

City of Costa Mesa California



Comprehensive Annual Financial Report



Fiscal Year Ended
June 30, 2012

CITY OF COSTA MESA, CALIFORNIA
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2012

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

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City of Costa Mesa California



Introductory Section



CITY OF COSTA MESA

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

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

December 14, 2012

Honorable Mayor, Councilmembers, and Chief Executive Officer:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa (City) for the fiscal year ended June 30, 2012, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for 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. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements for the year ended June 30, 2012, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012, and that the statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 110,757 and has a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the new world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

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

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

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

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

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

ECONOMIC CONDITION

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

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

In fiscal year 2012, the City continued to address the level of operating expenditures while its strong economic base and increases in sales and transient occupancy taxes and license and permit revenues increased revenues over the prior year resulting in a General Fund operating surplus of \$2.5 million. This is the second surplus for the City's General Fund in the last five fiscal years and is a welcome result of an enormous amount of hard work and commitment from the community, City Council, and City employees. This surplus also helped to increase the overall cash position of the General Fund compared to fiscal year ended June 30, 2011. This increase will provide the City a greater amount of cash flexibility in the future.

The largest increase in revenues was from sales taxes in the amount of \$2.1 million or 5%. Sales taxes decreased significantly during the recession, so this increase was a welcome rebound in addition to the 16% increase in the prior year. While overall General Fund expenditures increased a modest 2%, several City departments and divisions continued to reduce expenditures.

MAJOR (AND FUTURE) DEVELOPMENT INITIATIVES

Major Developments:

Harbor Mesa North and Harbor Mesa South – The Planning Commission approved this master plan development is on a 7.55 acre site and both projects were completed and opened in 2012.

- Harbor Mesa North includes a new Fresh and Easy, a new Chick-Fil-A, a major remodel of a McDonalds, and a new 7,500 square foot retail building.
- Harbor Mesa South includes a new Taco Bell and a new Auto Zone.

Villa Venetia Apartments – This project consists of major renovations including landscape and amenities improvements (landscaping, new pools, etc.) and a new 13,944 square-foot, two-story community building. This renovation is expected to be completed by the end of 2012.

McDonald's (290 Bristol Street) – Building permits were issued March 1, 2012 and grading permits were issued in August 2012 to construct a new McDonald's at the site of a former Denny's Restaurant. This project was completed in 2012.

Future Developments:

El Corazon and The Saddle Ranch Chop House Restaurants – The Planning Commission approved two new restaurants at Triangle Square. El Corazon will occupy 5,600 square feet of indoor space and 5,000 square feet of outdoor dining area. The "Saddle Ranch" restaurant will occupy 7,900 square feet of indoor space and 3,500 square feet of outdoor dining area. The Saddle Ranch Chop House is a destination restaurant, where guests can come for a meal, experience the mechanical bull, and enjoy the outdoor fire pits. Both restaurants are currently under construction and are expected to open in 2013.

Mesa Verde Senior Residential Community – The City Council approved plans for the development of a 7.55 acre site located at 1500 Mesa Verde Drive East for the construction of a 224 unit senior residential rental development with on-site amenities. Grading of the site has been completed and construction is scheduled to begin soon and completion of the project is anticipated in 2013.

Walgreens – This project is at the site of the former Tower Records. In June, the Planning Commission approved the development of a 14,310 square foot Walgreens store with a 9,990 square foot retail area on the first floor and a 4,320 square foot basement.

Pacifica – This project at 421 Bernard is currently in the plan checking phase. It will contain 113 apartment units in 3-4 story buildings.

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. Since the Redevelopment Agency was dissolved as of February 1, 2012, tax increment revenues will no longer fund payments for long-term debt. The State of California will provide funding of future debt service payments from property taxes to the Successor Agency of the Redevelopment Agency.

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

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

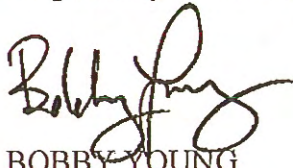
FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to the GFOA to determine its eligibility for the Certificate.

ACKNOWLEDGEMENTS

Special recognition is extended to the entire Finance Department staff for their ongoing dedication and efficient services provided to all City departments and citizens on a daily basis. Special appreciation is also extended specifically to the Accounting Division staff who contributed to and participated in the coordination and preparation of this CAFR. In addition, our deepest appreciation is also extended to the Central Services Division staff for their assistance in the design of the cover of this report and the printing of this document. Further, thanks are also extended to our independent auditors, White Nelson Diehl Evans LLP for their expertise and advice. Members of the City Council have continued to express their interest and support of the Finance Department in the planning of responsible and proactive financial operations for the City. Through the team effort of the City Council, Chief Executive Officer, Department Directors, and employees, the City will continue to provide the high level of service currently provided to the citizens of our community. Due to the consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Costa Mesa has been able to maintain a sound financial base from which to operate.

Respectfully submitted,



BOBBY YOUNG

Finance and Information Technology Director





City of Costa Mesa List of Principal Officials

June 30, 2012

Mayor

Eric R. Bever

City Council

Wendy B. Leece

Stephen M. Mensinger

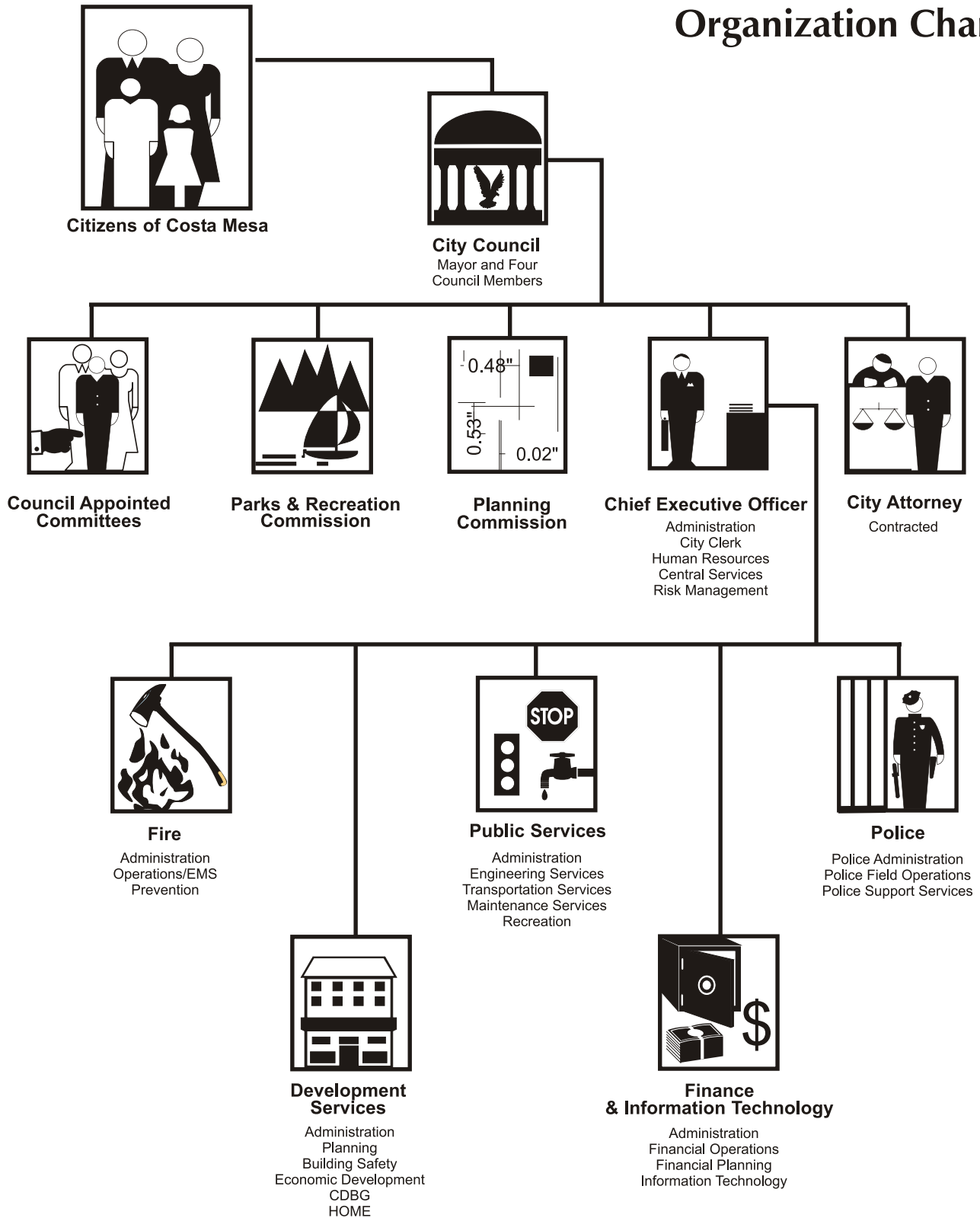
Gary Monahan

James M. Righeimer

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

City of Costa Mesa, California

Organization Chart



Visit our Web site at www.costamesaca.gov



City of Costa Mesa California



Financial Section

INDEPENDENT AUDITORS' REPORT

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

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 (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Costa Mesa, California's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City for the year ended June 30, 2011, which were audited by other auditors, whose report dated December 8, 2011 expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Costa Mesa, California as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the financial statements, the Costa Mesa Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2012 on our consideration of the City of Costa Mesa, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund 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 of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Costa Mesa, California's financial statements as a whole. The introductory section and statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Alisch Evans LLP

Irvine, California
December 14, 2012

City of Costa Mesa California

MANAGEMENT DISCUSSION
AND ANALYSIS



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–v of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City primary government exceeded its liabilities at the close of fiscal year 2012 by \$294,046,528 (*net assets*). Of this amount, \$44,741,840 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$12,344,905 from the prior fiscal year total of \$281,701,623.
- As of the close of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$82,756,493, an increase of \$8,333,064 in comparison with the prior year.
- At the end of fiscal year 2012, unassigned fund balance for the general fund was \$8,464,909 or 9.6% of total general fund expenditures of \$88,314,212.
- The City's total long-term debt had a net decrease of \$8,030,744 or 12.4 % during fiscal year 2012. This decrease was primarily attributable to principal payments on outstanding bonds payable and a transfer of remaining tax allocation bonds from the previous Redevelopment Agency to its Successor Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *statement of net assets* presents information on all of the City'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 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 that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, community programs, public services, redevelopment and interest on long-term debt. The City has no business-type activities or discretely presented component units.

