle in-lieu	5,702,000	6,133,200	6,396,327	263,127	6,194,537
Grants and other reimbursements	1,583,710	1,587,956	1,544,375	(43,581)	2,194,672
Total intergovernmental	<u>7,285,710</u>	<u>7,721,156</u>	<u>7,940,702</u>	<u>219,546</u>	<u>8,389,209</u>
Charges for services	<u>2,305,850</u>	<u>2,192,011</u>	<u>2,671,359</u>	<u>479,348</u>	<u>2,106,416</u>
Rental	<u>2,577,380</u>	<u>2,581,080</u>	<u>2,607,667</u>	<u>26,587</u>	<u>2,573,044</u>
Miscellaneous	<u>154,400</u>	<u>193,500</u>	<u>265,558</u>	<u>72,058</u>	<u>752,149</u>
Total revenues	<u>77,459,140</u>	<u>76,526,847</u>	<u>77,190,008</u>	<u>663,161</u>	<u>76,685,771</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	227,277	292,107	295,193	(3,086)	331,902
City manager	715,453	762,452	731,657	30,795	615,579
City clerk	280,245	308,618	296,428	12,190	333,800
City attorney	834,391	849,143	858,145	(9,002)	828,346
Financial services	2,078,801	2,157,160	2,005,207	151,953	1,767,623
<b>Administrative services:</b>					
Administration	262,184	270,418	259,118	11,300	262,072
Personnel services	758,102	777,262	711,578	65,684	723,206
Central services	494,758	508,986	507,037	1,949	359,582
Risk management services	1,510,026	1,523,860	1,154,001	369,859	956,031
Communication services	2,595,477	2,732,611	2,583,484	149,127	2,721,483
Computer services	1,745,784	1,883,624	1,719,153	164,471	1,647,091
<b>Development services:</b>					
Administration	387,284	402,261	382,475	19,786	393,093
<b>Facilities and equipment maintenance</b>					
	<u>9,063,140</u>	<u>9,448,125</u>	<u>8,508,299</u>	<u>939,826</u>	<u>7,395,910</u>
Total general government	<u>20,952,922</u>	<u>21,916,627</u>	<u>20,011,775</u>	<u>1,904,852</u>	<u>18,335,718</u>

(Continued)



(Continued)

## 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, 2003

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)	Actual
Protection of persons and property:					
Police protection	27,662,245	29,085,261	28,887,007	198,254	27,061,553
Fire protection	14,603,048	14,984,526	15,496,569	(512,043)	15,116,263
Building and safety	2,296,702	2,270,067	2,273,799	(3,732)	2,093,560
Total protection of persons and property	44,561,995	46,339,854	46,657,375	(317,521)	44,271,376
Community programs:					
Community recreation	3,590,929	3,929,336	3,397,768	531,568	3,125,587
Sanitation	1,117,312	1,126,394	927,695	198,699	878,640
Planning	913,040	936,300	857,850	78,450	885,986
Total community programs	5,621,281	5,992,030	5,183,313	808,717	4,890,213
Public services:					
Administration	770,113	895,140	794,161	100,979	637,909
Engineering	1,459,569	1,450,830	1,179,481	271,349	527,477
Transportation	2,274,114	2,306,848	2,257,533	49,315	2,197,182
Project administration	831,433	856,868	733,088	123,780	786,056
Total public services	5,335,229	5,509,686	4,964,263	545,423	4,148,624
 Total expenditures	 76,471,427	 79,758,197	 76,816,726	 2,941,471	 71,645,931
 Excess (deficiency) of revenues over (under) expenditures	 987,713	 (3,231,350)	 373,282	 3,604,632	 5,039,840
Other financing sources (uses):					
Transfers in	-	-	260,943	260,943	427,606
Transfers out	(4,662,910)	(5,105,485)	(4,560,058)	545,427	(6,044,091)
Lease proceeds	-	-	-	-	122,298
 Total other financing sources (uses)	 (4,662,910)	 (5,105,485)	 (4,299,115)	 806,370	 (5,494,187)
 Net change in fund balance	 (3,675,197)	 (8,336,835)	 (3,925,833)	 4,411,002	 (454,347)
Fund balance at beginning of year	63,745,754	63,745,754	63,745,754	-	64,200,101
Fund balance at end of year	\$ 60,070,557	55,408,919	59,819,921	4,411,002	63,745,754





Supplementary  
Schedules

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2003

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2003	2002
<u>Assets</u>					
Assets:					
Cash and investments	\$ 23,559,726	2,706,805	16,054,543	42,321,074	33,863,644
Cash and investments with fiscal agent	-	3,394,674	2,940,514	6,335,188	3,824,843
Due from other governments	969,811	133,051	457,377	1,560,239	2,164,647
Accounts receivable	19,959	95,000	4,284	119,243	57,164
Interest receivable	130,915	1,891	827,313	960,119	852,665
Loans receivable	4,804,730	-	163,250	4,967,980	3,830,103
Rent receivable	-	-	970,278	970,278	939,027
Due from other funds	48,651	-	-	48,651	33,698
Loan deposit	207,668	-	339,550	547,218	-
Advances to other funds	1,109,011	-	-	1,109,011	1,153,019
Prepaid items	-	5,625	-	5,625	259,655
Land held for resale	-	-	1,697,665	1,697,665	1,697,665
<b>Total assets</b>	<b>\$ 30,850,471</b>	<b>6,337,046</b>	<b>23,454,774</b>	<b>60,642,291</b>	<b>48,676,130</b>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 1,415,871	-	553,708	1,969,579	1,127,851
Accrued liabilities	175,040	4,381	-	179,421	56,553
Retentions payable	110,701	-	270,926	381,627	524,772
Deposits payable	-	-	473,695	473,695	443,986
Due to other funds	70,106	-	41,526	111,632	1,021,194
Deferred revenue	5,023,227	-	2,295,178	7,318,405	6,052,614
<b>Total liabilities</b>	<b>6,794,945</b>	<b>4,381</b>	<b>3,635,033</b>	<b>10,434,359</b>	<b>9,226,970</b>
Fund balances:					
Reserved for:					
Encumbrances	-	-	-	-	3,748,330
Loan deposit	207,668	-	339,550	547,218	-
Advances to other funds	1,109,011	-	-	1,109,011	1,153,019
Prepaid items	-	5,625	-	5,625	259,655
Land held for resale	-	-	1,697,665	1,697,665	1,697,665
Debt service	-	6,327,040	-	6,327,040	6,334,427
Unreserved, reported in:					
Special revenue funds	22,738,847	-	-	22,738,847	14,149,407
Capital projects funds	-	-	17,782,526	17,782,526	12,106,657
<b>Total fund balances</b>	<b>24,055,526</b>	<b>6,332,665</b>	<b>19,819,741</b>	<b>50,207,932</b>	<b>39,449,160</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,850,471</b>	<b>6,337,046</b>	<b>23,454,774</b>	<b>60,642,291</b>	<b>48,676,130</b>

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, 2003

	Special	Debt	Capital	Totals	
	Revenue	Service	Projects	2003	2002
<b>Revenues:</b>					
Taxes	\$ 1,278,263	269,576	794	1,548,633	1,522,538
Fines and forfeits	362,333	-	-	362,333	225,979
Intergovernmental	14,032,320	-	3,620,692	17,653,012	14,152,649
Charges for services	805,911	-	-	805,911	126,595
Rental	-	-	78,669	78,669	70,279
Investment income	998,650	273,329	637,710	1,909,689	1,838,831
Miscellaneous	329,975	-	380,079	710,054	288,395
Total revenues	<u>17,807,452</u>	<u>542,905</u>	<u>4,717,944</u>	<u>23,068,301</u>	<u>18,225,266</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,207,241	-	-	1,207,241	1,756,999
Protection of persons and property	964,984	-	-	964,984	861,245
Community programs	1,642,470	-	-	1,642,470	1,131,152
Public services	6,032,833	-	6,681,266	12,714,099	12,696,573
Redevelopment	159,778	-	368,572	528,350	986,134
<b>Debt service:</b>					
Principal	-	1,665,000	-	1,665,000	1,600,000
Interest and fiscal charges	-	1,512,696	-	1,512,696	1,548,574
Total expenditures	<u>10,007,306</u>	<u>3,177,696</u>	<u>7,049,838</u>	<u>20,234,840</u>	<u>20,580,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,800,146</u>	<u>(2,634,791)</u>	<u>(2,331,894)</u>	<u>2,833,461</u>	<u>(2,355,411)</u>
<b>Other financing sources (uses):</b>					
Transfers in	86,503	2,633,949	2,256,522	4,976,974	6,124,004
Transfers out	(358,247)	(13,025)	(80,391)	(451,663)	(199,477)
Lease proceeds	-	-	3,400,000	3,400,000	675,000
Total other financing sources (uses)	<u>(271,744)</u>	<u>2,620,924</u>	<u>5,576,131</u>	<u>7,925,311</u>	<u>6,599,527</u>
Net change in fund balance	7,528,402	(13,867)	3,244,237	10,758,772	4,244,116
Fund balance at beginning of year	<u>16,527,124</u>	<u>6,346,532</u>	<u>16,575,504</u>	<u>39,449,160</u>	<u>35,205,044</u>
Fund balance at end of year	<u>\$ 24,055,526</u>	<u>6,332,665</u>	<u>19,819,741</u>	<u>50,207,932</u>	<u>39,449,160</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

### **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.

### **Park Development 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.

### **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.

### **Bicycle and Pedestrian Facilities Fund**

Established to account for the construction of bicycle and pedestrian facilities. Financing is provided by the Transportation Development Act.

### **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**

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.

### **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.

### **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.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2003

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Park Development Fees	Drainage Fees
<u>Assets</u>							
Cash and investments	\$ 9,506,176	1,814,559	555,962	76,684	12,993	1,625,684	301,179
Due from other governments	75,661	124,515	33,327	236,405	437,758	-	-
Accounts receivable	-	-	-	3,406	16,553	-	-
Interest receivable	53,362	10,176	3,230	-	1,000	9,117	1,689
Loans receivable	-	-	-	1,382,478	677,260	-	-
Due from other funds	-	-	-	15,880	-	-	-
Loan deposit	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	199,310	-	-
Total assets	<u>\$ 9,635,199</u>	<u>1,949,250</u>	<u>592,519</u>	<u>1,714,853</u>	<u>1,344,874</u>	<u>1,634,801</u>	<u>302,868</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable	\$ 617,594	-	-	112,398	282,046	7,846	-
Accrued liabilities	-	10,907	-	3,950	21,168	-	-
Retentions payable	84,834	-	-	-	24,067	1,800	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	1,382,478	895,757	-	-
Total liabilities	<u>702,428</u>	<u>10,907</u>	<u>-</u>	<u>1,498,826</u>	<u>1,223,038</u>	<u>9,646</u>	<u>-</u>
Fund balances (deficits):							
Reserved for:							
Encumbrances	-	-	-	-	-	-	-
Loan deposit	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	199,310	-	-
Unreserved, reported in special revenue funds	<u>8,932,771</u>	<u>1,938,343</u>	<u>592,519</u>	<u>216,027</u>	<u>(77,474)</u>	<u>1,625,155</u>	<u>302,868</u>
Total fund balances (deficits)	<u>8,932,771</u>	<u>1,938,343</u>	<u>592,519</u>	<u>216,027</u>	<u>121,836</u>	<u>1,625,155</u>	<u>302,868</u>
Total liabilities and fund balances	<u>\$ 9,635,199</u>	<u>1,949,250</u>	<u>592,519</u>	<u>1,714,853</u>	<u>1,344,874</u>	<u>1,634,801</u>	<u>302,868</u>

Bicycle and Pedestrian Facilities	Supplemental Law Enforcement Services	Traffic Impact Fees	Rental Rehabilitation Program	Narcotics Forfeiture	Fire System Development Fees	Low and Moderate Income Housing	Local Law Enforcement Block Grant	Totals	
								2003	2002
1,086	175,108	7,783,161	166,770	180,124	136,788	1,133,970	89,482	23,559,726	16,234,864
-	-	-	-	32,344	-	29,801	-	969,811	3,554,853
-	-	-	-	-	-	-	-	19,959	12,164
-	982	43,648	1,009	1,010	767	4,423	502	130,915	95,847
-	-	-	163,363	-	-	2,581,629	-	4,804,730	1,191,706
-	-	-	-	-	-	32,771	-	48,651	33,698
-	-	-	-	-	-	207,668	-	207,668	-
-	-	-	-	-	-	909,701	-	1,109,011	1,153,019
<u>1,086</u>	<u>176,090</u>	<u>7,826,809</u>	<u>331,142</u>	<u>213,478</u>	<u>137,555</u>	<u>4,899,963</u>	<u>89,984</u>	<u>30,850,471</u>	<u>22,276,151</u>
-	-	389,264	-	4,981	-	1,742	-	1,415,871	657,568
-	2,147	-	-	135,725	-	2	1,141	175,040	51,642
-	-	-	-	-	-	-	-	110,701	257,665
-	-	-	32,771	-	-	37,335	-	70,106	1,010,031
-	-	-	163,363	-	-	2,581,629	-	5,023,227	3,772,121
-	2,147	389,264	196,134	140,706	-	2,620,708	1,141	6,794,945	5,749,027
-	-	-	-	-	-	-	-	-	1,224,698
-	-	-	-	-	-	207,668	-	207,668	-
-	-	-	-	-	-	909,701	-	1,109,011	1,153,019
<u>1,086</u>	<u>173,943</u>	<u>7,437,545</u>	<u>135,008</u>	<u>72,772</u>	<u>137,555</u>	<u>1,161,886</u>	<u>88,843</u>	<u>2,738,847</u>	<u>14,149,407</u>
<u>1,086</u>	<u>173,943</u>	<u>7,437,545</u>	<u>135,008</u>	<u>72,772</u>	<u>137,555</u>	<u>2,279,255</u>	<u>88,843</u>	<u>24,055,526</u>	<u>16,527,124</u>
<u>1,086</u>	<u>176,090</u>	<u>7,826,809</u>	<u>331,142</u>	<u>213,478</u>	<u>137,555</u>	<u>4,899,963</u>	<u>89,984</u>	<u>30,850,471</u>	<u>22,276,151</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, 2003

	Special Gas Tax	Proposition 172	Air Quality Improvement	HOME Program	Community Development	Park Development Fees	Drainage Fees
<b>Revenues:</b>							
Taxes	\$ -	728,102	-	-	-	-	-
Fines and forfeits	-	-	-	-	124,728	-	-
Intergovernmental	2,323,964	-	147,766	1,644,906	1,178,162	-	-
Charges for services	-	-	-	-	-	740,029	15,000
Special assessments	-	-	-	-	-	-	-
Rental	-	-	-	-	-	-	-
Investment income	373,013	73,516	22,026	-	1,000	50,685	12,623
Miscellaneous	5,648	-	-	328	9,515	-	-
<b>Total revenues</b>	<b>2,702,625</b>	<b>801,618</b>	<b>169,792</b>	<b>1,645,234</b>	<b>1,313,405</b>	<b>790,714</b>	<b>27,623</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	-	-	-	1,207,241	-	-
Protection of persons and property	-	591,858	-	-	-	-	-
Community programs	-	-	-	1,479,226	-	150,116	-
Public services	1,441,561	-	40,947	-	-	-	-
Redevelopment	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,441,561</b>	<b>591,858</b>	<b>40,947</b>	<b>1,479,226</b>	<b>1,207,241</b>	<b>150,116</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	1,261,064	209,760	128,845	166,008	106,164	640,598	27,623
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	78,669	-	-
Transfers out	-	-	(20,000)	-	-	(19,700)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>78,669</b>	<b>(19,700)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>1,261,064</b>	<b>209,760</b>	<b>108,845</b>	<b>166,008</b>	<b>184,833</b>	<b>620,898</b>	<b>27,623</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>7,671,707</b>	<b>1,728,583</b>	<b>483,674</b>	<b>50,019</b>	<b>(62,997)</b>	<b>1,004,257</b>	<b>275,245</b>
<b>Fund balance at end of year</b>	<b>\$ 8,932,771</b>	<b>1,938,343</b>	<b>592,519</b>	<b>216,027</b>	<b>121,836</b>	<b>1,625,155</b>	<b>302,868</b>

Bicycle and Pedestrian Facilities	Supplemental Law Enforcement Services	Traffic Impact Fees	Rental Rehabilitation Program	Narcotics Forfeiture	Fire System Development Fees	Low and Moderate Income Housing	Local Law Enforcement Block Grant	Totals	
								2003	2002
-	-	-	-	-	-	550,161	-	1,278,263	1,245,418
-	-	-	-	237,605	-	-	-	362,333	225,979
-	219,948	8,413,860	-	33,209	-	-	70,505	14,032,320	10,826,894
-	-	-	-	-	50,882	-	-	805,911	126,595
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	13,825	412,608	6,681	5,263	4,360	18,621	4,429	998,650	859,508
-	-	-	4,854	-	-	309,630	-	329,975	158,093
-	233,773	8,826,468	11,535	276,077	55,242	878,412	74,934	17,807,452	13,442,487
-	-	-	-	-	-	-	-	1,207,241	1,756,999
-	167,519	-	-	124,725	17,751	-	63,131	964,984	861,245
-	-	-	13,128	-	-	-	-	1,642,470	1,131,152
-	-	4,550,325	-	-	-	-	-	6,032,833	7,142,624
-	-	-	-	-	-	159,778	-	159,778	863,071
-	167,519	4,550,325	13,128	124,725	17,751	159,778	63,131	10,007,306	11,755,091
-	66,254	4,276,143	(1,593)	151,352	37,491	718,634	11,803	7,800,146	1,687,396
-	-	-	-	-	-	-	7,834	86,503	1,263,337
-	(318,547)	-	-	-	-	-	-	(358,247)	(9,634)
-	(318,547)	-	-	-	-	-	7,834	(271,744)	1,253,703
-	(252,293)	4,276,143	(1,593)	151,352	37,491	718,634	19,637	7,528,402	2,941,099
1,086	426,236	3,161,402	136,601	(78,580)	100,064	1,560,621	69,206	16,527,124	13,586,025
1,086	173,943	7,437,545	135,008	72,772	137,555	2,279,255	88,843	24,055,526	16,527,124

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	2,320,000	2,428,360	2,323,964	(104,396)	2,371,510
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	320,500	320,500	373,013	52,513	419,147
Miscellaneous	-	5,647	5,648	1	-
<b>Total revenues</b>	<b>2,640,500</b>	<b>2,754,507</b>	<b>2,702,625</b>	<b>(51,882)</b>	<b>2,790,657</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	2,280,000	2,405,147	1,441,561	963,586	2,106,812
<b>Total expenditures</b>	<b>2,280,000</b>	<b>2,405,147</b>	<b>1,441,561</b>	<b>963,586</b>	<b>2,106,812</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>360,500</b>	<b>349,360</b>	<b>1,261,064</b>	<b>911,704</b>	<b>683,845</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	5,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>
<b>Net change in fund balance</b>	<b>360,500</b>	<b>349,360</b>	<b>1,261,064</b>	<b>911,704</b>	<b>688,845</b>
<b>Fund balance at beginning of year</b>	<b>7,671,707</b>	<b>7,671,707</b>	<b>7,671,707</b>	<b>-</b>	<b>6,982,862</b>
<b>Fund balance at end of year</b>	<b>\$ 8,032,207</b>	<b>8,021,067</b>	<b>8,932,771</b>	<b>911,704</b>	<b>7,671,707</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 720,000	720,000	728,102	8,102	718,227
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	60,300	60,300	73,516	13,216	74,531
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>780,300</b>	<b>780,300</b>	<b>801,618</b>	<b>21,318</b>	<b>792,758</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	586,109	611,109	591,858	19,251	374,488
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>586,109</b>	<b>611,109</b>	<b>591,858</b>	<b>19,251</b>	<b>374,488</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>194,191</b>	<b>169,191</b>	<b>209,760</b>	<b>40,569</b>	<b>418,270</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>194,191</b>	<b>169,191</b>	<b>209,760</b>	<b>40,569</b>	<b>418,270</b>
<b>Fund balance at beginning of year</b>	<b>1,728,583</b>	<b>1,728,583</b>	<b>1,728,583</b>	<b>-</b>	<b>1,310,313</b>
<b>Fund balance at end of year</b>	<b>\$ 1,922,774</b>	<b>1,897,774</b>	<b>1,938,343</b>	<b>40,569</b>	<b>1,728,583</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	115,000	115,000	147,766	32,766	125,816
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	17,300	17,300	22,026	4,726	21,127
Miscellaneous	-	-	-	-	-
Total revenues	<u>132,300</u>	<u>132,300</u>	<u>169,792</u>	<u>37,492</u>	<u>146,943</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	<u>160,000</u>	<u>160,000</u>	<u>40,947</u>	<u>119,053</u>	<u>48,087</u>
Total expenditures	<u>160,000</u>	<u>160,000</u>	<u>40,947</u>	<u>119,053</u>	<u>48,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,700)</u>	<u>(27,700)</u>	<u>128,845</u>	<u>156,545</u>	<u>98,856</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balance	<u>(27,700)</u>	<u>(27,700)</u>	<u>108,845</u>	<u>136,545</u>	<u>98,856</u>
Fund balance at beginning of year	<u>483,674</u>	<u>483,674</u>	<u>483,674</u>	<u>-</u>	<u>384,818</u>
Fund balance at end of year	<u>\$ 455,974</u>	<u>455,974</u>	<u>592,519</u>	<u>136,545</u>	<u>483,674</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	757,000	757,000	1,644,906	887,906	788,451
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	200
Miscellaneous	-	-	328	328	25,000
<b>Total revenues</b>	<b>757,000</b>	<b>757,000</b>	<b>1,645,234</b>	<b>888,234</b>	<b>813,651</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	757,000	757,000	1,479,226	(722,226)	1,087,167
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>757,000</b>	<b>757,000</b>	<b>1,479,226</b>	<b>(722,226)</b>	<b>1,087,167</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>166,008</b>	<b>166,008</b>	<b>(273,516)</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>Excess (deficiency) of revenues and other sources over (under) expenditures and other uses</b>	<b>-</b>	<b>-</b>	<b>166,008</b>	<b>166,008</b>	<b>(273,516)</b>
<b>Fund balance at beginning of year</b>	<b>50,019</b>	<b>50,019</b>	<b>50,019</b>	<b>-</b>	<b>323,535</b>
<b>Fund balance at end of year</b>	<b>\$ 50,019</b>	<b>50,019</b>	<b>216,027</b>	<b>166,008</b>	<b>50,019</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	124,728	124,728	41,953
Intergovernmental	1,405,000	1,405,000	1,178,162	(226,838)	1,541,287
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	1,000	1,000	1,871
Miscellaneous	-	9,240	9,515	275	3,525
<b>Total revenues</b>	<b>1,405,000</b>	<b>1,414,240</b>	<b>1,313,405</b>	<b>(100,835)</b>	<b>1,588,636</b>
Expenditures:					
Current:					
General government	1,405,000	1,561,183	1,207,241	353,942	1,756,999
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>1,405,000</b>	<b>1,561,183</b>	<b>1,207,241</b>	<b>353,942</b>	<b>1,756,999</b>
Excess (deficiency) of revenues over (under) expenditures	-	(146,943)	106,164	253,107	(168,363)
Other financing sources (uses):					
Transfers in	-	-	-	-	100,703
Transfers out	-	-	78,669	78,669	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>78,669</b>	<b>78,669</b>	<b>100,703</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(146,943)</b>	<b>184,833</b>	<b>331,776</b>	<b>(67,660)</b>
Fund balance (deficit) at beginning of year	(62,997)	(62,997)	(62,997)	-	4,663
Fund balance (deficit) at end of year	\$ (62,997)	(209,940)	121,836	331,776	(62,997)