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains twenty-five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Housing Authority, Special Gas Tax, Home Program, and the Park Development funds, all of which are considered to be major funds. Data from the other twenty 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 adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds to demonstrate compliance with this budget.

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

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds.

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs and services. The accounting method used for fiduciary funds is much like that used for proprietary funds. A new fiduciary fund was created this year to account for all remaining assets and liabilities from the previous Redevelopment Agency, which was dissolved as of January 31, 2012 by the State of California.

The basic fiduciary fund financial statements can be found on page 29-30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Required supplementary information can be found on pages 73-80 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$294,046,528 at the close of the fiscal year ended June 30, 2012.

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

City of Costa Mesa's Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$118,624,964	\$107,944,871
Capital assets	<u>238,271,226</u>	<u>243,898,654</u>
Total Assets	<u>356,896,190</u>	<u>351,843,525</u>
Long-term debt outstanding	56,826,118	64,856,862
Other liabilities	<u>6,023,545</u>	<u>5,285,040</u>
Total Liabilities	<u>62,849,663</u>	<u>70,141,902</u>
Net assets:		
Invested in capital assets, net of debt	207,954,876	209,554,571
Restricted	41,349,812	29,895,122
Unrestricted	<u>44,741,840</u>	<u>42,251,930</u>
Total net Assets	<u>\$294,046,528</u>	<u>\$281,701,623</u>

At the end of fiscal year 2012, the City is again able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental activities. During fiscal year 2012, the City's total net assets increased by \$12,344,905 from prior fiscal year net assets of \$281,701,623.

City of Costa Mesa's Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$10,766,690	\$10,577,256
Operating contributions and grants	8,832,089	6,717,009
Capital contributions and grants	4,555,065	6,233,234
General revenues:		
Taxes:		
Property taxes	21,564,340	24,626,634
Sales and use taxes	43,077,849	40,953,224
Transient occupancy tax	6,524,510	5,344,968
Franchise taxes	4,471,326	4,240,255
Business license tax	888,967	866,442
Other intergovernmental, unrestricted	8,594,277	9,112,000
Investment income	1,377,209	2,499,790
Miscellaneous	<u>978,394</u>	<u>860,972</u>
Total revenues	<u>111,630,716</u>	<u>112,031,784</u>
Expenses:		
General government	19,977,655	19,081,886
Protection of persons and property	61,788,930	62,294,328
Community Programs	4,310,750	5,752,170
Public Services	18,873,545	18,051,024
Redevelopment	911,704	862,541
Interest on long-term debt	<u>2,683,598</u>	<u>3,043,559</u>
Total expenses	<u>108,546,182</u>	<u>109,085,508</u>
Change in net assets before extraordinary gain	3,084,534	2,946,276
Extraordinary gain on transfer of assets to successor agency	<u>9,260,371</u>	<u>-</u>
Change in net assets	12,344,905	2,946,276
Net assets at beginning of year	<u>281,701,623</u>	<u>278,755,347</u>
Net assets at end of year	<u>\$294,046,528</u>	<u>\$281,701,623</u>

Governmental Activities

Governmental activities increased the City's net assets by \$3,084,534, which accounted for 25% of the total increase in the net assets of \$12,344,905. The remaining 75% of the increase was due to the transfer of assets and liabilities from the previous Redevelopment Agency to a fiduciary fund. Key elements of the increase attributable to governmental activities are as follows:

- Overall tax revenues increased by \$495,469 or 0.6% from fiscal year 2011. Within this category, larger fluctuations occurred in several revenue sources. Sales and transient occupancy taxes continued to rise as the local economy recovered from the recession. In addition, an increase in the transient occupancy tax rate from 6% to 8% became effective in January 2011. Offsetting these increases was a 12% decrease in property taxes, primarily due to the State of California's dissolution of the Redevelopment Agency as of January 31, 2012.
- Overall operating and capital contributions and grants increased by \$436,911 or 3% from fiscal year 2011. Operating contributions and grants increased by over \$2 million, primarily due to one-time narcotic forfeiture receipts. This increase was offset by a decrease in capital contributions and grants of almost \$1.7 million attributable to the timing and progress of grant funded capital projects.
- Investment income decreased by \$1,122,581 or 45% from fiscal year 2011. This decrease reflects the continuation of historically low interest rates set by the Federal Reserve Bank which resulted in lower returns on fixed income investments.
- Overall expenses decreased by \$539,326 or 0.5% from fiscal year 2011. Within this category, larger fluctuations occurred in several expenditure areas. The City's general governmental expenses rose by \$895,769 or 4.7%. Principal parts of this increase included filling of key positions, additional consulting costs related to personnel functions, purchases of information technology equipment, reinstatement of internal charges vehicle replacements and maintenance, and resumption of various maintenance and repair projects for facilities and equipment. Costs for community programs decreased by \$1,441,420 or 25% as a result of lower levels of federal grant funding and higher allocations of grants to park improvement projects versus operating programs. Public Services expenses increased by \$822,521 or 4.5%, primarily due to the reinstatement of internal charges for vehicle replacements and maintenance along with the resumption of various maintenance and repair projects.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Government Funds

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

As of the end of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$82,756,493, an increase of \$8,333,064 in comparison with the prior fiscal year. Of this total amount:

- \$12,872,213 represents *nonspendable fund balance* which includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to maintain intact.

- \$30,585,248 represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external resource provides or through enabling legislation.
- \$16,125,000 represents *committed fund balance* which includes amounts that can be used only for the specific purposes determined by formal action of the City Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same voting consensus.
- \$17,442,970 represents *assigned fund balance* which includes amounts that are designated or expressed by Council but does not require formal action like a resolution or ordinance.
- The remaining \$5,731,062 constitutes *unassigned fund balance*.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2012, fund balance of the City's General Fund increased by \$2,534,396. While total fund balance amounted to \$47,809,926, the unassigned fund balance of the General Fund was \$8,464,909. Key factors in this change are as follows:

- Sales tax, the General Fund's largest single source of revenue, increased by \$2,060,594 or 5% over the prior fiscal year. Since these revenues are supported by a large and diverse sales tax base, they are more sensitive to market conditions. Thus, they were impacted the most during the recessionary period (negative market conditions) and have been increasing the most during periods of positive market conditions and economic recovery. This increase was primarily a result of the continuing moderate economic recovery.
- Transient occupancy tax revenues increased by \$1,179,542 or 22% over the prior fiscal year. This change is a result of the continuing local economic recovery and the voter approved increase in the transient occupancy tax rate from 6% to 8% that became effective in January 2011.
- Revenues from investment income decreased by \$1,054,371 or 65% over the prior fiscal year. As was noted previously, this decrease reflects the continuation of historically low interest rates set by the Federal Reserve Bank which resulted in lower returns on fixed income investments.
- Overall, total revenues in the General Fund increased by \$2,414,073 or 2.6%. The increase is mostly attributed to the continued moderate local economic recovery.
- Expenditures for General Government functions increased by \$3,095,435 or 17% from the prior fiscal year. Principal parts of this increase included the following: key positions were filled throughout the City, additional consulting costs were incurred related to personnel functions, purchases of information technology equipment were made, internal charges were reinstated for vehicle replacements and maintenance, and various maintenance and repair projects for facilities and equipment were resumed.
- Expenditures for the Public Services Department decreased by \$627,961 or 11% from the prior fiscal year. This decrease mostly was a result of vacancies in the Engineering Division.
- Expenditures in all other categories were comparable to the prior fiscal year with no significant fluctuations.

- Overall, total expenditures in the General Fund increased modestly by \$2,084,230 or 2.4%.

Major Funds

The Housing Authority Fund had a \$160,874 fund balance deficit as of the end of the fiscal year. This fund was created as of February 1, 2012 pursuant to the dissolution of the Redevelopment Agency by the State of California as of January 31, 2012. The City approved the creation of a Housing Authority and it currently monitors housing rehabilitation loans previously reported in the Low and Moderate Income Housing Fund.

The Special Gas Tax Fund had \$13,128,422 in fund balance as of the end of the fiscal year which represents an increase of \$1,225,478 or 10% from the prior fiscal year. The increase was primarily a result of delays in budgeted street maintenance projects.

The HOME Program Fund had \$60,302 in fund balance at the end of the fiscal year which represents a net increase of \$179,577 from a deficit of \$119,275 in the prior fiscal year. The increased fund balance resulted from grant funding and the timing of the drawdown requests.

The Park Development Fund had a \$2,572,832 fund balance deficit at the end of the fiscal year which represents an increase of \$229,595 from the deficit in the prior fiscal year. The increased deficit resulted from a continued decline in the collection of park development fees.

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 \$3,825,758. The increase in total net assets for the fiscal year amounted to \$102,568.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2012, actual revenues were \$954,753 more than originally estimated and \$315,052 more than adjusted during the City's mid-year budget review. Therefore, the City recognized potential increases during the fiscal year and adjusted the budget as necessary. Major revenue line items in the General Fund are typically adjusted once during the fiscal year at the mid year budget review.

Actual expenditures were \$1,440,359 less than originally estimated and \$2,157,623 less than the final adjusted budget. Significant contributing factors of this difference were vacant positions compared to budgeted levels. The remaining difference consists of smaller fluctuations in a variety of departments and accounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental activities (the City has no business-type activities or discretely presented component units) as of June 30, 2012, amounted to \$238,271,226 net

of accumulated depreciation. This investment in capital assets includes land, building improvements and structures, machinery and equipment, park systems and facilities, median improvements, roads, highways, storm drains, and bridges. The City's investment in capital assets for the current fiscal year decreased by 2% or \$5,627,428 from the prior fiscal year.

Major capital asset events during fiscal year 2012 included a variety of street construction and park projects citywide. Some of the major projects this fiscal year included:

- Maintenance, construction, and rehabilitation of streets, walkways, curbs, gutters, storm drains, and alleys.
- Traffic mitigation improvements.
- Sports field lighting and other park improvements.
- Civic Center heating, ventilation, and air conditioning system replacement.