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, 2003

	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	137,000	137,000	740,029	603,029	21,926
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	55,520	55,520	50,685	(4,835)	50,448
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>192,520</b>	<b>192,520</b>	<b>790,714</b>	<b>598,194</b>	<b>72,374</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	738,200	788,200	150,116	638,084	43,985
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>738,200</b>	<b>788,200</b>	<b>150,116</b>	<b>638,084</b>	<b>43,985</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(545,680)</b>	<b>(595,680)</b>	<b>640,598</b>	<b>1,236,278</b>	<b>28,389</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(19,700)	(19,700)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(19,700)</b>	<b>(19,700)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(545,680)</b>	<b>(615,380)</b>	<b>620,898</b>	<b>1,236,278</b>	<b>28,389</b>
<b>Fund balance at beginning of year</b>	<b>1,004,257</b>	<b>1,004,257</b>	<b>1,004,257</b>	<b>-</b>	<b>975,868</b>
<b>Fund balance at end of year</b>	<b>\$ 458,577</b>	<b>388,877</b>	<b>1,625,155</b>	<b>1,236,278</b>	<b>1,004,257</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, 2003

	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	5,000	5,000	15,000	10,000	8,259
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	12,500	12,500	12,623	123	13,443
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>17,500</b>	<b>17,500</b>	<b>27,623</b>	<b>10,123</b>	<b>21,702</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,500</b>	<b>17,500</b>	<b>27,623</b>	<b>10,123</b>	<b>21,702</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>17,500</b>	<b>17,500</b>	<b>27,623</b>	<b>10,123</b>	<b>21,702</b>
<b>Fund balance at beginning of year</b>	<b>275,245</b>	<b>275,245</b>	<b>275,245</b>	<b>-</b>	<b>253,543</b>
<b>Fund balance at end of year</b>	<b>\$ 292,745</b>	<b>292,745</b>	<b>302,868</b>	<b>10,123</b>	<b>275,245</b>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	232,000	232,000	219,948	(12,052)	221,999
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	29,000	29,000	13,825	(15,175)	24,024
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>261,000</b>	<b>261,000</b>	<b>233,773</b>	<b>(27,227)</b>	<b>246,023</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	146,471	146,471	167,519	(21,048)	192,202
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>146,471</b>	<b>146,471</b>	<b>167,519</b>	<b>(21,048)</b>	<b>192,202</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>114,529</b>	<b>114,529</b>	<b>66,254</b>	<b>(48,275)</b>	<b>53,821</b>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(318,547)	(318,547)	-	(9,634)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(318,547)</b>	<b>(318,547)</b>	<b>-</b>	<b>(9,634)</b>
<b>Net change in fund balance</b>	<b>114,529</b>	<b>(204,018)</b>	<b>(252,293)</b>	<b>(48,275)</b>	<b>44,187</b>
<b>Fund balance at beginning of year</b>	<b>426,236</b>	<b>426,236</b>	<b>426,236</b>	<b>-</b>	<b>382,049</b>
<b>Fund balance at end of year</b>	<b>\$ 540,765</b>	<b>222,218</b>	<b>173,943</b>	<b>(48,275)</b>	<b>426,236</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	4,380,000	8,618,390	8,413,860	(204,530)	5,658,752
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	250,600	250,600	412,608	162,008	219,768
Miscellaneous	518,000	-	-	-	-
<b>Total revenues</b>	<b>5,148,600</b>	<b>8,868,990</b>	<b>8,826,468</b>	<b>(42,522)</b>	<b>5,878,520</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	3,261,503	8,229,903	4,550,325	3,679,578	4,987,725
<b>Total expenditures</b>	<b>3,261,503</b>	<b>8,229,903</b>	<b>4,550,325</b>	<b>3,679,578</b>	<b>4,987,725</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,887,097</b>	<b>639,087</b>	<b>4,276,143</b>	<b>3,637,056</b>	<b>890,795</b>
Other financing sources (uses):					
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>1,887,097</b>	<b>639,087</b>	<b>4,276,143</b>	<b>3,637,056</b>	<b>890,795</b>
<b>Fund balance at beginning of year</b>	<b>3,161,402</b>	<b>3,161,402</b>	<b>3,161,402</b>	<b>-</b>	<b>2,270,607</b>
<b>Fund balance at end of year</b>	<b>\$ 5,048,499</b>	<b>3,800,489</b>	<b>7,437,545</b>	<b>3,637,056</b>	<b>3,161,402</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, 2003

	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	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	6,400	6,400	6,681	281	6,781
Miscellaneous	-	-	4,854	4,854	-
<b>Total revenues</b>	<b>6,400</b>	<b>6,400</b>	<b>11,535</b>	<b>5,135</b>	<b>6,781</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	13,128	(13,128)	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>13,128</b>	<b>(13,128)</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,400</b>	<b>6,400</b>	<b>(1,593)</b>	<b>(7,993)</b>	<b>6,781</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>6,400</b>	<b>6,400</b>	<b>(1,593)</b>	<b>(7,993)</b>	<b>6,781</b>
<b>Fund balance at beginning of year</b>	<b>136,601</b>	<b>136,601</b>	<b>136,601</b>	<b>-</b>	<b>129,820</b>
<b>Fund balance at end of year</b>	<b>\$ 143,001</b>	<b>143,001</b>	<b>135,008</b>	<b>(7,993)</b>	<b>136,601</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Fines and forfeits	214,560	214,560	237,605	23,045	184,026
Intergovernmental	136,660	136,660	33,209	(103,451)	51,493
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	5,263	5,263	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>351,220</b>	<b>351,220</b>	<b>276,077</b>	<b>(75,143)</b>	<b>235,519</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	345,600	185,600	124,725	60,875	205,412
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
<b>Total expenditures</b>	<b>345,600</b>	<b>185,600</b>	<b>124,725</b>	<b>60,875</b>	<b>205,412</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>5,620</b>	<b>165,620</b>	<b>151,352</b>	<b>(14,268)</b>	<b>30,107</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	1,148,000
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,148,000</b>
<b>Net change in fund balance</b>	<b>5,620</b>	<b>165,620</b>	<b>151,352</b>	<b>(14,268)</b>	<b>1,178,107</b>
<b>Fund balance at beginning of year</b>	<b>(78,580)</b>	<b>(78,580)</b>	<b>(78,580)</b>	<b>-</b>	<b>(1,256,687)</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (72,960)</b>	<b>87,040</b>	<b>72,772</b>	<b>(14,268)</b>	<b>(78,580)</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, 2003

	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	-	-	50,882	50,882	96,410
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	5,000	-	4,360	4,360	3,654
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>5,000</b>	<b>-</b>	<b>55,242</b>	<b>55,242</b>	<b>100,064</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	25,000	17,751	7,249	-
Community programs	-	-	-	-	-
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>25,000</b>	<b>17,751</b>	<b>7,249</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>5,000</b>	<b>(25,000)</b>	<b>37,491</b>	<b>62,491</b>	<b>100,064</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>5,000</b>	<b>(25,000)</b>	<b>37,491</b>	<b>62,491</b>	<b>100,064</b>
<b>Fund balance at beginning of year</b>	<b>100,064</b>	<b>100,064</b>	<b>100,064</b>	<b>-</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 105,064</b>	<b>75,064</b>	<b>137,555</b>	<b>62,491</b>	<b>100,064</b>

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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	550,161	550,161	527,191
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	5,000	18,621	13,621	21,631
Miscellaneous	-	-	309,630	309,630	129,568
<b>Total revenues</b>	<b>-</b>	<b>5,000</b>	<b>878,412</b>	<b>873,412</b>	<b>678,390</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Redevelopment	417,724	257,621	159,778	97,843	863,071
<b>Total expenditures</b>	<b>417,724</b>	<b>257,621</b>	<b>159,778</b>	<b>97,843</b>	<b>863,071</b>
Excess (deficiency) of revenues over (under) expenditures	(417,724)	(252,621)	718,634	971,255	(184,681)
<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>(417,724)</b>	<b>(252,621)</b>	<b>718,634</b>	<b>971,255</b>	<b>(184,681)</b>
Fund balance at beginning of year	1,560,621	1,560,621	1,560,621	-	1,745,302
<b>Fund balance at end of year</b>	<b>\$ 1,142,897</b>	<b>1,308,000</b>	<b>2,279,255</b>	<b>971,255</b>	<b>1,560,621</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, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	50,000	120,505	70,505	(50,000)	67,586
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	4,700	4,700	4,429	(271)	2,883
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>54,700</b>	<b>125,205</b>	<b>74,934</b>	<b>(50,271)</b>	<b>70,469</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	159,306	63,131	96,175	89,143
Community programs	-	-	-	-	-
Redevelopment	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>159,306</b>	<b>63,131</b>	<b>96,175</b>	<b>89,143</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>54,700</b>	<b>(34,101)</b>	<b>11,803</b>	<b>45,904</b>	<b>(18,674)</b>
Other financing sources (uses):					
Transfers in	-	7,834	7,834	-	9,634
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>7,834</b>	<b>7,834</b>	<b>-</b>	<b>9,634</b>
<b>Net change in fund balance</b>	<b>54,700</b>	<b>(26,267)</b>	<b>19,637</b>	<b>45,904</b>	<b>(9,040)</b>
<b>Fund balance at beginning of year</b>	<b>69,206</b>	<b>69,206</b>	<b>69,206</b>	<b>-</b>	<b>78,246</b>
<b>Fund balance at end of year</b>	<b>\$ 123,906</b>	<b>42,939</b>	<b>88,843</b>	<b>45,904</b>	<b>69,206</b>





## MAJOR AND NONMAJOR 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 fund has been classified as a major fund in the accompanying fund financial statements:

### **Redevelopment Debt Service Fund**

To accumulate monies for payment of the 1993 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 funds in the accompanying fund financial statements:

### **1974 Open Space Bond Fund**

To accumulate monies for payment of the General Obligation bonds which are serial bonds due in annual installments through January 1, 2004. Financing is provided through specific property tax levies.