During the fiscal year, capital assets not being depreciated increased by \$2,247,014 and capital assets being depreciated decreased by \$7,874,442. Construction in progress as of the fiscal year end totaled \$5,127,008 and included some of the following projects:

<u>Construction Project</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fairview Park Improvements	\$ 1,267,875	1,261,283	6,592
Fairview Park Wetlands/Riparian Improvements	3,053,443	2,909,951	143,492
Brentwood Park Expansion	<u>460,000</u>	<u>265,393</u>	<u>194,607</u>
Total	<u>\$4,781,318</u>	<u>4,436,927</u>	<u>344,391</u>

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$32,515,441	\$32,515,441
Land rights related to streets	29,291,575	29,291,575
Construction in progress	5,127,008	2,879,994
Building improvements and structures	29,394,749	30,898,260
Machinery and equipment	9,038,409	9,478,037
Park System	9,908,447	9,654,273
Infrastructure- roads	107,967,375	112,845,818
Infrastructure- storm drains	<u>15,028,222</u>	<u>16,335,256</u>
Totals	<u>\$238,271,226</u>	<u>\$243,898,654</u>

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

Long-Term Debt

At year-end, the City had a number of Public Financing Authority bond issues outstanding, including 2003 Refunding Certificates of Participation (\$7.52 million outstanding), 1998 Refunding Revenue Bonds (\$1.25 million outstanding), 2006 Lease Revenue Refunding Bonds (\$1.72 million outstanding), and 2007 Certificates of Participation (\$25.14 million outstanding). In addition, the City had \$1.06 million of capitalized lease obligations and \$20.14 million of other liabilities (primarily related to claims and employee benefits) outstanding.

Long-term liabilities had a net decrease of \$8.03 million due to payment of normally scheduled principal maturities on bonds and lease obligations, and the transfer of the 2003 Redevelopment Agency Tax Allocation Refunding Bonds to a fiduciary fund pursuant to the dissolution of the Redevelopment Agency by the State of California as of January 31, 2012.

City of Costa Mesa's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Bonds payable	\$ 35,630,000	\$ 43,230,000
Other liabilities	20,138,209	19,846,027
Capitalized lease obligations	<u>1,057,909</u>	<u>1,780,835</u>
Totals	<u>\$56,826,118</u>	<u>\$64,856,862</u>

Additional information on the City of Costa Mesa's long-term debt can be found in notes 7 through 11 on pages 52-58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2012, the local economy continued to improve after the recession that significantly affected the City's revenue base. While this recovery is welcome and needed, the City will continue to remain cautious about future economic conditions. Given the volatility of the City's sales tax base, economic declines may affect the City sooner than other surrounding cities. While adopting the fiscal year 2013 budget, the City remained conservative with revenue estimates and maintained control over budgeted appropriations. Should economic conditions continue to improve, this philosophy will allow the City to more completely rebound from the recessionary period the City, State, and Nation have seen over the last few years.

REQUEST FOR INFORMATION

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

City of Costa Mesa California



GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Government-Wide Financial Statements

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, 2012

(With Comparative Data for Prior Year)

	Governmental Activities	
	2012	2011
Assets:		
Cash and investments (note 2)	\$ 77,718,689	76,586,973
Cash and investments with fiscal agent (note 2)	5,570,697	6,248,007
Due from other governments	10,293,119	10,288,113
Accounts receivable	502,512	833,741
Interest receivable	250,522	441,558
Loans receivable	11,720,148	9,595,644
Rent receivable	234,570	1,331,764
Advances to Successor Agency (note 23)	9,794,676	-
Inventories	191,520	163,030
Prepaid items	39,292	69,412
Investment in joint venture (note 21)	2,309,219	2,386,629
Capital assets (note 6):		
Land	32,515,441	32,515,441
Land rights related to streets	29,291,575	29,291,575
Construction in progress	5,127,008	2,879,994
Other capital assets, net of accumulated depreciation	171,337,202	179,211,644
Total assets	<u>356,896,190</u>	<u>351,843,525</u>
Liabilities:		
Accounts payable	2,396,136	1,604,156
Accrued liabilities	2,039,869	1,936,573
Accrued interest payable	414,629	502,535
Retentions payable	173,691	338,060
Deposits payable	999,220	903,716
Long-term liabilities:		
Portion due within one year:		
Claims payable (notes 7, 9 and 19)	3,005,239	3,052,865
Bonds payable (notes 7 and 8)	3,615,000	3,985,000
Capital leases payable (notes 7 and 10)	446,180	722,926
Employee leave benefits payable (notes 7 and 9)	3,550,000	2,200,000
Portion due beyond one year:		
Claims payable (notes 7, 9 and 19)	6,785,166	6,892,695
Bonds payable (notes 7 and 8)	32,015,000	39,245,000
Capital leases payable (notes 7 and 10)	611,729	1,057,909
Employee leave benefits payable (notes 7 and 9)	1,885,878	3,238,852
Net OPEB obligation (notes 7, 9 and 16)	2,470,935	1,926,696
Police retirement 1% supplemental (notes 7, 9 and 15)	2,440,991	2,534,919
Total liabilities	<u>62,849,663</u>	<u>70,141,902</u>
Net assets:		
Invested in capital assets, net of related debt	207,954,876	209,554,571
Restricted for:		
Protection of persons and property	2,519,015	1,303,260
Community programs	10,262,006	2,292,260
Public services	28,568,791	26,299,602
Unrestricted	44,741,840	42,251,930
Total net assets	<u>\$ 294,046,528</u>	<u>281,701,623</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2012	2011
Governmental activities:						
General government	\$ 19,977,655	-	-	-	(19,977,655)	(19,081,886)
Protection of persons and property	61,788,930	2,635,880	3,035,330	-	(56,117,720)	(58,249,860)
Community programs	4,310,750	5,268,839	2,400,119	-	3,358,208	2,075,036
Public services	18,873,545	2,861,971	3,396,640	4,555,065	(8,059,869)	(6,395,199)
Redevelopment	911,704	-	-	-	(911,704)	(862,541)
Interest on long-term debt	2,683,598	-	-	-	(2,683,598)	(3,043,559)
Total governmental activities	\$ 108,546,182	10,766,690	8,832,089	4,555,065	(84,392,338)	(85,558,009)
General revenues:						
Taxes:						
					21,564,340	24,626,634
					43,077,849	40,953,224
					6,524,510	5,344,968
					4,471,326	4,240,255
					888,967	866,442
					8,594,277	9,112,000
					1,377,209	2,499,790
					978,394	860,972
					<u>87,476,872</u>	<u>88,504,285</u>
					3,084,534	2,946,276
Extraordinary item:						
					9,260,371	-
					<u>12,344,905</u>	<u>2,946,276</u>
					<u>281,701,623</u>	<u>278,755,347</u>
					<u>\$ 294,046,528</u>	<u>281,701,623</u>

See accompanying notes to basic financial statements.



City of Costa Mesa California



Fund Financial Statements

GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

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

SPECIAL REVENUE FUNDS

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

Housing Authority Fund

Established pursuant to the California Health and Safety Code, Section 34176(a). The primary purpose of the Housing Authority is to promote affordable housing for families of low and moderate income within the City of Costa Mesa.

Special Gas Tax Fund

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

HOME Program Fund

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

CAPITAL PROJECTS FUND

Park Development Fund

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

Nonmajor Governmental Funds

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

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Balance Sheet

June 30, 2012

(With Comparative Data for Prior Year)

	Special Revenue			
	General	Housing Authority	Special Gas Tax	HOME Program
<u>Assets</u>				
Cash and investments	\$ 29,922,434	-	13,133,655	111,358
Cash and investments with fiscal agent	-	-	-	-
Due from other governments	7,747,591	-	-	-
Accounts receivable	451,877	-	7,000	-
Interest receivable	93,909	3,651	42,346	375
Loans receivable	-	5,183,195	-	5,552,092
Rent receivable	234,570	-	-	-
Due from other funds (note 3)	123,114	-	-	-
Advances to other funds (note 4)	4,042,706	-	-	-
Advances to Successor Agency (note 23)	9,794,676	-	-	-
Inventories	40,588	-	-	-
Prepaid items	39,292	-	-	-
	<u>\$ 52,490,757</u>	<u>5,186,846</u>	<u>13,183,001</u>	<u>5,663,825</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,348,743	-	16,087	48,460
Accrued liabilities	1,287,819	-	3,056	2,971
Retentions payable	-	-	12,921	-
Deposits payable	999,220	-	-	-
Due to other funds (note 3)	-	8,242	-	-
Advances from other funds (note 4)	-	156,283	-	-
Deferred revenue	1,045,049	5,183,195	22,515	5,552,092
	<u>4,680,831</u>	<u>5,347,720</u>	<u>54,579</u>	<u>5,603,523</u>
Fund balances (note 12):				
Nonspendable:				
Prepaid items/loan deposits	39,292	-	-	-
Inventories	40,588	-	-	-
Advances to other funds	2,997,657	-	-	-
Advances to Successor Agency	9,794,676	-	-	-
Restricted for:				
Protection of persons and property	-	-	-	-
Community programs	-	-	-	60,302
Public services	-	-	13,128,422	-
Redevelopment	-	-	-	-
Debt service	-	-	-	-
Committed	16,125,000	-	-	-
Assigned	10,347,804	-	-	-
Unassigned	8,464,909	(160,874)	-	-
	<u>47,809,926</u>	<u>(160,874)</u>	<u>13,128,422</u>	<u>60,302</u>
	<u>\$ 52,490,757</u>	<u>5,186,846</u>	<u>13,183,001</u>	<u>5,663,825</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects</u>			
<u>Park Development</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>	
		<u>2012</u>	<u>2011</u>
1,472,766	19,233,982	63,874,195	63,599,211
-	5,570,697	5,570,697	6,248,007
-	2,545,528	10,293,119	10,288,113
-	30,570	489,447	593,838
4,749	60,630	205,660	1,500,047
-	984,861	11,720,148	9,595,644
-	-	234,570	1,331,764
-	-	123,114	425,915
-	156,283	4,198,989	14,248,086
-	-	9,794,676	-
-	-	40,588	46,875
-	-	39,292	69,412
<u>1,477,515</u>	<u>28,582,551</u>	<u>106,584,495</u>	<u>107,946,912</u>
7,641	550,694	1,971,625	2,488,466
-	733,347	2,027,193	1,924,161
-	160,770	173,691	338,060
-	-	999,220	903,716
-	114,872	123,114	425,915
4,042,706	-	4,198,989	14,248,086
-	2,531,319	14,334,170	13,195,079
<u>4,050,347</u>	<u>4,091,002</u>	<u>23,828,002</u>	<u>33,523,483</u>
-	-	39,292	68,599
-	-	40,588	46,875
-	-	2,997,657	13,231,703
-	-	9,794,676	-
-	1,905,217	1,905,217	715,383
-	41,592	101,894	4,356
-	8,374,018	21,502,440	21,050,213
-	-	-	5,236,998
-	7,075,697	7,075,697	7,158,707
-	-	16,125,000	16,125,000
-	7,095,166	17,442,970	17,047,242
(2,572,832)	(141)	5,731,062	(6,261,647)
<u>(2,572,832)</u>	<u>24,491,549</u>	<u>82,756,493</u>	<u>74,423,429</u>
<u>1,477,515</u>	<u>28,582,551</u>	<u>106,584,495</u>	<u>107,946,912</u>