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

To accumulate monies for payment of the 1991 Local Agency Revenue Bonds, the 1993 Refunding Revenues Bonds, and the 1998 Refunding Revenue Bonds of the Corporation. The 1991 Local Agency Revenues Bonds provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds. The 1993 Refunding Revenue Bonds 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

Combining Balance Sheet

June 30, 2003

	1974 Open Space Bond	Financing Authority Debt Service	Totals	
			2003	2002
<u>Assets</u>				
Cash and investments	\$ 336,187	2,370,618	2,706,805	2,694,080
Cash and investments with fiscal agents	-	3,394,674	3,394,674	3,344,664
Due from other governments	8,691	124,360	133,051	253,550
Accounts receivable	-	95,000	95,000	45,000
Interest receivable	1,891	-	1,891	1,898
Prepaid items	5,625	-	5,625	12,105
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 352,394	5,984,652	6,337,046	6,351,297
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Accrued liabilities	4,381	-	4,381	4,765
Advances from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	4,381	-	4,381	4,765
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Reserved for:				
Prepaid items	5,625	-	5,625	12,105
Debt service	342,388	5,984,652	6,327,040	6,334,427
Unreserved, reported in debt service funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances (deficits)	348,013	5,984,652	6,332,665	6,346,532
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 352,394	5,984,652	6,337,046	6,351,297
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Debt Service Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the fiscal year ended June 30, 2003

	1974 Open	Financing	Totals	
	Space Bond	Debt Service	2003	2002
<b>Revenues:</b>				
Taxes	\$ 269,576	-	269,576	276,330
Investment income	13,018	260,311	273,329	313,740
<b>Total revenues</b>	<b>282,594</b>	<b>260,311</b>	<b>542,905</b>	<b>590,070</b>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal	240,000	1,425,000	1,665,000	1,600,000
Interest and fiscal charges	26,958	1,485,738	1,512,696	1,548,574
<b>Total expenditures</b>	<b>266,958</b>	<b>2,910,738</b>	<b>3,177,696</b>	<b>3,148,574</b>
Excess (deficiency) of revenues over (under) expenditures	15,636	(2,650,427)	(2,634,791)	(2,558,504)
<b>Other financing sources (uses):</b>				
Transfers in	-	2,633,949	2,633,949	2,638,536
Transfers out	(13,025)	-	(13,025)	(17,269)
<b>Total other financing sources (uses)</b>	<b>(13,025)</b>	<b>2,633,949</b>	<b>2,620,924</b>	<b>2,621,267</b>
<b>Net change in fund balance</b>	<b>2,611</b>	<b>(16,478)</b>	<b>(13,867)</b>	<b>62,763</b>
Fund balance at beginning of year	345,402	6,001,130	6,346,532	6,283,769
<b>Fund balance at end of year</b>	<b>\$ 348,013</b>	<b>5,984,652</b>	<b>6,332,665</b>	<b>6,346,532</b>

CITY OF COSTA MESA, CALIFORNIA

1974 Open Space Bond Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ 273,700	273,700	269,576	(4,124)	276,330
Investment income	14,800	14,800	13,018	(1,782)	15,128
<b>Total revenues</b>	<b>288,500</b>	<b>288,500</b>	<b>282,594</b>	<b>(5,906)</b>	<b>291,458</b>
<b>Expenditures:</b>					
<b>Debt service:</b>					
Principal	230,000	230,000	240,000	(10,000)	230,000
Interest and fiscal charges	34,210	34,210	26,958	7,252	39,136
<b>Total expenditures</b>	<b>264,210</b>	<b>264,210</b>	<b>266,958</b>	<b>(2,748)</b>	<b>269,136</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>24,290</b>	<b>24,290</b>	<b>15,636</b>	<b>(8,654)</b>	<b>22,322</b>
<b>Other financing sources (uses):</b>					
Transfers out	-	-	(13,025)	(13,025)	(17,269)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(13,025)</b>	<b>(13,025)</b>	<b>(17,269)</b>
<b>Net change in fund balance</b>	<b>24,290</b>	<b>24,290</b>	<b>2,611</b>	<b>(21,679)</b>	<b>5,053</b>
<b>Fund balance at beginning of year</b>	<b>345,402</b>	<b>345,402</b>	<b>345,402</b>	<b>-</b>	<b>340,349</b>
<b>Fund balance at end of year</b>	<b>\$ 369,692</b>	<b>369,692</b>	<b>348,013</b>	<b>(21,679)</b>	<b>345,402</b>

CITY OF COSTA MESA, CALIFORNIA

Redevelopment Debt Service Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	2,200,644	2,200,644	2,108,480
Investment income	-	-	41,345	41,345	25,554
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>2,241,989</b>	<b>2,241,989</b>	<b>2,134,034</b>
<b>Expenditures:</b>					
<b>Debt service:</b>					
Principal	905,270	905,270	629,953	275,317	632,295
Interest and fiscal charges	1,494,125	1,494,125	1,484,903	9,222	1,451,708
<b>Total expenditures</b>	<b>2,399,395</b>	<b>2,399,395</b>	<b>2,114,856</b>	<b>284,539</b>	<b>2,084,003</b>
Excess (deficiency) of revenues over (under) expenditures	(2,399,395)	(2,399,395)	127,133	2,526,528	50,031
<b>Other financing sources (uses):</b>					
Transfers out	(43,320)	(43,320)	-	43,320	-
<b>Total other financing sources (uses)</b>	<b>(43,320)</b>	<b>(43,320)</b>	<b>-</b>	<b>43,320</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(2,442,715)</b>	<b>(2,442,715)</b>	<b>127,133</b>	<b>2,569,848</b>	<b>50,031</b>
Fund balance (deficit) at beginning of year, as restated	(13,287,453)	(13,287,453)	(13,287,453)	-	(64,441)
<b>Fund balance (deficit) at end of year</b>	<b>\$ (15,730,168)</b>	<b>(15,730,168)</b>	<b>(13,160,320)</b>	<b>2,569,848</b>	<b>(14,410)</b>



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

### **Capital Improvements Fund**

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

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

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

### **CENTROCCS Fund**

Established to account for receipt and disbursement of funds received from developers for transportation improvements in the Sunflower/Main Street project area as defined in the Central Orange County Circulation Study (CENTROCCS).

### **Financing Authority Construction Fund**

Established to account for the construction of capital facilities financed by the Costa Mesa Financing Authority bond proceeds.

### **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.

### **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, 2003

	Capital Improvements	Measure "M" Construction	CENTROCCS	Financing Authority Construction
<u>Assets</u>				
Cash and investments	\$ 8,330,600	5,779,176	382,080	1,366,086
Cash and investments with fiscal agents	2,940,514	-	-	-
Due from other governments	-	454,691	-	-
Accounts receivable	4,284	-	-	-
Interest receivable	46,718	32,180	2,142	7,661
Loans receivable	163,250	-	-	-
Rent receivable	-	-	-	-
Prepaid items	-	-	-	-
Loan deposit	339,550	-	-	-
Land held for resale	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 11,824,916</u>	<u>6,266,047</u>	<u>384,222</u>	<u>1,373,747</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 418,623	125,220	-	-
Accrued liabilities	-	-	-	-
Retentions payable	146,268	124,658	-	-
Deposits payable	473,695	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	465,568	121,723	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,504,154	371,601	-	-
Fund balances:				
Reserved for:				
Encumbrances	-	-	-	-
Loan deposit	339,550	-	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Unreserved, reported in capital projects funds	<hr/>	<hr/>	<hr/>	<hr/>
	9,981,212	5,894,446	384,222	1,373,747
Total fund balances	<u>10,320,762</u>	<u>5,894,446</u>	<u>384,222</u>	<u>1,373,747</u>
Total liabilities and fund balances	<u>\$ 11,824,916</u>	<u>6,266,047</u>	<u>384,222</u>	<u>1,373,747</u>

Parking Districts	Redevelopment Projects	Totals	
		2003	2002
40,849	155,752	16,054,543	14,934,700
-	-	2,940,514	480,179
31	2,655	457,377	719,391
-	-	4,284	-
230	738,382	827,313	754,920
-	-	163,250	275,250
-	970,278	970,278	939,027
-	-	-	247,550
-	-	339,550	-
-	1,697,665	1,697,665	1,697,665
<u>41,110</u>	<u>3,564,732</u>	<u>23,454,774</u>	<u>20,048,682</u>
-	9,865	553,708	470,283
-	-	-	146
-	-	270,926	267,107
-	-	473,695	443,986
-	41,526	41,526	11,163
-	1,707,887	2,295,178	2,280,493
-	1,759,278	3,635,033	3,473,178
-	-	-	2,523,632
-	-	339,550	-
-	-	-	247,550
-	1,697,665	1,697,665	1,697,665
<u>41,110</u>	<u>107,789</u>	<u>17,782,526</u>	<u>12,106,657</u>
<u>41,110</u>	<u>1,805,454</u>	<u>19,819,741</u>	<u>16,575,504</u>
<u>41,110</u>	<u>3,564,732</u>	<u>23,454,774</u>	<u>20,048,682</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, 2003

	Capital Improvements	Measure "M" Construction	CENTROCCS	Financing Authority Construction
Revenues:				
Taxes	\$ -	-	-	-
Intergovernmental	28,127	3,592,565	-	-
Special assessments	-	-	-	-
Rental	-	-	-	-
Investment income	308,114	247,032	15,948	57,274
Miscellaneous	380,055	-	-	-
<b>Total revenues</b>	<b>716,296</b>	<b>3,839,597</b>	<b>15,948</b>	<b>57,274</b>
Expenditures:				
Current:				
General government	-	-	-	-
Public services	3,970,988	2,683,514	-	26,764
Leisure and community services	-	-	-	-
Redevelopment	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>3,970,988</b>	<b>2,683,514</b>	<b>-</b>	<b>26,764</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,254,692)</b>	<b>1,156,083</b>	<b>15,948</b>	<b>30,510</b>
Other financing sources (uses):				
Transfers in	2,256,522	-	-	-
Transfers out	-	-	-	-
Lease proceeds	3,400,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>5,656,522</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>2,401,830</b>	<b>1,156,083</b>	<b>15,948</b>	<b>30,510</b>
<b>Fund balance at beginning of year</b>	<b>7,918,932</b>	<b>4,738,363</b>	<b>368,274</b>	<b>1,343,237</b>
<b>Fund balance at end of year</b>	<b>\$ 10,320,762</b>	<b>5,894,446</b>	<b>384,222</b>	<b>1,373,747</b>