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

Fund balances of governmental funds \$ 82,756,493

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

Capital Related Items

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

Cost of capital assets	532,001,870
Accumulated depreciation	(297,874,379)

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	(35,630,000)
Capital leases payable	(257,051)
Employee benefits leave payable	(5,435,878)
OPEB	(2,470,935)
Police 1% Retirement Supplemental	(2,440,991)

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. (414,629)

Internal Service Funds

Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets because they primarily service governmental activities of the City. 7,168,639

Investment in Joint Venture

The City of Costa Mesa 50% interest in the unrestricted net assets of the joint venture with City of Newport Beach for the Airborne Law Enforcement program. 2,309,219

Deferred Revenue

Certain revenues that do not provide current financial resources are reported as deferred revenues in the funds. 14,334,170

Net assets of governmental activities \$ 294,046,528

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Special Revenue			
	General	Housing Authority	Special Gas Tax	HOME Program
Revenues:				
Taxes	\$ 74,710,909	-	-	-
Licenses and permits	1,903,361	-	-	-
Fines and forfeits	1,537,454	-	-	-
Intergovernmental	9,435,929	-	3,277,043	599,391
Charges for services	3,690,432	-	-	-
Rental	2,861,208	89,644	-	-
Investment income	570,715	4,097	182,538	450
Miscellaneous	971,949	26,696	7,000	123,988
Total revenues	<u>95,681,957</u>	<u>120,437</u>	<u>3,466,581</u>	<u>723,829</u>
Expenditures:				
Current:				
General government	20,974,387	-	-	-
Protection of persons and property	57,907,431	-	-	-
Community programs	3,942,533	125,028	-	544,252
Public services	4,923,688	-	2,491,103	-
Redevelopment	-	-	-	-
Debt service:				
Principal	540,739	-	-	-
Interest and fiscal charges	25,434	-	-	-
Total expenditures	<u>88,314,212</u>	<u>125,028</u>	<u>2,491,103</u>	<u>544,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,367,745</u>	<u>(4,591)</u>	<u>975,478</u>	<u>179,577</u>
Other financing sources (uses):				
Transfers in (note 5)	7,059	-	250,000	-
Transfers out (note 5)	(4,840,408)	-	-	-
Total other financing sources (uses)	<u>(4,833,349)</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Net change in fund balances, before extraordinary item	2,534,396	(4,591)	1,225,478	179,577
Extraordinary item:				
Gain (loss) on transfer to successor agency (note 22)	-	(156,283)	-	-
Net change in fund balances	2,534,396	(160,874)	1,225,478	179,577
Fund balances (deficit) at beginning of year	<u>45,275,530</u>	<u>-</u>	<u>11,902,944</u>	<u>(119,275)</u>
Fund balances (deficit) at end of year	<u>\$ 47,809,926</u>	<u>(160,874)</u>	<u>13,128,422</u>	<u>60,302</u>

See accompanying notes to the basic financial statements.

Capital Projects

Park Development	Nonmajor Governmental Funds	Totals	
		2012	2011
-	1,816,084	76,526,993	76,031,925
-	-	1,903,361	1,557,797
-	1,970,727	3,508,181	2,104,816
-	6,526,578	19,838,941	21,681,418
27,144	450,320	4,167,896	4,478,711
-	103,248	3,054,100	2,900,049
21,498	409,870	1,189,168	2,284,183
750	246,563	1,376,946	1,069,225
<u>49,392</u>	<u>11,523,390</u>	<u>111,565,586</u>	<u>112,108,124</u>
-	-	20,974,387	17,878,952
-	2,085,933	59,993,364	59,900,737
-	1,513,524	6,125,337	6,426,824
50,155	6,148,366	13,613,312	11,849,471
-	911,704	911,704	862,541
-	3,985,000	4,525,739	4,395,904
228,832	2,479,784	2,734,050	3,082,508
<u>278,987</u>	<u>17,124,311</u>	<u>108,877,893</u>	<u>104,396,937</u>
<u>(229,595)</u>	<u>(5,600,921)</u>	<u>2,687,693</u>	<u>7,711,187</u>
-	4,842,109	5,099,168	8,460,300
-	(258,760)	(5,099,168)	(8,221,795)
<u>-</u>	<u>4,583,349</u>	<u>-</u>	<u>238,505</u>
(229,595)	(1,017,572)	2,687,693	7,949,692
-	5,801,654	5,645,371	-
(229,595)	4,784,082	8,333,064	7,949,692
<u>(2,343,237)</u>	<u>19,707,467</u>	<u>74,423,429</u>	<u>66,473,737</u>
<u>(2,572,832)</u>	<u>24,491,549</u>	<u>82,756,493</u>	<u>74,423,429</u>

CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

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

For the fiscal year ended June 30, 2012

Net changes in fund balances - total governmental funds \$ 8,333,064

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.

Capital outlay	5,587,788
Depreciation expense	(10,521,504)

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.

Net changes in employee benefits leave payable	2,974
Principal payments - bonds	3,985,000
Principal payments - capital leases	540,739
OPEB	(544,239)
Police Retirement 1% Supplemental	93,928

Accrued Interest

Recording of the current year change of accrued interest on outstanding debt payable.	87,906
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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 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.

102,568

Investment in Joint Venture

The current year change in the City's interest in the Airborne Law Enforcement operation with the City of Newport Beach.

(77,410)

Deferred Revenue

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

1,139,091

Transfer of Long Term Liabilities of Dissolved Redevelopment Agency

The Costa Mesa Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bills 1x 26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 was transferred to the successor agency:

3,615,000

Change in net assets of governmental activities

\$ 12,344,905

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Net Assets

June 30, 2012

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Cash and investments (note 2)	\$ 13,844,494	12,987,762
Accounts receivable	13,065	239,902
Interest receivable	44,862	42,549
Inventories	<u>150,932</u>	<u>116,155</u>
Total current assets	<u>14,053,353</u>	<u>13,386,368</u>
Capital assets:		
Motorized equipment	11,701,263	11,947,678
Other equipment	330,993	330,993
Accumulated depreciation	<u>(7,888,517)</u>	<u>(7,441,222)</u>
Net capital assets	<u>4,143,739</u>	<u>4,837,449</u>
Total assets	<u>18,197,092</u>	<u>18,223,817</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	424,514	216,730
Accrued liabilities	12,676	12,412
Capital lease payable (note 8)	189,129	182,187
Claims payable (note 8)	<u>3,005,239</u>	<u>3,052,865</u>
Total current liabilities	<u>3,631,558</u>	<u>3,464,194</u>
Long-term liabilities:		
Capital lease payable (note 8)	611,729	800,857
Claims payable (note 8)	<u>6,785,166</u>	<u>6,892,695</u>
Total long-term liabilities	<u>7,396,895</u>	<u>7,693,552</u>
Total liabilities	<u>11,028,453</u>	<u>11,157,746</u>
Net assets:		
Invested in capital assets, net of related debt	3,342,881	3,854,405
Unrestricted	<u>3,825,758</u>	<u>3,211,666</u>
Total net assets	<u>\$ 7,168,639</u>	<u>7,066,071</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services	\$ 6,315,371	3,577,727
Total operating revenues	<u>6,315,371</u>	<u>3,577,727</u>
Operating expenses:		
Allocated administrative costs	948,541	835,439
Depreciation	664,795	757,294
Fuel and repair parts	1,139,155	1,106,023
Claims and premiums	3,577,090	3,005,025
Total operating expenses	<u>6,329,581</u>	<u>5,703,781</u>
Operating income (loss)	<u>(14,210)</u>	<u>(2,126,054)</u>
Nonoperating revenues (expenses):		
Investment income	188,042	215,607
Interest expense	(37,454)	-
Gain (loss) on sale of equipment	(33,810)	4,091
Total nonoperating revenues (expenses)	<u>116,778</u>	<u>219,698</u>
Income (loss) before transfers	<u>102,568</u>	<u>(1,906,356)</u>
Transfers out (note 5)	<u>-</u>	<u>(238,505)</u>
Total transfers	<u>-</u>	<u>(238,505)</u>
Change in net assets	102,568	(2,144,861)
Net assets at beginning of year	<u>7,066,071</u>	<u>9,210,932</u>
Net assets at end of year	<u>\$ 7,168,639</u>	<u>7,066,071</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Cash Flows

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2012	2011
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 6,542,208	\$ 3,341,205
Cash payments to suppliers for goods and services	(5,027,264)	(4,272,344)
Cash payments to employees for services	(653,216)	(799,849)
Net cash provided by (used for) operating activities	<u>861,728</u>	<u>(1,730,988)</u>
Cash flows from noncapital financing activities:		
Cash paid to other funds	-	(238,505)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(238,505)</u>
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	52,112	16,360
Acquisition of capital assets	(23,197)	(17,355)
Cash paid for capital related financing	(219,640)	-
Net cash provided by (used for) capital and related financing activities	<u>(190,725)</u>	<u>(995)</u>
Cash flows from investing activities:		
Investment income received	185,729	238,503
Net cash provided by (used for) investing activities	<u>185,729</u>	<u>238,503</u>
Net increase (decrease) in cash and cash equivalents	856,732	(1,731,985)
Cash and cash equivalents at beginning of year	12,987,762	14,719,747
Cash and cash equivalents at end of year	<u>\$ 13,844,494</u>	<u>12,987,762</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (14,210)	\$ (2,126,054)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	664,795	757,294
(Increase) decrease in inventories	(34,777)	23,098
(Increase) decrease in accounts receivable	193,027	(236,522)
Increase (decrease) in accounts payable	207,784	(30,164)
Increase (decrease) in accrued liabilities	264	(4,237)
Increase (decrease) in claims payable	(155,155)	(114,403)
Net cash provided by (used for) operating activities	<u>\$ 861,728</u>	<u>(1,730,988)</u>

Non-cash investing, capital and financing activities:

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

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2012

(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency		Totals	
	Private Purpose Trust Fund	Agency Funds	2012	2011
<u>Assets</u>				
Cash and investments (note 2)	\$ 5,975,687	7,364,240	13,339,927	7,084,415
Cash and investments with fiscal agent (note 2)	704,300	-	704,300	-
Due from other governments	-	6,617	6,617	153,270
Accounts receivable	-	38,789	38,789	6,325
Interest receivable	-	16,058	16,058	14,627
Inventories	-	85,447	85,447	96,041
Prepaid items	-	-	-	4,412
Total assets	<u>6,679,987</u>	<u>7,511,151</u>	<u>14,191,138</u>	<u>7,359,090</u>
<u>Liabilities</u>				
Accounts payable	1,542,365	430,895	1,973,260	689,565
Accrued liabilities	4,306	-	4,306	-
Deposits payable	-	2,211,439	2,211,439	2,570,484
Due to other governments	-	4,856,479	4,856,479	4,099,041
Advance from the City of Costa Mesa (note 4)	9,794,676	-	9,794,676	-
Deferred revenue	-	12,338	12,338	-
Long-term liabilities (note 23)				
Due within one year	545,000	-	545,000	-
Due in more than one year	3,070,000	-	3,070,000	-
Total liabilities	<u>14,956,347</u>	<u>7,511,151</u>	<u>22,467,498</u>	<u>7,359,090</u>
<u>Net Assets</u>				
Net assets held in trust	<u>\$ (8,276,360)</u>	<u>-</u>	<u>(8,276,360)</u>	<u>-</u>

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Period February 1, 2012 through June 30, 2012

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund <hr/> 2012 <hr/>
Additions:	
Property taxes	\$ 1,513,071
Investment earnings	1,357
Total revenues	<hr/> 1,514,428 <hr/>
Deductions:	
Program expenses of former redevelopment agency	305,457
Administrative expenses	146,872
Interest and fiscal agent expenses of former redevelopment agency	78,088
Total expenses	<hr/> 530,417 <hr/>
Extraordinary loss (note 22)	<hr/> (9,260,371) <hr/>
Change in net assets	(8,276,360)
Net assets (deficit) at beginning of the year	<hr/> - <hr/>
Net assets (deficit) at end of year	<hr/> <u>\$ (8,276,360)</u> <hr/>

See accompanying notes to the financial statements

City of Costa Mesa California

NOTES TO THE
FINANCIAL STATEMENTS



Notes to the Financial Statements

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2012

(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. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California as of February 1, 2012. The financial activity for the Agency for the period of July 1, 2011 through January 31, 2012 is reported in the special revenue fund, debt service fund and capital projects fund. Upon the dissolution of the Agency, the assets, liabilities and fund balances were transferred to the Successor Agency of the Costa Mesa Redevelopment Agency which is reported as a fiduciary private purpose trust fund.

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.

Costa Mesa Housing Authority

The Costa Mesa Housing Authority (Authority) was created pursuant to the State of California Health and Safety Code, Section 34176(a). The primary purpose of the Authority is to promote affordable housing for families of low and moderate income within the City of Costa Mesa. The Authority is an integral part of the reporting entity of the City of Costa Mesa. The funds of the Authority have been included within the scope of the basic financial statements of the City because the City Council exercises oversight responsibility over the operations of the Authority. Upon completion, separate financial statements of the Authority can be obtained at City Hall.

(b) Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

Fund Financial Statements

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

Governmental Funds

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

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

Proprietary and Fiduciary Funds

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives us essentially equal values. Nonoperating revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for the internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenditures.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

The City's agency funds are fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

(c) Fund Classifications

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

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

Costa Mesa Housing Authority Fund – This special revenue fund was established per Section 34176(a) of the Health and Safety Code. The primary purpose of this Fund is to promote and preserve affordable housing for families of low and moderate income within the City.

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

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

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

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

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

(c) Fund Classifications (Continued)

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

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

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

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

(d) Cash and Investments

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

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

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

(e) Cash Equivalents

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(f) Advances to Other Funds

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

(g) Inventories

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

(h) Prepays

The City uses the consumption method to record prepaid items.

(i) Capital Assets

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(j) Fund Balances

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

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

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

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(k) Employee Leave Benefits

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

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

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

(k) Employee Leave Benefits (Continued)

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

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

(l) Claims and Judgments

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

(m) Prior Year Data

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

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

(n) Estimations

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

(o) Subsequent event

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

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

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Assets:	
Cash and investments	\$ 77,718,689
Cash and investments with fiscal agent	5,570,697
Statement of Fiduciary Net Assets:	
Cash and investments	13,339,927
Cash and investments with fiscal agent	<u>704,300</u>
Total cash and investments	<u>\$ 97,333,613</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash and deposits:	
Imprest cash on hand	\$ 12,175
Demand deposits	<u>367,023</u>
Total cash and deposits	<u>379,198</u>
Investments:	
Costa Mesa Community Facilities District Bonds	1,505,000
Medium Term Notes	7,582,610
Federal agency securities	35,259,130
Money market mutual funds	12,020,041
State Treasurer's Investment Pool	39,573,899
Lehman Bros Holdings, Inc-Bankruptcy	<u>1,013,735</u>
Total investments	<u>96,954,415</u>
Total cash and investments	<u>\$ 97,333,613</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

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

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal Agency Securities	\$35,259,130	7,206,870	-	28,052,260	-
State Investment Pool (LAIF)	39,573,899	39,573,899	-	-	-
Medium Term Notes	7,582,610	7,582,610	-	-	-
Money Market Mutual Funds	5,745,041	5,745,041	-	-	-
Held by Trustee:					
Costa Mesa Community Facilities District Bonds	1,505,000	-	250,000	455,000	800,000
Money Market Mutual Funds	6,275,000	6,275,000	-	-	-
Lehman Bros. Holdings, Inc. Bankruptcy	<u>1,013,735</u>	<u>192,024</u>	<u>-</u>	<u>-</u>	<u>821,711</u>
Total	<u>\$96,954,415</u>	<u>66,575,444</u>	<u>250,000</u>	<u>28,507,260</u>	<u>1,621,711</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Ratings at 6/30/12

<u>Investment Type</u>	<u>Value</u>	<u>Minimum Legal Rating</u>	<u>Moodys</u>	<u>Standard & Poors</u>
Federal Agency Securities	\$35,259,130	N/A	AAA	AA+
Medium Tern Notes:				
Merrill Lynch Corp. Note	2,513,750	A	B, AA2	A-
Goldman Sachs Corp. Note	3,043,500	A	A3	A-
Morgan Stanley Corp. Note	2,025,360	A	BAA1	A-
State Investment Pool (LAIF)	39,573,899	N/A	Not Rated	Not Rated
Money Market Mutual Funds	5,745,041	A	AAA	AAA
Held by Trustee:				
Costa Mesa Community Facilities District Bond	1,505,000	N/A	Not Rated	Not Rated
Money Market Mutual Funds	6,275,000	A	AAA	AAA
Lehman Bros. Holdings Inc. Bankruptcy	1,013,735	N/A	Not Rated	Not Rated
Total	<u>\$96,954,415</u>			

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

The City of Costa Mesa is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Costa Mesa's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Costa Mesa's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$114,872
General Fund	Housing Authority	<u>8,242</u>
Total		<u>\$ 123,114</u>

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

(4) Advances To and From Other Funds

Advances to and from other funds at June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Park Development Fund	\$4,042,706
Nonmajor Governmental Funds	Housing Authority	<u>156,283</u>
Total		<u>\$4,198,989</u>

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

The \$4,042,706 advance from the General Fund to the Park Development Fund is for the purchase of land. The annual interest rate is 6%. The advance is expected to be repaid with future park development fees.

The \$156,283 advance from the Community Development Fund to the Housing Authority Fund represents a loan to the Housing Authority, which bears an interest rate of 3% and, likewise, is not expected to be repaid in the forthcoming year, but is expected to be repaid.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(5) Transfers In and Out

Transfers in and out for the year ended June 30, 2012 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Nonmajor Governmental Funds	\$ 4,840,408 (a)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,701 (b)
Nonmajor Governmental Funds	General Fund	7,059 (c)
Nonmajor Governmental Funds	Special Gas Tax Fund	<u>250,000 (e)</u>
		<u>\$5,099,168</u>

- (a) The General Fund transferred the following to the Nonmajor Governmental Funds:
 - 1. \$33,226 to the Supplemental Law Enforcement Block Grant Fund for the reimbursement of public safety expenditures;
 - 2. \$578 to the Rental Rehabilitation Program Fund for reimbursement of a negative cash balance;
 - 3. \$4,806,604 to the Financing Authority Debt Service Fund for debt service payments;
- (b) The Redevelopment Projects Fund transferred \$1,701 to the Redevelopment Debt Service Fund to fund various project costs.
- (c) The following Nonmajor Governmental Funds transferred funds back to the General Fund:
 - 1. Parking District Fund transferred \$68 in investment earnings;
 - 2. Office of Traffic Safety Fund transferred \$6,991 to the General Fund for reimbursement of police overtime costs;
- (e) Capital Improvements Fund transferred \$250,000 to the Special Gas Tax Fund to reimburse for Proposition 1B project costs.

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

(6) Capital Asset

A summary of changes in capital assets follows:

	Balance at <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 32,515,441	-	-	32,515,441
Land rights related to streets	29,291,575	-	-	29,291,575
Construction in progress	<u>2,879,994</u>	<u>4,303,983</u>	<u>(2,056,969)</u>	<u>5,127,008</u>
Total capital assets not being depreciated	<u>64,687,010</u>	<u>4,303,983</u>	<u>(2,056,969)</u>	<u>66,934,024</u>
Capital assets being depreciated:				
Building improvements and structures	59,923,855	545,600	(907,945)	59,561,510
Landscaping and sprinklers	9,363,689	-	-	9,363,689
Automotive equipment	13,752,442	49,355	(289,539)	13,512,258
Office furniture	486,591	-	-	486,591
Office machines	9,731,761	-	(306,553)	9,425,208
Other equipment	9,338,421	959,839	(32,912)	10,265,348
Park system and facilities	14,059,141	1,076,353	-	15,135,494
Infrastructure – roads	267,950,524	732,823	-	268,683,347
Infrastructure – storm drains	<u>90,666,656</u>	<u>-</u>	<u>-</u>	<u>90,666,656</u>
Total capital assets being depreciated	<u>475,273,080</u>	<u>3,363,970</u>	<u>(1,536,949)</u>	<u>477,100,101</u>
Less accumulated depreciation for:				
Building improvements and structure	(29,025,595)	(2,049,111)	907,945	(30,166,761)
Landscaping and sprinkler	(9,299,291)	(34,450)	-	(9,333,741)
Automotive equipment	(8,906,736)	(699,054)	234,935	(9,370,855)
Office furniture	(322,059)	(32,163)	-	(354,222)
Office machines	(6,966,881)	(273,355)	306,553	(6,933,683)
Other equipment	(7,699,900)	(345,995)	23,711	(8,022,184)
Park system and facilities	(4,404,868)	(822,179)	-	(5,227,047)
Infrastructure – roads	(155,104,706)	(5,611,266)	-	(160,715,972)
Infrastructure – storm drain	<u>(74,331,400)</u>	<u>(1,307,034)</u>	<u>-</u>	<u>(75,638,434)</u>
Total accumulated depreciation	<u>(296,061,436)</u>	<u>(11,174,607)</u>	<u>1,473,144</u>	<u>(305,762,899)</u>
Total capital assets being depreciated, net	<u>179,211,644</u>	<u>(7,810,637)</u>	<u>(63,805)</u>	<u>171,337,202</u>
Governmental activities capital assets, net	<u>\$243,898,654</u>	<u>(3,506,654)</u>	<u>(2,120,774)</u>	<u>238,271,226</u>

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

(6) Capital Assets, (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2012:

Governmental activities:

General government	\$ 1,517,924
Protection of persons and property	1,782,404
Community programs	864,039
Public services	<u>7,010,240</u>
 Total depreciation expense-governmental activities	 <u>\$11,174,607</u>

The City has active construction projects as of June 30, 2012. The significant projects include the following:

<u>Construction Project</u>	<u>Project #</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Fairview Park Improvements	700029	\$ 1,267,875	1,261,283	6,592
Fairview Park Wetlands/Riparian Habitat	700067	3,053,443	2,909,951	143,492
Brentwood Park Expansion	700077	<u>460,000</u>	<u>265,693</u>	<u>194,307</u>
 Total		 <u>\$4,781,318</u>	 <u>4,436,927</u>	 <u>344,391</u>

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

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2012</u>	<u>Portion Due Within One Year</u>	<u>Portion Due Beyond One Year</u>
<u>Governmental Activities</u>						
Bonds:						
Redevelopment Agency 2003 Tax Allocation Refunding Bonds	\$4,140,000	-	(4,140,000)*	-	-	-
Public Financing Authority 2003 Refunding Certificate of Participation	8,445,000	-	(925,000)	7,520,000	960,000	6,560,000
Public Financing Authority 2006 Refunding Revenue Refunding Bonds	1,850,000	-	(130,000)	1,720,000	140,000	1,580,000
Public Financing Authority 2007 Certificate of Participation	26,355,000	-	(1,215,000)	25,140,000	1,265,000	23,875,000
Public Financing Authority 1998 Refunding Revenue Bonds	<u>2,440,000</u>	<u>-</u>	<u>(1,190,000)</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>
Total bonds payable	<u>43,230,000</u>	<u>-</u>	<u>(7,600,000)</u>	<u>35,630,000</u>	<u>3,615,000</u>	<u>32,015,000</u>
Other liabilities:						
Claims payable	9,945,560	3,413,289	(3,568,444)	9,790,405	3,005,239	6,785,166
Employee leave benefits payable	5,438,852	4,013,241	(4,016,215)	5,435,878	3,550,000	1,885,878
Net OPEB obligation	1,926,696	2,153,804	(1,609,565)	2,470,935	-	2,470,935
Police Retirement 1% Supplemental	<u>2,534,919</u>	<u>136,038</u>	<u>(229,966)</u>	<u>2,440,991</u>	<u>-</u>	<u>2,440,991</u>
Total other liabilities	<u>19,846,027</u>	<u>9,716,372</u>	<u>(9,424,190)</u>	<u>20,138,209</u>	<u>6,555,239</u>	<u>13,582,970</u>
Capital leases:						
HVAC System	41,296	-	(41,296)	-	-	-
Tewinkle Park Athletic Field	756,494	-	(499,443)	257,051	257,051	-
TDA Fire Truck	<u>983,045</u>	<u>-</u>	<u>(182,187)</u>	<u>800,858</u>	<u>189,129</u>	<u>611,729</u>
Total capital leases payable	<u>1,780,835</u>	<u>-</u>	<u>(722,926)</u>	<u>1,057,909</u>	<u>446,180</u>	<u>611,729</u>
Total	<u>\$64,856,862</u>	<u>9,716,372</u>	<u>(17,747,116)</u>	<u>56,826,118</u>	<u>10,616,419</u>	<u>46,209,699</u>

* The total includes a debt service payment of \$525,000 and a transfer of \$3,615,000 to the Successor Agency (note 22).

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds

2007 Certificates of Participation

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

There is a reserve requirement of \$2,297,204 on the 2007 Certificate of Participation. The City has \$2,297,204 on reserve with the fiscal agent at June 30, 2012. The principal balance outstanding at June 30, 2012 is \$25,140,000.

2006 Revenue Refunding Bonds

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

There is a reserve requirement of \$224,755 on the 2006 Revenue Refunding Bonds. The City has \$224,755 on reserve with the fiscal agent at June 30, 2012. The principal balance outstanding at June 30, 2012 is \$1,720,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten days of receipt. The County remitted taxes on December 22, 2011 and April 26, 2012; the City remitted payment 14 and 4 days later, respectively.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

2003 Refunding Certificates of Participation

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

The amount required for the bond reserve for the 2003 Refunding Certificate of Participation is \$1,273,250. The City has \$1,273,250 on reserve with the fiscal agent at June 30, 2012. The principal balance outstanding at June 30, 2011 is \$7,520,000.

1998 Refunding Revenue Bonds

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

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

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

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

The annual debt service requirements for the Public Financing Authority Bonds as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities							
	<u>2006</u>		<u>2003</u>		<u>1998</u>		<u>2007</u>	
	<u>Refunding Revenue</u>		<u>Refunding Certificates</u>		<u>Refunding Revenue</u>		<u>Certificates</u>	
	<u>Principal</u>	<u>Interest</u>	<u>of Participation</u>	<u>of Participation</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 140,000	81,011	960,000	295,863	1,250,000	31,250	1,265,000	1,006,504
2014	145,000	74,526	990,000	261,719	-	-	1,315,000	954,904
2015	150,000	67,666	1,025,000	223,275	-	-	1,365,000	901,304
2016	160,000	60,301	1,070,000	182,713	-	-	1,420,000	845,604
2017	165,000	52,439	1,110,000	140,450	-	-	1,480,000	787,604
2018	175,000	44,086	1,155,000	89,375	-	-	1,530,000	727,404
2019	185,000	35,130	1,210,000	30,250	-	-	1,590,000	665,004
2020	190,000	25,708	-	-	-	-	1,640,000	600,404
2021	200,000	15,810	-	-	-	-	1,710,000	533,404
2022	210,000	5,355	-	-	-	-	1,775,000	462,594
2023	-	-	-	-	-	-	1,850,000	387,829
2024	-	-	-	-	-	-	1,925,000	309,248
2025	-	-	-	-	-	-	2,005,000	226,216
2026	-	-	-	-	-	-	2,090,000	138,675
2027	-	-	-	-	-	-	<u>2,180,000</u>	<u>46,870</u>
Total	<u>\$1,720,000</u>	<u>462,032</u>	<u>7,520,000</u>	<u>1,223,645</u>	<u>1,250,000</u>	<u>31,250</u>	<u>25,140,000</u>	<u>8,593,568</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(9) Other Liabilities

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note 19. These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2012, 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, 2012 for general liability amounted to \$3,514,041 and workers' compensation was \$6,276,364.

\$ 9,790,405

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2012 is expected to be paid primarily by the general fund in future years.

5,435,878

OPEB

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses as described in note 16. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. The net OPEB obligation at June 30, 2012 was \$2,470,935.

2,470,935

Police Retirement 1% Supplemental

The City of Costa Mesa joined the CalPERS 3% @age 50 plan for police employees on December 31, 2000. Prior to that date, the City sponsored the retirement plan providing a 2% @age 50 benefit and the Police Officer Separation Incentive Plan providing an additional 1% @age 50 benefit as described in Note 15. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3% @age 50 plan. The net pension obligation at June 30, 2012 for the 1% enhancement was \$2,440,991.

2,440,991

Total other liabilities

\$ 20,138,209

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(10) Capital Leases Payable

On December 6, 2005, the City of Costa Mesa entered into a 7-year lease (lease no. 05-103-AF) in the amount of \$3,183,781 for the purpose of financing capital improvements of the Tewinkle Park Athletic Field Complex. The obligation is due in semi-annual principal and interest payments of \$262,062. Each payment includes interest at a rate of 3.95% annum on the unpaid balance. The last payment is to be made on December 29, 2012. \$257,051

On July 27, 2009, the City of Costa Mesa entered into a 6 year lease purchase agreement with Oshkosh Capital in the amount of \$983,045 for the purchase of a Pierce Heavy Duty Tiller Truck for the fire department. The obligation is due in annual principal and interest payments of \$219,641. Each payment includes interest at a rate of 3.81% annum on the unpaid balance. The last payment is to be made on July 30, 2015. 800,858

Total capital leases payable \$1,057,909

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Park system	\$ 3,183,781
Equipment	6,295,310
Fire Truck (Auto)	<u>983,045</u>
Subtotal	10,462,136
Less: accumulated depreciation	<u>(6,354,254)</u>
Total	<u>\$ 4,107,882</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(10) Capital Leases Payable, (Continued)

Amount of future minimum lease payments required for years ending June 30, 2012:

Year Ending June 30	Governmental Activities			
	Tewinkle Park Athletic Field		TDA Firetruck	
	Principal	Interest	Principal	Interest
2013	\$257,051	5,012	189,129	30,513
2014	-	-	196,334	23,307
2015	-	-	203,815	15,826
2016	-	-	211,580	8,061
Total	<u>\$257,051</u>	<u>5,012</u>	<u>800,858</u>	<u>77,707</u>

(11) Debt Without Government Commitment

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

On October 1, 1994, the Costa Mesa Redevelopment Agency issued \$3,500,000 of Variable Rate Demand Multi-Family Housing Revenue Bonds, 1994 Series A, to advance refund the 1984 Multi-Family Housing Revenue Bonds and to make a loan to the Costa Mesa Family Village (the Developer). The bonds were issued under and secured by an indenture of trust by and between the Agency and First Trust of California National Association as trustee. The Bonds were issued in denominations of \$100,000 and are due November 1, 2014. The outstanding balance at June 30, 2012 was \$3,200,000.