Parking Districts	Redevelopment Projects	Totals	
		2003	2002
794	-	794	790
-	-	3,620,692	3,325,755
-	-	-	-
-	78,669	78,669	70,279
1,720	7,622	637,710	665,583
-	24	380,079	130,302
<u>2,514</u>	<u>86,315</u>	<u>4,717,944</u>	<u>4,192,709</u>
-	-	-	-
-	-	6,681,266	5,553,949
-	-	-	-
-	368,572	368,572	123,063
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	368,572	7,049,838	5,677,012
<u>2,514</u>	<u>(282,257)</u>	<u>(2,331,894)</u>	<u>(1,484,303)</u>
-	-	2,256,522	2,222,131
(1,722)	(78,669)	(80,391)	(172,574)
-	-	3,400,000	675,000
<u>(1,722)</u>	<u>(78,669)</u>	<u>5,576,131</u>	<u>2,724,557</u>
792	(360,926)	3,244,237	1,240,254
<u>40,318</u>	<u>2,166,380</u>	<u>16,575,504</u>	<u>15,335,250</u>
<u>41,110</u>	<u>1,805,454</u>	<u>19,819,741</u>	<u>16,575,504</u>

CITY OF COSTA MESA, CALIFORNIA  
 Capital Improvements Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	1,170,000	1,299,249	28,127	(1,271,122)	926,527
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	228,200	228,200	308,114	79,914	306,049
Miscellaneous	-	252,000	380,055	128,055	130,292
<b>Total revenues</b>	<b>1,398,200</b>	<b>1,779,449</b>	<b>716,296</b>	<b>(1,063,153)</b>	<b>1,362,868</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public services	1,218,000	2,419,021	3,970,988	(1,551,967)	3,837,009
Leisure and community services	-	-	-	-	-
Redevelopment	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>1,218,000</b>	<b>2,419,021</b>	<b>3,970,988</b>	<b>(1,551,967)</b>	<b>3,837,009</b>
Excess (deficiency) of revenues over (under) expenditures	180,200	(639,572)	(3,254,692)	(2,615,120)	(2,474,141)
Other financing sources (uses):					
Transfers in	-	2,272,988	2,256,522	(16,466)	2,222,131
Transfers out	-	-	-	-	-
Lease proceeds	-	3,400,000	3,400,000	-	675,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>5,672,988</b>	<b>5,656,522</b>	<b>(16,466)</b>	<b>2,897,131</b>
<b>Net change in fund balance</b>	<b>180,200</b>	<b>5,033,416</b>	<b>2,401,830</b>	<b>(2,631,586)</b>	<b>422,990</b>
Fund balance at beginning of year	7,918,932	7,918,932	7,918,932	-	7,495,942
Fund balance at end of year	<b>\$ 8,099,132</b>	<b>12,952,348</b>	<b>10,320,762</b>	<b>(2,631,586)</b>	<b>7,918,932</b>

CITY OF COSTA MESA, CALIFORNIA

Measure "M" Construction Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	3,800,000	3,902,596	3,592,565	(310,031)	2,399,228
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	225,600	225,600	247,032	21,432	253,058
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>4,025,600</b>	<b>4,128,196</b>	<b>3,839,597</b>	<b>(288,599)</b>	<b>2,652,286</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public services	4,108,631	4,224,008	2,683,514	1,540,494	1,510,308
Leisure and community services	-	-	-	-	-
Redevelopment	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>4,108,631</b>	<b>4,224,008</b>	<b>2,683,514</b>	<b>1,540,494</b>	<b>1,510,308</b>
Excess (deficiency) of revenues over (under) expenditures	(83,031)	(95,812)	1,156,083	1,251,895	1,141,978
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(100,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>
<b>Net change in fund balance</b>	<b>(83,031)</b>	<b>(95,812)</b>	<b>1,156,083</b>	<b>1,251,895</b>	<b>1,041,978</b>
Fund balance at beginning of year	4,738,363	4,738,363	4,738,363	-	3,696,385
<b>Fund balance at end of year</b>	<b>\$ 4,655,332</b>	<b>4,642,551</b>	<b>5,894,446</b>	<b>1,251,895</b>	<b>4,738,363</b>

## CITY OF COSTA MESA, CALIFORNIA

## CENTROCCS Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	17,700	17,700	15,948	(1,752)	18,281
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>17,700</u>	<u>17,700</u>	<u>15,948</u>	<u>(1,752)</u>	<u>18,281</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public services	-	-	-	-	-
Leisure and community services	-	-	-	-	-
Redevelopment	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,700</u>	<u>17,700</u>	<u>15,948</u>	<u>(1,752)</u>	<u>18,281</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>17,700</u>	<u>17,700</u>	<u>15,948</u>	<u>(1,752)</u>	<u>18,281</u>
Fund balance at beginning of year	<u>368,274</u>	<u>368,274</u>	<u>368,274</u>	<u>-</u>	<u>349,993</u>
<b>Fund balance at end of year</b>	<u><u>\$ 385,974</u></u>	<u><u>385,974</u></u>	<u><u>384,222</u></u>	<u><u>(1,752)</u></u>	<u><u>368,274</u></u>

CITY OF COSTA MESA, CALIFORNIA

Financing Authority Construction Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	72,200	72,200	57,274	(14,926)	69,288
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<u>72,200</u>	<u>72,200</u>	<u>57,274</u>	<u>(14,926)</u>	<u>69,288</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	-	-	-	-
Public services	-	-	26,764	(26,764)	206,632
Leisure and community services	-	-	-	-	-
Redevelopment	-	-	-	-	-
<b>Debt service:</b>					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>26,764</u>	<u>(26,764)</u>	<u>206,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72,200</u>	<u>72,200</u>	<u>30,510</u>	<u>(41,690)</u>	<u>(137,344)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>72,200</u>	<u>72,200</u>	<u>30,510</u>	<u>(41,690)</u>	<u>(137,344)</u>
Fund balance at beginning of year	<u>1,343,237</u>	<u>1,343,237</u>	<u>1,343,237</u>	<u>-</u>	<u>1,480,581</u>
<b>Fund balance at end of year</b>	<u>\$ 1,415,437</u>	<u>1,415,437</u>	<u>1,373,747</u>	<u>(41,690)</u>	<u>1,343,237</u>



CITY OF COSTA MESA, CALIFORNIA

Redevelopment Projects Fund

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

For the fiscal year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Rental	-	-	78,669	78,669	70,279
Investment income	-	-	7,622	7,622	16,883
Miscellaneous	-	-	24	24	10
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>86,315</b>	<b>86,315</b>	<b>87,172</b>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public services	-	-	-	-	-
Leisure and community services	-	-	-	-	-
Redevelopment	232,021	665,869	368,572	297,297	123,063
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>232,021</b>	<b>665,869</b>	<b>368,572</b>	<b>297,297</b>	<b>123,063</b>
Excess (deficiency) of revenues over (under) expenditures	(232,021)	(665,869)	(282,257)	383,612	(35,891)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(78,669)	(78,669)	(70,279)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(78,669)</b>	<b>(78,669)</b>	<b>(70,279)</b>
<b>Net change in fund balance</b>	<b>(232,021)</b>	<b>(665,869)</b>	<b>(360,926)</b>	<b>304,943</b>	<b>(106,170)</b>
Fund balance at beginning of year	2,166,380	2,166,380	2,166,380	-	2,272,550
<b>Fund balance at end of year</b>	<b>\$ 1,934,359</b>	<b>1,500,511</b>	<b>1,805,454</b>	<b>304,943</b>	<b>2,166,380</b>

## **INTERNAL SERVICE FUNDS**

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

### **Equipment Replacement Fund**

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

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

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

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2003

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2003	2002
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 6,278,920	10,910,202	17,189,122	16,510,127
Accounts receivable	5,025	-	5,025	-
Interest receivable	35,207	61,184	96,391	95,488
Inventories	57,912	-	57,912	69,387
Prepaid items	72,174	331,341	403,515	63,583
	<u>6,449,238</u>	<u>11,302,727</u>	<u>17,751,965</u>	<u>16,738,585</u>
Total current assets				
Capital assets:				
Automotive equipment	7,568,961	-	7,568,961	6,954,127
Other equipment	288,983	-	288,983	300,586
Accumulated depreciation	(3,691,097)	-	(3,691,097)	(3,384,062)
	<u>4,166,847</u>	<u>-</u>	<u>4,166,847</u>	<u>3,870,651</u>
Net capital assets				
	<u>4,166,847</u>	<u>-</u>	<u>4,166,847</u>	<u>3,870,651</u>
Total assets	<u>10,616,085</u>	<u>11,302,727</u>	<u>21,918,812</u>	<u>20,609,236</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	61,117	78,799	139,916	163,413
Accrued liabilities	15,887	4,220	20,107	18,455
Claims payable	-	2,951,327	2,951,327	3,569,170
	<u>77,004</u>	<u>3,034,346</u>	<u>3,111,350</u>	<u>3,751,038</u>
Total current liabilities				
	<u>77,004</u>	<u>3,034,346</u>	<u>3,111,350</u>	<u>3,751,038</u>
Long-term liabilities:				
Claims payable	-	7,984,984	7,984,984	7,168,490
	<u>-</u>	<u>7,984,984</u>	<u>7,984,984</u>	<u>7,168,490</u>
Total long-term liabilities				
	<u>-</u>	<u>7,984,984</u>	<u>7,984,984</u>	<u>7,168,490</u>
Total liabilities	<u>77,004</u>	<u>11,019,330</u>	<u>11,096,334</u>	<u>10,919,528</u>
Net assets:				
Invested in capital assets, net of related debt	4,166,847	-	4,166,847	3,870,651
Restricted	-	-	-	-
Unrestricted	6,372,234	283,397	6,655,631	5,819,057
	<u>4,166,847</u>	<u>283,397</u>	<u>6,655,631</u>	<u>5,819,057</u>
Total net assets	<u>\$ 10,539,081</u>	<u>283,397</u>	<u>10,822,478</u>	<u>9,689,708</u>