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol intersection, street improvements to Anton Boulevard and repay certain costs incurred by third parties with respect to the construction of the Metro Fire Station and the I-405 Access Study. The City is not liable for repayment of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. The outstanding balance at June 30, 2012 was \$1,505,000.

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

(12) Fund Balances

Fund balance consisted of the following at June 30, 2012:

	<u>General</u>	<u>Housing Authority</u>	<u>Special Gas Tax</u>	<u>HOME</u>	<u>Park Development</u>	<u>Nonmajor Funds</u>
Nonspendable:						
Prepaid items/loan deposits	\$ 39,292	-	-	-	-	-
Inventories	40,588	-	-	-	-	-
Advance to other funds	2,997,657	-	-	-	-	-
Advance to Successor Agency	9,794,676	-	-	-	-	-
Restricted for:						
Protection of persons and property	-	-	-	-	-	1,905,217
Community programs	-	-	-	60,302	-	41,592
Public services	-	-	13,128,422	-	-	8,374,018
Debt service	-	-	-	-	-	7,075,697
Committed for:						
Declared disasters	14,125,000	-	-	-	-	-
Self insurance	2,000,000	-	-	-	-	-
Assigned for:						
Compensated absences	5,435,878	-	-	-	-	-
Police Retirement 1% Supplemental	2,440,991	-	-	-	-	-
OPEB	2,470,935	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	737,359
Public services	-	-	-	-	-	6,357,807
Unassigned	8,464,909	(160,874)	-	-	(2,572,832)	(141)
Total Fund Balance	<u>\$47,809,926</u>	<u>(160,874)</u>	<u>13,128,422</u>	<u>60,302</u>	<u>(2,572,832)</u>	<u>24,491,549</u>

The following governmental funds had deficits at June 30, 2012:

Major Funds:	
Park Development Fund	(\$2,572,832)*
Housing Authority	(160,874)

Nonmajor Funds:	
Special Revenue Funds:	
Homelessness Prevention Fund	(141)

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(13) Property Tax Calendar

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

(14) Defined Benefit Pension Plan

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

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 37.404% for safety fire and 34.063% for safety police and 19.052% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid from the period July 1, 2011 to June 30, 2012.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan, (Continued)

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

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date for safety police, and 23 Years as of the Valuation Date for miscellaneous plan
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 13.15% depending on Age, Service, and type of employment for safety police, and 3.55% to 14.45% depending on Age, Service, and type of employment for the miscellaneous plan
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

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

As of June 30, 2011, the most recent actuarial valuation date, the miscellaneous plan was 76.1% funded. The actuarial accrued liability for benefits was \$217.1 million, and the actuarial value of assets was \$165.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$51.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.2 million, and the ratio of the UAAL to the covered payroll was 256.2%.

As of June 30, 2011, the most recent actuarial valuation date, the safety plan was 71.6% funded. The actuarial accrued liability for benefits was \$204.8 million, and the actuarial value of assets was \$146.7 million, resulting in an unfunded actuarial accrued liability

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan, (Continued)

(UAAL) of \$58.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.6 million, and the ratio of the UAAL to the covered payroll was 329.8%.

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

Annual Pension (Employer Paid Member Contribution (EPMC))

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>	<u>Percentage of EPMC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$1,743,353	\$1,172,423	\$1,709,342	100%	-
6/30/11	1,757,330	983,455	1,483,728	100%	-
6/30/12	2,653,654	1,520,659	2,155,394	100%	-

(15) Police 1% Supplemental Retirement Plan

Plan Description: The City of Costs Mesa joined the CalPERS 3% @age 50 benefit plan for police employees on December 31, 2000. Prior to that date the City sponsored the retirement plan for safety employees of the City of Costa Mesa providing a 2% @age 50 benefit plan and the Police Officer Separation Incentive Plan providing an additional 1% @age 50 benefit plan. This section presents the actuarial valuation information for the Police Officer Separation Incentive Plan which has been in effect since July 1, 1993 for sworn members of the City of Costa Mesa Police Department. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3% @age 50 benefit plan. The number of participants as June 30, 2012 was twenty-two with an average age of 66.3. The average monthly benefit being paid is \$871.09. There are no trust financial statements applicable to this plan.

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

<u>Date</u>	<u>Annual Pension Cost</u>	<u>Employer Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$140,503	\$229,179	84.6%	\$2,624,382
6/30/11	140,503	229,966	84.8%	2,534,919
6/30/12	136,038	229,966	89.1%	2,440,991

Determination of Net Pension Obligation as of June 30, 2012

Annual required contribution	\$ 258,003
Interest on Net Pension Obligation	114,071
Adjustment to Annual Required Contribution	<u>(236,036)</u>
Annual Pension Cost	136,038
Less: Employer Contributions	<u>(229,966)</u>
Increase (decrease) in Net Pension Obligation	(93,928)
Net Pension Obligation, beginning of year	<u>2,534,919</u>
Net Pension Obligation, end of year	<u>\$ 2,440,991</u>

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

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year ending June 30, 2012, the City contributed \$1.609 million to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. There are no trust financial statements applicable to this plan.

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

Annual required contribution	\$2,146,578
Interest on Net OPEB Obligation (NOO)	86,701
NOO amortization adjustment to ARC	<u>(79,475)</u>
Annual OPEB cost (expense)	2,153,804
Annual contributions (including premiums paid)	<u>(1,609,565)</u>
Increase in net OPEB cost (expense)	544,239
Net OPEB obligation, beginning of year	<u>1,926,696</u>
Net OPEB obligation, end of year	<u>\$2,470,935</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Schedule of Employer Postemployment Benefit Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/10	\$2,195,589	\$1,454,137	66.2%
6/30/11	2,195,589	1,679,325	76.5%
6/30/12	2,146,578	1,609,565	75.0%

Annual OPEB Cost

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$2,198,079	66.2%	\$1,407,942
6/30/11	2,198,079	76.4%	1,926,696
6/30/12	2,153,804	74.7%	2,470,935

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

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

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

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

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

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2011/12 fiscal year. The City, with guidance from Actuary, has selected the discount rate (4.5%) and future medical benefit cost increase (various ranging from 4.5% to 10.10%), with a 3% inflation rate. It is assumed the City's payroll will increase 3.25% per year. A June 30, 2012 GAAP based Actuarial Valuation report can be obtained from the City's Finance department upon request.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full and part-time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution. The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended for 52 pay periods starting November 7, 2010. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2012 was \$0.

(18) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) are as follows at June 30, 2012:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Nonmajor Special Revenue Funds:				
Supplemental Law Enforcement Services	Protection of Person and Property	\$220,802	208,529	12,273
Narcotics Forfeiture Fund	Protection of Person and Property	699,408	397,000	302,408
Homelessness Prevention Fund	Community	155,352	155,211	141
Nonmajor Capital Projects Fund:				
Redevelopment Projects Fund	Community	678,818	435,431	243,387

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 \$9,790,405 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$6,276,364 for workers’ compensation and \$3,514,041 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, 2012 is dependent on future developments, based upon information from the City Attorney, the City’s claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$25,000 to \$2,000,000 for which the likelihood of an unfavorable outcome is only reasonably possible, as determined by legal counsel.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2010-2011	\$10,059,963	\$2,735,037	(\$2,849,440)	\$9,945,560
2011-2012	9,945,560	3,413,289	(3,568,444)	9,790,405

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(20) Pledged Revenue

The City of Costa Mesa and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized and disclosed in the debt description in Note 8. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expense where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Real Property Tax Trust Fund (RPTTF)	\$ 690,362	\$ 690,362	100.00 %
Mello-Roos CFD 91-1	244,045	217,054	88.94 %

(21) Participant in Joint Venture

The City of Costa Mesa participates in a joint venture with the City of Newport Beach to provide Airborne Law Enforcement Services (ABLE). The purpose of ABLE is to use the equipment and personnel of the member agencies to provide helicopter law enforcement services to its citizens and to other requesting parties. The Board of Governors is comprised of two members from each City. In February 2011, ABLE's Board of Directors made a decision to dissolve the joint venture and commencing July 1, 2011 the member agencies ceased to contribute to the operation. At June 30, 2012, ABLE had not disposed of all its capital assets and will continue to exist until all capital assets and inventory are disposed. At June 30, 2012, ABLE had net assets of \$4,928,077. It is the intent of the member agencies that the entity will be dissolved in fiscal year 2012-13. Upon completion, separate financial statements of ABLE can be obtained at Costa Mesa City Hall.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Costa Mesa that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 1, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 11-37.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, the successor agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directed the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

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

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from government funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds – decrease to net assets of the Successor Agency Trust Fund	(\$5,645,371)
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	<u>(3,615,000)</u>
Extraordinary gain reported in the government-wide financial statements of the City	<u>(\$9,260,371)</u>

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(23) Successor Agency Disclosures

The liabilities of the former Redevelopment Agency were transferred to the Successor Agency from the City of Costa Mesa Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to the long-term liabilities are as follows:

Bonds Payable

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

The amount required for bond reserve for the 2003 Tax Allocation Refunding Bonds is \$704,300. The City has \$704,300 on reserve with the fiscal agent at June 30, 2012. The principal balance outstanding at June 30, 2012 is \$3,615,000.

The annual debt service requirements for the Redevelopment Agency 2003 Tax Allocation Refunding Bonds as of June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 545,000	145,276
2014	565,000	123,075
2015	590,000	100,712
2016	610,000	77,450
2017	635,000	49,375
2018	<u>670,000</u>	<u>16,750</u>
Total	<u>\$3,615,000</u>	<u>512,638</u>

Advance

The General Fund advanced \$9,794,676 to the Successor Agency Fund (previously with the Redevelopment Agency) represents a note between the General Fund and the Successor Agency Private Purpose Trust Fund. Interest is stated at a rate of 8%. Repayment of the note is not expected in the forthcoming year, but the advance is expected to be repaid.