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, 2003

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2003	2002
Operating revenues:				
Charges for services	\$ 3,276,851	2,923,557	6,200,408	5,019,938
Total operating revenues	3,276,851	2,923,557	6,200,408	5,019,938
Operating expenses:				
Allocated administrative costs	1,006,470	-	1,006,470	818,207
Depreciation	523,348	-	523,348	488,028
Automotive fuel and parts	632,706	-	632,706	514,558
Claims and premiums	-	3,389,042	3,389,042	3,937,494
Total operating expenses	2,162,524	3,389,042	5,551,566	5,758,287
Operating income (loss)	1,114,327	(465,485)	648,842	(738,349)
Nonoperating revenues (expenses):				
Investment income	249,933	468,563	718,496	827,865
Loss on sale of equipment	(8,372)	-	(8,372)	(82,448)
Miscellaneous	-	-	-	-
Total nonoperating revenues (expenses)	241,561	468,563	710,124	745,417
Income (loss) before transfers	1,355,888	3,078	1,358,966	7,068
Transfers in	20,000		20,000	-
Transfers out	(246,196)	-	(246,196)	(308,042)
Total transfers	(226,196)	-	(226,196)	(308,042)
Change in net assets	1,129,692	3,078	1,132,770	(300,974)
Net assets at beginning of year, as restated	9,409,389	280,319	9,689,708	9,990,682
Net assets at end of year	\$ 10,539,081	283,397	10,822,478	9,689,708

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2003

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2003	2002
Cash flows from operating activities:				
Cash received from customers and user departments	\$ 3,271,826	2,923,557	6,195,383	5,023,694
Cash payments to suppliers for goods and services	(974,167)	(3,380,274)	(4,354,441)	(3,520,433)
Cash payments to employees for services	(644,294)	(189,506)	(833,800)	(641,149)
Net cash provided by (used for) operating activities	1,653,365	(646,223)	1,007,142	862,112
Cash flows from noncapital financing activities:				
Cash received from other funds	20,000	-	20,000	-
Cash paid to other funds	(246,196)	-	(246,196)	(315,407)
Net cash provided by (used for) noncapital financing activities	(226,196)	-	(226,196)	(315,407)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(819,544)	-	(819,544)	(828,615)
Net cash provided by (used for) capital and related financing activities	(819,544)	-	(819,544)	(828,615)
Cash flows from investing activities:				
Investment income received	246,196	471,397	717,593	935,203
Net cash provided by (used for) investing activities	246,196	471,397	717,593	935,203
Net increase (decrease) in cash and cash equivalents	853,821	(174,826)	678,995	653,293
Cash and cash equivalents at beginning of year	5,425,099	11,085,028	16,510,127	15,856,834
Cash and cash equivalents at end of year	\$ 6,278,920	10,910,202	17,189,122	16,510,127
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,114,327	(465,485)	648,842	(738,349)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	523,348	-	523,348	488,028
Loss on sale of equipment	(8,372)	-	(8,372)	(82,448)
(Increase) decrease in accounts receivable	(5,025)	-	(5,025)	3,756
(Increase) decrease in inventories	11,475	-	11,475	(2,451)
(Increase) decrease in prepaid items	(8,591)	(331,341)	(339,932)	(63,583)
(Increase) decrease in other assets	-	-	-	117,698
Increase (decrease) in accounts payable	25,447	(48,944)	(23,497)	(121,803)
Increase (decrease) in accrued liabilities	756	896	1,652	4,035
Increase (decrease) in claims payable	-	198,651	198,651	1,257,229
Net cash provided by (used for) operating activities	\$ 1,653,365	(646,223)	1,007,142	862,112

## **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.

### **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, 2003

	Deposits	Community Facilities District	Airborne Law Enforcement	Totals	
				2003	2002
<u>Assets</u>					
Cash and investments	\$ 2,260,090	124,360	2,010,397	4,394,847	4,315,023
Due from other governments	-	-	171,660	171,660	264,469
Accounts receivable	35,023	-	1,138	36,161	34,316
Interest receivable	1,765	-	11,274	13,039	7,750
Inventories	-	-	7,754	7,754	1,283
Prepaid items	-	-	-	-	2,502
	-	-	-	-	-
Total assets	<u>\$ 2,296,878</u>	<u>124,360</u>	<u>2,202,223</u>	<u>4,623,461</u>	<u>4,625,343</u>
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 21,094	-	62,096	83,190	228,022
Accrued liabilities	-	-	-	-	10,345
Deposits payable	2,275,784	-	830	2,276,614	2,962,897
Due to other funds	-	-	750	750	1,219
Due to other governments	-	-	2,138,547	2,138,547	1,177,115
Held for bondholders	-	124,360	-	124,360	245,745
	-	-	-	-	-
Total liabilities	<u>\$ 2,296,878</u>	<u>124,360</u>	<u>2,202,223</u>	<u>4,623,461</u>	<u>4,625,343</u>

CITY OF COSTA MESA, CALIFORNIA  
Agency Funds  
Combining Statement of Changes in Fiduciary Assets and Liabilities  
Year ended June 30, 2003

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
 <u>DEPOSITS</u>				
 <u>Assets</u>				
Cash and investments	\$ 2,928,348	29,992,814	30,661,072	2,260,090
Accounts receivable	33,483	157,055	155,515	35,023
Interest receivable	1,162	1,765	1,162	1,765
Total assets	\$ 2,962,993	30,151,634	30,817,749	2,296,878
 <u>Liabilities</u>				
Accounts payable	\$ -	18,105,611	18,084,517	21,094
Accrued liabilities	96	-	96	-
Deposits payable	2,962,897	30,010,073	30,697,186	2,275,784
Total liabilities	2,962,993	48,115,684	48,781,799	2,296,878
 <u>COMMUNITY FACILITIES DISTRICT</u>				
 <u>Assets</u>				
Cash and investments	\$ 245,745	251,254	372,639	124,360
Total assets	\$ 245,745	251,254	372,639	124,360
 <u>Liabilities</u>				
Held for bondholders	\$ 245,745	251,254	372,639	124,360
Total liabilities	\$ 245,745	251,254	372,639	124,360



CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2003

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
<u>AIRBORNE LAW ENFORCEMENT</u>				
<u>Assets</u>				
Cash and investments	\$ 1,140,930	1,915,684	1,046,217	2,010,397
Due from other governments	264,469	1,006,547	1,099,356	171,660
Accounts receivable	833	11,138	10,833	1,138
Interest receivable	6,588	11,274	6,588	11,274
Inventories	1,283	6,471	-	7,754
Prepaid items	2,502	-	2,502	-
	<u>\$ 1,416,605</u>	<u>2,951,114</u>	<u>2,165,496</u>	<u>2,202,223</u>
<u>Liabilities</u>				
Accounts payable	\$ 228,022	937,849	1,103,775	62,096
Accrued liabilities	10,249	946	11,195	-
Deposits payable	-	830	-	830
Due to other funds	1,219	750	1,219	750
Due to other governments	1,177,115	1,824,884	863,452	2,138,547
	<u>\$ 1,416,605</u>	<u>2,765,259</u>	<u>1,979,641</u>	<u>2,202,223</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 4,315,023	32,159,752	32,079,928	4,394,847
Due from other governments	264,469	1,006,547	1,099,356	171,660
Accounts receivable	34,316	168,193	166,348	36,161
Interest receivable	7,750	13,039	7,750	13,039
Inventories	1,283	6,471	-	7,754
Prepaid items	2,502	-	2,502	-
	<u>\$ 4,625,343</u>	<u>33,354,002</u>	<u>33,355,884</u>	<u>4,623,461</u>
<u>Liabilities</u>				
Accounts payable	\$ 228,022	19,043,460	19,188,292	83,190
Accrued liabilities	10,345	946	11,291	-
Deposits payable	2,962,897	30,010,903	30,697,186	2,276,614
Due to other funds	1,219	750	1,219	750
Due to other governments	1,177,115	1,824,884	863,452	2,138,547
Held for bondholders	245,745	251,254	372,639	124,360
	<u>\$ 4,625,343</u>	<u>51,132,197</u>	<u>51,134,079</u>	<u>4,623,461</u>



Statistical Section

**CITY OF COSTA MESA, CALIFORNIA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Protection of Persons and Property</u>	<u>Community Programs (2)</u>	<u>Public Services (3)</u>
1993-94	\$ 9,361,204	\$ 28,788,636	\$ 4,083,127	\$ 4,951,305
1994-95	9,478,267	32,900,523	3,443,861	4,960,734
1995-96	10,903,220	32,655,134	4,415,470	6,498,504
1996-97	10,964,706	34,947,801	4,539,634	5,883,628
1997-98	12,326,410	35,596,105	4,451,921	6,995,934
1998-99	11,661,679	37,108,197	4,382,759	6,276,542
1999-00	12,385,206	35,798,506	5,764,615	6,973,452
2000-01	20,020,444	41,684,236	5,614,630	5,702,873
2001-02	19,648,587	44,953,141	6,195,499	11,740,724
2002-03	21,219,016	47,622,359	6,825,783	17,678,362

<u>Fiscal Year</u>	<u>Leisure and Community Development</u>	<u>Redevelopment</u>	<u>Debt Service</u>	<u>TOTAL</u>
1993-94	\$ 4,423,370	-	\$ 7,536,590	59,144,232
1994-95	5,047,529	-	7,756,998	63,588,012
1995-96	5,205,720	-	9,616,303	69,294,351
1996-97	4,982,354	-	9,055,865	70,373,988
1997-98	5,140,984	-	9,267,582	73,778,936
1998-99	6,253,708	-	5,177,515	70,860,400
1999-00	5,111,378	-	5,253,433	71,286,590
2000-01	(4)	\$ 358,282(5)	4,850,264	78,230,729
2001-02	(4)	863,071(5)	5,232,577	88,633,599
2002-03	(4)	528,350(5)	5,292,552	99,166,422

(1)Includes General, Special Revenue, and Debt Service Funds.

(2)Previously Community Health & Environment.

(5)Previously shown as Transportation function.

(3)Expenditures were included in Community Programs function for FY 2001 forward.

(4)Previously shown as Capital Project Fund Type.

**CITY OF COSTA MESA, CALIFORNIA**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE** <sup>(1)</sup>  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Inter- governmental</b>	<b>Charges for Services</b>
1993-94	\$ 43,092,601	\$ 645,613	\$ 1,173,366	\$ 8,345,991	\$ 2,821,984
1994-95	42,726,257	720,185	1,373,248	7,152,034	2,741,086
1995-96	43,935,170	1,025,540	1,182,470	7,946,869	4,041,473
1996-97	46,654,818	1,373,099	911,329	8,041,317	3,655,300
1997-98	48,627,522	1,174,296	1,624,038	9,567,732	3,358,236
1998-99	51,270,949	1,464,155	1,995,131	10,935,752	2,511,543
1999-00	54,427,238	1,914,939	1,940,865	12,242,958	2,688,370
2000-01	60,434,201	2,268,689	1,887,675	16,788,980	2,661,860
2001-02	59,065,530	1,516,212	2,145,631	19,216,103	2,233,011
2002-03	61,070,311	1,766,850	6,070,844	18,235,831	3,477,270

<b>Fiscal Year</b>	<b>Special Assessments</b>	<b>Rental</b>	<b>Interest</b>	<b>Miscellaneous</b>	<b>TOTAL</b>
1993-94	\$ 1,291,634	\$ 1,762,183	\$ 2,964,078	\$ 637,617	\$ 61,368,322
1994-95	1,231,932	1,655,702	2,628,048	462,158	64,109,362
1995-96	1,235,776	2,015,633	3,590,757	1,758,176	69,236,205
1996-97	898,019	2,124,786	3,262,818	604,398	71,241,845
1997-98	8,754	2,007,788	3,442,184	293,002	73,929,258
1998-99	8,748	-	3,680,594	2,886,021	79,789,733
1999-00	-	2,397,473	3,874,674	266,417	90,579,969
2000-01	-	2,432,256	6,831,889	367,471	93,808,103
2001-02	-	2,573,044	5,192,589	910,242	92,852,362
2002-03	-	2,607,667	3,958,048	595,533	97,782,354

(1) Includes General, Special Revenue, and Debt Service Funds.

**CITY OF COSTA MESA, CALIFORNIA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales and Use Taxes</u>	<u>Transient Occupancy Taxes</u>
1993-94	\$ 13,305,303	\$ 25,050,697	\$ 2,434,782
1994-95	12,700,259	25,497,172	2,640,750
1995-96	12,219,721	26,367,098	2,977,748
1996-97	12,095,008	28,494,658	3,466,941
1997-98	12,431,496	29,744,106	3,846,151
1998-99	13,285,302	30,883,789	4,451,038
1999-00	14,131,797	33,351,512	4,118,044
2000-01	15,783,325	36,867,113	4,856,772
2001-02	16,811,162	35,178,780	3,865,823
2002-03	17,852,259	36,255,107	3,799,682

<u>Fiscal Year</u>	<u>Franchise Taxes</u>	<u>Business License Taxes</u>	<u>Total Taxes</u>
1993-94	1,525,552	776,267	43,092,601
1994-95	1,575,636	755,051	43,168,868
1995-96	1,616,685	753,918	43,935,170
1996-97	1,779,341	818,870	46,654,818
1997-98	1,827,146	778,623	48,627,522
1998-99	1,844,441	806,379	51,270,949
1999-00	2,008,090	817,795	54,427,238
2000-01	2,132,795	794,196	60,434,201
2001-02	2,366,926	842,839	59,065,530
2002-03	2,308,683	854,580	61,070,311

(1) Includes General, Special Revenue, and Debt Service Funds.

**CITY OF COSTA MESA, CALIFORNIA  
RETIREMENT PLAN FOR SAFETY EMPLOYEES  
OF THE CITY OF COSTA MESA  
REVENUES BY SOURCE AND EXPENSES BY TYPE**

Ten Years Ended June 30, 2003

**Revenues by Source**

<u>Fiscal Year</u>	<u>Participant Contributions</u>	<u>City Contributions</u>	<u>% (1)</u>	<u>Investment Income (Loss)</u>	<u>Total</u>
1994	\$ 1,152,418	-	-	\$ 6,112,611	\$ 7,265,029
1995 (2)	-	-	-	-	-
1996	-	-	-	-	-
1997	-	-	-	-	-
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-

**Expenses by Type**

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Withdrawals</u>	<u>Administrative Expenses</u>	<u>TOTAL</u>
1994	\$ 2,462,965	-	\$ 680,938	\$ 3,143,903
1995 (2)	-	-	-	-
1996	-	-	-	-
1997	-	-	-	-
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-

(1)City contributions as a percent of annual covered payroll.

(2)As of September 6, 1994, the City transferred the assets of its Retirement Plan for Safety Employees to the California Public Employees Retirement System.

**CITY OF COSTA MESA, CALIFORNIA**  
**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2003**

2002-03 Assessed Valuation: \$ 9,212,776,687

(after deducting \$ 284,257,634 Redevelopment incremental valuation)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/03</u>
Orange County Teeter Plan Obligations	3.792	\$ 4,718,196
Metropolitan Water District	0.815	3,621,004
Coast Community College District	14.854	16,339,400
Rancho Santiago Community College District	1.810	1,739,863
Newport Mesa Unified School District	29.563	11,677,385
Santa Ana Unified School District	4.358	6,285,681
City of Costa Mesa	100.000	250,000
City of Costa Mesa Community Facilities District No. 91-1	100.000	<u>2,735,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 47,366,529</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Orange County General Fund Obligations	3.792	\$ 36,979,167
Orange County Pension Obligations	3.792	4,579,693
Orange County Transit District Authority	3.792	234,156
Orange County Board of Education Certificates of Participation	3.792	757,642
Municipal Water District of Orange County Water Facilities Corporation	4.344	2,080,124
Orange County Sanitation District Certificates of Participation	5.194	8,106,536
Coast Community College District Certificates of Participation	14.854	1,206,145
Newport Mesa School District Certificates of Participation	33.110	1,016,477
Santa Ana Unified School District Certificates of Participation	4.352	2,193,445
Irvine Ranch Water District Certificates of Participation	1.793	910,844
City of Costa Mesa General Fund Obligations	100.000	<u>24,770,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 82,834,229
Less: Orange County Transit District Authority (80% self-supporting)		187,325
MWDOC Water Facilities Corporation (100% self-supporting)		<u>2,080,124</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 80,566,780
GROSS COMBINED TOTAL DEBT		\$ 130,200,758
NET COMBINED TOTAL DEBT		\$ 127,933,309

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$ 250,000)	0.003%
Total Direct and Overlapping Tax and Assessment Debt	0.50%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ( \$ 25,020,000)	0.27%
Gross Combined Total Debt	1.41%
Net Combined Total Debt	1.39%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

**CITY OF COSTA MESA, CALIFORNIA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Assessed Value</u>	<u>Gross Bonded Debt</u>
1993-94	102,360	\$7,365,333,620	\$2,000,000
1994-95	103,823	7,179,275,787	1,840,000
1995-96	102,084	6,893,284,716	1,670,000
1996-97	102,574	6,799,617,743	1,500,000
1997-98	104,237	6,986,832,897	1,320,000
1998-99	105,608	7,159,963,142	1,130,000
1999-00	106,607	7,630,306,669	930,000
2000-01	110,932	8,364,393,299	720,000
2001-02	110,720	8,937,943,913	490,000
2002-03	111,512	10,161,598,621	250,000

<u>Fiscal Year</u>	<u>(3) Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993-94	\$197,229	\$1,802,771	0.0003	17.36
1994-95	233,842	1,606,158	0.0002	15.73
1995-96	232,954	1,437,046	0.0002	14.01
1996-97	239,944	1,260,056	0.0002	12.09
1997-98	268,605	1,051,395	0.0001	9.96
1998-99	298,699	831,301	0.0001	7.80
1999-00	339,344	380,656	0.0000	3.43
2000-01	340,349	149,651	0.0000	1.35
2001-02	345,402	144,598	0.00002	1.31
2002-03	348,014	(98,014)	-0.00001	-0.88

(1)Population - Source, State of California, Department of Finance.

(2)Assessed Valuation - Source: HdL Coren & Cone, Orange County Assessor 2001/02 Combined Tax Rolls.

(3)Amount available for repayment of General Obligation Bonds.



**CITY OF COSTA MESA, CALIFORNIA**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
Fiscal Year Ended June 30, 2003

ASSESSED VALUE	<u>\$ 10,161,598,621</u>
DEBT LIMIT: 3.75 Percent of Assessed Value	\$ 381,059,948
Amount of Debt applicable to Debt Limit:	
Total Bonded Debt	<u>\$ 250,000</u>
	\$ 250,000
LESS: Assets in Debt Service Fund (Net)	<u>348,014</u>
TOTAL AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT	<u>\$ (98,014)</u>
LEGAL DEBT MARGIN	<u><u>\$ 381,157,962</u></u>

**CITY OF COSTA MESA, CALIFORNIA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES**  
**FOR GENERAL OBLIGATION BONDED DEBT**  
**TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES <sup>(1)</sup>**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Services</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio Debt Service to General Govmtl. Expenditures (Percent)</u>
1993-94	150,000	113,867	263,867	59,144,232	0.45
1994-95	160,000	107,845	267,845	63,588,012	0.42
1995-96	170,000	95,415	265,415	69,294,351	0.38
1996-97	170,000	86,575	256,575	70,373,988	0.36
1997-98	180,000	77,650	257,650	73,778,936	0.35
1998-99	190,000	68,200	258,200	70,860,400	0.36
1999-00	200,000	58,130	258,130	71,286,590	0.36
2000-01	210,000	47,530	257,530	78,230,729	0.33
2001-02	230,000	39,136	269,136	88,633,599	0.30
2002-03	240,000	26,958	266,958	99,166,422	0.27

(1)Includes General, Special Revenue, and Debt Service Funds.

**CITY OF COSTA MESA, CALIFORNIA**  
**TAX RATES, LAST TEN YEARS <sup>(1)</sup>**  
**(PER \$100 ASSESSED VALUATION)**  
**Tax Code Area 15-045**

<u>Year</u>	<u>School Tax Rate</u>	<u>County Tax Rate</u> <sup>(2)</sup>	<u>Miscellaneous Districts Tax Rate</u>	<u>Costa Mesa 1974 Open Space Bond Issue Tax Rate</u>	<u>Total Tax Rate</u>
1993-94	.0025	1.0000	.0097	.0042	1.0164
1994-95	-	1.0000	.0096	.0044	1.0140
1995-96	-	1.0000	.0094	.0044	1.0138
1996-97	-	1.0000	.0090	.0042	1.0132
1997-98	-	1.0000	.0089	.0042	1.0131
1998-99	-	1.0000	.0089	.0041	1.0130
1999-00	-	1.0000	.0089	.0038	1.0127
2000-01	-	1.0000	.0146	.0030	1.0176
2001-02	-	1.0000	.0134	.0028	1.0162
2002-03	-	1.0000	.0255	.0028	1.0283

<sup>(1)</sup>Source: County of Orange, Auditor-Controller.

<sup>(2)</sup>Effective FY 1978-79 with the implementation of Proposition 13, the County Tax Rate represents the tax levy for all local agencies except that necessary to amortize general obligation bonds.

**CITY OF COSTA MESA, CALIFORNIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS<sup>(1)</sup> - GENERAL FUND**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>
1993-94	\$11,054,404	\$10,576,816	95.7%
1994-95	10,841,397	9,962,524	91.9%
1995-96	10,340,638	9,849,355	95.2%
1996-97	10,196,740	9,724,752	95.4%
1997-98	10,596,928	10,409,996	98.2%
1998-99	10,887,990	10,701,996	98.3%
1999-00	11,749,672	11,575,465	98.5%
2000-01	12,837,737	12,656,164	98.6%
2001-02	13,759,323	13,427,866	97.6%
2002-03	14,454,930	14,157,707	97.9%

<u>Fiscal Year</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>
1993-94	582,398	11,159,214	100.9%
1994-95	223,152	10,185,676	94.0%
1995-96	463,723	10,313,078	99.7%
1996-97	381,711	10,106,463	99.1%
1997-98	329,198	10,739,194	101.3%
1998-99	238,845	10,940,841	100.5%
1999-00	218,157	12,874,321	100.3%
2000-01	216,612	13,644,478	99.2%
2001-02	229,852	13,657,718	99.3%
2002-03	269,338	14,427,045	99.8%

(1)Source: Orange County Assessor 2002/03 Combined Tax Rolls.

**CITY OF COSTA MESA, CALIFORNIA**  
**PRINCIPAL PROPERTY TAXPAYERS <sup>(1)</sup>**  
**Fiscal Year Ended June 30, 2003**

<u>Property Owner</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1. South Coast Plaza	\$ 361,703,446	3.56%
2. FSP Two Town Center LLC	148,443,840	1.46%
3. City of Costa Mesa	131,713,499	1.30%
4. Los Angeles Times Communications LLC	128,717,916	1.27%
5. Sakioka Farms	120,692,130	1.19%
6. Automoblie Club of Southern California	108,707,047	1.07%
7. CJ Segerstrom & Sons	106,360,055	1.05%
8. Orange County Performing Arts Center	100,862,085	0.99%
9. Casden Lakes Limited Partnership	100,695,382	0.99%
10. Riverville Family Associates LLC	<u>83,536,309</u>	<u>0.82%</u>
	<u>\$ 1,391,431,709</u>	<u>13.69%</u>

(1)Source: HdL Coren & Cone, Orange County Assessor 2002/03 Combined Tax Rolls.

**CITY OF COSTA MESA, CALIFORNIA**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS <sup>(1)</sup>**  
**Last Ten Fiscal Years**

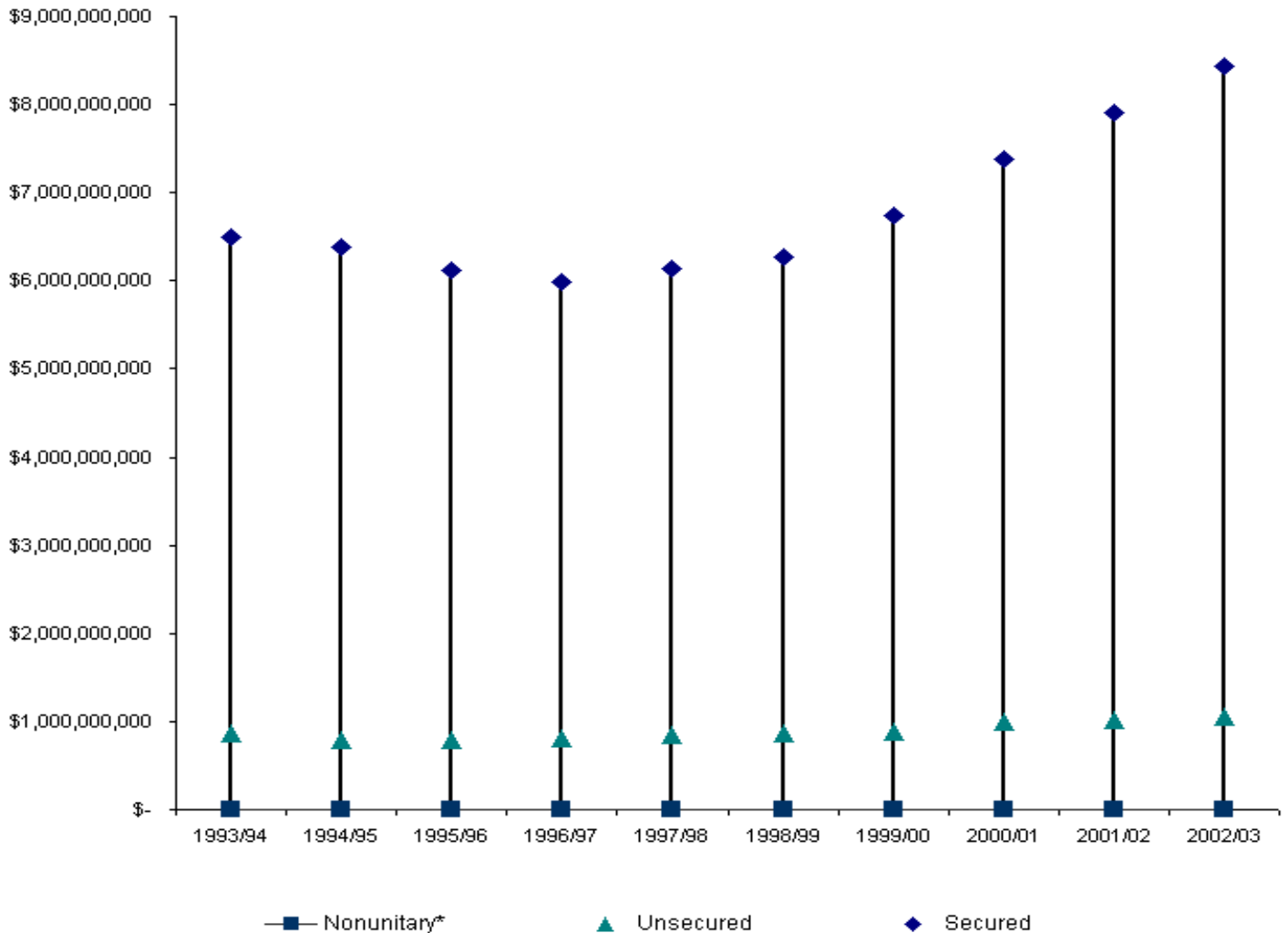
<u>Fiscal Year</u>	<u>Current Assessments</u>	<u>Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Current &amp; Delinquent Assessments</u>
1993-94	1,568,111	1,744,487	111.2%	268
1994-95	1,529,059	1,506,500	98.5%	65
1995-96	1,474,592	1,484,753	100.7%	188
1996-97	1,153,376	1,150,429	99.7%	517
1997-98	256,871	252,867	98.4%	149
1998-99	260,171	259,630	99.8%	142
1999-00	247,375	246,633	99.7%	-
2000-01	249,106	248,359	99.7%	-
2001-02	250,381	249,630	99.7%	-
2002-03	251,254	250,500	99.7%	-

(1)Source: Orange County Assessor Tax Ledger.

**CITY OF COSTA MESA, CALIFORNIA**  
**NET TAXABLE ASSESSED VALUES**  
**Last Ten Fiscal Years**

Lien Year:	1993/94	1994/95	1995/96	1996/97	1997/98
<b>Secured</b>	\$6,498,501,203	\$6,388,705,318	\$6,111,102,140	\$5,981,565,797	\$6,144,988,121
<b>Nonunitary *</b>	\$2,395	\$2,723	\$3,971	\$3,595	\$4,530
<b>Unsecured</b>	\$866,830,022	\$790,567,746	\$782,178,605	\$818,048,351	\$841,840,246
<b>Net Total AV</b>	\$7,365,333,620	\$7,179,275,787	\$6,893,284,716	\$6,799,617,743	\$6,986,832,897

Lien Year:	1998/99	1999/00	2000/01	2001/02	2002/03
<b>Secured</b>	\$6,272,401,475	\$6,731,312,359	\$7,375,600,479	\$7,912,343,814	\$8,429,239,852
<b>Nonunitary *</b>	\$3,973	\$2,714	\$2,510	\$2,747	\$2,645
<b>Unsecured</b>	\$871,529,318	\$884,454,174	\$988,790,310	\$1,025,597,352	\$1,063,118,800
<b>Net Total AV</b>	\$7,143,934,766	\$7,615,769,247	\$8,364,393,299	\$8,937,943,913	\$9,492,361,297



**CITY OF COSTA MESA, CALIFORNIA**  
**PROPERTY VALUE**  
**Last Ten Fiscal Years (In Thousands)**

<u>Fiscal Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Nontaxable</u>
1993-94	3,110,539	3,519,778	228,344
1994-95	2,881,148	3,514,491	235,369
1995-96	2,741,203	3,494,975	253,887
1996-97	1,842,147	3,462,381	351,749
1997-98	2,753,246	3,564,554	260,294
1998-99	2,810,295	3,530,964	207,343
1999-00	2,193,044	3,992,290	370,729
2000-01	1,714,378	4,386,916	380,196
2001-02	1,554,319	4,704,477	392,557
2002-03	1,623,873	5,057,395	403,543

- (1) FY 1987-88 through FY 1995-96, City of Costa Mesa Development Services Department.  
FY 1996-97, HdL Coren & Cone, Orange County Assessor 1996/97 Combined Tax Rolls.  
FY 1997-98 and FY 1998-99, City of Costa Mesa Development Services Department.  
FY 1999-00 through FY 2002-03, HdL Coren & Cone, Orange County Assessor Combined Tax Rolls.



**CITY OF COSTA MESA, CALIFORNIA**  
**CONSTRUCTION VALUE**  
 Last Ten Fiscal Years (In Thousands)

<u>Fiscal Year</u>	<u>Commercial (1)</u>		<u>Residential (1)</u>	
	<u>Number of Permits</u>	<u>Construction Value</u>	<u>Number of Permits</u>	<u>Construction Value</u>
1993-94	-	18,933	-	12,662
1994-95	-	27,022	-	8,695
1995-96	-	61,073	-	12,024
1996-97	30	6,626	443	22,818
1997-98	30	4,136	375	12,031
1998-99	28	21,829	342	14,785
1999-00	26	32,444	397	15,305
2000-01	28	34,961	439	20,409
2001-02	14	13,308	432	11,002
2002-03	14	33,034	427	17,500

(1) City of Costa Mesa Development Services Department. Number of permits was not available in years prior to FY 1996-97.

**CITY OF COSTA MESA, CALIFORNIA  
DEMOGRAPHIC STATISTICS**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Orange County Unemployment Rate (1 &amp; 3)</u>
1993-94	102,360	18,900	31	9,865	5.8%
1994-95	103,823	18,900	31	9,939	5.5%
1995-96	102,084	18,900	31	10,301	4.3%
1996-97	102,574	18,900	31	10,836	3.2%
1997-98	104,237	18,900	31	10,414	2.9%
1998-99	105,608	18,900	31	20,779	2.9%
1999-00	106,607	18,900	31	21,364	2.9%
2000-01	110,932	18,900	32	21,138	3.0%
2001-02	110,720	18,900	32	21,622	2.6%
2002-03	111,512	18,900	32	22,380	3.2%

(1) California Dept. of Finance.

(2) Newport-Mesa Unified School District.

(3) State of California Employment Development Department as of June 30th of each year.

# CITY OF COSTA MESA, CALIFORNIA

## MISCELLANEOUS STATISTICS

### General

Date of incorporation	June 29, 1953
Form of government	Council-Manager
Classification	General Law
Area	16.8 Square Miles
Major industries	Trade (retail and wholesale), manufacturing and services
Acres zoned for industry	1,146
Acres of open space	1,957
Post offices	2

### Fire Protection

Number of Stations	6
Number of Sworn Fire Fighters	102
Fire Insurance Rating	Class 2

### Police Protection

Number of Sworn Police Officers	160
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### Streets, Parks and Sanitation

Miles of streets	525 Lane Miles
Miles of alleys	14.61
Trees, street	25,000
Park sites	30
18-hole public golf courses	2
Miles of storm drains	45.5
Miles of sewers	325.7
Sanitation pumping stations	20

### Education Facilities

Elementary schools	10
Junior High schools	2
High schools	2
2-year community college	1
4-year college	3
Public libraries	2