City of Costa Mesa California

REQUIRED SUPPLEMENTARY
INFORMATION



Required Supplementary Information

CITY OF COSTA MESA, CALIFORNIA

Schedule of Funding Progress

For the fiscal year ended June 30, 2012

CalPERS Miscellaneous Pension Plan
(dollar amounts in thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/09	\$190,478	\$151,348	\$39,130	79.5%	\$27,258	143.6%
6/30/10	202,584	158,819	43,765	78.4%	24,115	181.5%
6/30/11	217,133	165,287	51,845	76.1%	20,235	256.2%

CalPERS Safety Pension Plan
(dollar amounts in thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/09	\$180,401	\$132,551	\$47,850	73.5%	\$18,832	254.1%
6/30/10	190,631	139,146	51,485	73.0%	17,859	288.3%
6/30/11	204,751	146,669	58,082	71.6%	17,613	329.8%

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

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/09	\$ 2,911	\$ -	\$ 2,911	00.0%	N/A	0.0%
6/30/10	2,911	-	2,911	00.0%	N/A	0.0%
6/30/11	2,771	-	2,771	00.0%	N/A	0.0%

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

Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/09	\$ -	\$35,492	\$35,492	0%	\$45,365	78.2%
6/30/10	-	35,492	35,492	0%	49,021	72.4%
6/30/11	-	36,429	36,429	0%	38,315	95.1%

*UAAL refers to unfunded actuarial accrued liability.



GENERAL FUND

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

MAJOR SPECIAL REVENUE FUNDS

Housing Authority Fund

Established pursuant to the Health and Safety Code, Section 34176(a). The primary purpose of the Housing Authority is to promote affordable housing for families of low and moderate income within the City of Costa Mesa.

Special Gas Tax Fund

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

HOME Program Fund

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

CITY OF COSTA MESA, CALIFORNIA

General Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes:					
Sales tax	\$ 41,350,000	41,350,000	42,234,308	884,308	40,173,714
Property tax	20,945,000	20,945,000	20,591,798	(353,202)	20,748,997
Transient occupancy tax	5,950,000	6,200,000	6,524,510	324,510	5,344,968
Franchise tax	4,050,000	4,400,000	4,471,326	71,326	4,240,255
Business license tax	850,000	850,000	888,967	38,967	866,442
Total taxes	73,145,000	73,745,000	74,710,909	965,909	71,374,376
Licenses and permits	1,728,000	1,728,000	1,903,361	175,361	1,557,797
Fines and forfeits	2,025,000	1,675,000	1,537,454	(137,546)	1,743,743
Intergovernmental:					
Motor vehicle in-lieu	9,050,000	9,050,000	8,594,277	(455,723)	9,112,000
Grants and other reimbursements	768,810	1,218,561	841,652	(376,909)	551,534
Total intergovernmental	9,818,810	10,268,561	9,435,929	(832,632)	9,663,534
Charges for services	3,639,894	3,557,744	3,690,432	132,688	3,696,642
Rental	2,644,500	2,644,500	2,861,208	216,708	2,801,058
Investment income	1,045,000	1,045,000	570,715	(474,285)	1,625,086
Miscellaneous	681,000	703,100	971,949	268,849	805,648
Total revenues	94,727,204	95,366,905	95,681,957	315,052	93,267,884
Expenditures:					
Current:					
General government:					
City council	209,645	209,645	222,285	(12,640)	190,684
Chief executive officer:					
Administration	1,257,858	1,257,858	1,734,719	(476,861)	1,067,684
City clerk	319,445	320,425	478,130	(157,705)	377,773
Personnel services	982,856	984,227	982,304	1,923	596,498
Central services	459,451	459,451	459,510	(59)	465,616
Risk management services	2,646,546	2,672,771	2,410,541	262,230	2,491,512
City attorney	803,000	803,000	955,916	(152,916)	853,861
Financial services and information technology	4,729,662	4,754,996	4,665,547	89,449	4,226,780
Development services:					
Administration	449,511	449,511	474,896	(25,385)	502,221
Facilities and equipment maintenance	9,388,448	9,472,996	8,590,539	882,457	7,106,323
Total general government	21,246,422	21,384,880	20,974,387	410,493	17,878,952

(Continued)

CITY OF COSTA MESA, CALIFORNIA

(Continued)

General Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Protection of persons and property:					
Police protection:					
Police protection	34,517,559	34,821,165	33,274,295	1,546,870	33,897,647
Communication services	3,776,324	4,068,457	3,404,952	663,505	3,693,304
Fire protection	19,745,466	19,828,657	19,727,686	100,971	19,256,827
Building and safety	1,685,921	1,718,756	1,500,498	218,258	1,343,670
Total protection of persons and property	<u>59,725,270</u>	<u>60,437,035</u>	<u>57,907,431</u>	<u>2,529,604</u>	<u>58,191,448</u>
Community programs:					
Community recreation	3,548,784	3,555,874	3,110,662	445,212	3,129,899
Planning	1,141,775	1,141,775	831,871	309,904	828,992
Total community programs	<u>4,690,559</u>	<u>4,697,649</u>	<u>3,942,533</u>	<u>755,116</u>	<u>3,958,891</u>
Public services:					
Administration	1,137,161	1,137,161	1,134,576	2,585	1,155,966
Engineering	1,400,257	1,427,108	1,576,901	(149,793)	2,134,922
Transportation	2,340,675	2,366,775	2,212,211	154,564	2,260,761
Total public services	<u>4,878,093</u>	<u>4,931,044</u>	<u>4,923,688</u>	<u>7,356</u>	<u>5,551,649</u>
Debt service:					
Principal	670,739	670,739	540,739	130,000	560,904
Interest and fiscal charges	123,488	123,488	25,434	98,054	88,138
Total debt service	<u>794,227</u>	<u>794,227</u>	<u>566,173</u>	<u>228,054</u>	<u>649,042</u>
Non-departmental	(1,580,000)	(1,773,000)	-	(1,773,000)	-
Total expenditures	<u>89,754,571</u>	<u>90,471,835</u>	<u>88,314,212</u>	<u>2,157,623</u>	<u>86,229,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,972,633</u>	<u>4,895,070</u>	<u>7,367,745</u>	<u>2,472,675</u>	<u>7,037,902</u>
Other financing sources (uses):					
Transfers in	-	113,000	7,059	(105,941)	2,011,580
Transfers out	(4,895,604)	(4,895,604)	(4,840,408)	55,196	(5,294,017)
Total other financing sources (uses)	<u>(4,895,604)</u>	<u>(4,782,604)</u>	<u>(4,833,349)</u>	<u>(50,745)</u>	<u>(3,282,437)</u>
Net change in fund balance	77,029	112,466	2,534,396	2,421,930	3,755,465
Fund balance at beginning of year	<u>45,275,530</u>	<u>45,275,530</u>	<u>45,275,530</u>	-	<u>41,520,065</u>
Fund balance at end of year	<u>\$ 45,352,559</u>	<u>45,387,996</u>	<u>47,809,926</u>	<u>2,421,930</u>	<u>45,275,530</u>

CITY OF COSTA MESA, CALIFORNIA

Special Gas Tax Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	3,115,000	3,115,000	3,277,043	162,043	2,734,146
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	75,000	75,000	182,538	107,538	192,948
Miscellaneous	-	-	7,000	7,000	-
Total revenues	<u>3,190,000</u>	<u>3,190,000</u>	<u>3,466,581</u>	<u>276,581</u>	<u>2,927,094</u>
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	6,476,403	11,901,392	2,491,103	9,410,289	1,128,646
Total expenditures	<u>6,476,403</u>	<u>11,901,392</u>	<u>2,491,103</u>	<u>9,410,289</u>	<u>1,128,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,286,403)</u>	<u>(8,711,392)</u>	<u>975,478</u>	<u>9,686,870</u>	<u>1,798,448</u>
Other financing sources (uses):					
Transfers in	-	-	250,000	250,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	<u>(3,286,403)</u>	<u>(8,711,392)</u>	<u>1,225,478</u>	<u>9,936,870</u>	<u>1,798,448</u>
Fund balance at beginning of year	<u>11,902,944</u>	<u>11,902,944</u>	<u>11,902,944</u>	<u>-</u>	<u>10,104,496</u>
Fund balance at end of year	<u>\$ 8,616,541</u>	<u>3,191,552</u>	<u>13,128,422</u>	<u>9,936,870</u>	<u>11,902,944</u>

CITY OF COSTA MESA, CALIFORNIA

HOME Program Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	665,085	665,085	599,391	(65,694)	326,481
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	450	450	-
Miscellaneous	-	-	123,988	123,988	40,164
Total revenues	665,085	665,085	723,829	58,744	366,645
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	846,670	846,670	544,252	302,418	423,809
Public services	-	-	-	-	-
Total expenditures	846,670	846,670	544,252	302,418	423,809
Excess (deficiency) of revenues over (under) expenditures	(181,585)	(181,585)	179,577	361,162	(57,164)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(181,585)	(181,585)	179,577	361,162	(57,164)
Fund balance (deficit) at beginning of year	(119,275)	(119,275)	(119,275)	-	(62,111)
Fund balance (deficit) at end of year	\$ (300,860)	(300,860)	60,302	361,162	(119,275)

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
For the fiscal year ended June 30, 2012

(1) Budgetary Data

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

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

The City Council adopts each year's budget submitted by the Chief Executive Officer prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Interfunctional budget changes are approved by the Chief Executive Officer. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2012, supplementary appropriations were made totaling \$19,065,032. At fiscal year-end all operating budget appropriations lapse.

City of Costa Mesa California

SUPPLEMENTARY
SCHEDULES



Supplementary Schedules

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2012	2011
<u>Assets</u>					
Cash and investments	\$ 3,215,629	1,505,000	14,513,353	19,233,982	22,702,088
Cash and investments with fiscal agent	-	5,570,697	-	5,570,697	6,248,007
Due from other governments	377,109	-	2,168,419	2,545,528	3,089,311
Accounts receivable	-	-	30,570	30,570	22,228
Interest receivable	10,368	-	50,262	60,630	1,364,673
Loans receivable	984,861	-	-	984,861	5,756,915
Rent receivable	-	-	-	-	1,120,624
Due from other funds	-	-	-	-	15,000
Advances to other funds	156,283	-	-	156,283	161,638
Prepaid items	-	-	-	-	13,662
Total assets	\$ 4,744,250	7,075,697	16,762,604	28,582,551	40,494,146
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 176,895	-	373,799	550,694	809,432
Accrued liabilities	722,397	-	10,950	733,347	608,693
Retentions payable	9,105	-	151,665	160,770	160,053
Deposits payable	-	-	-	-	100,000
Due to other funds	114,872	-	-	114,872	261,765
Advance from other funds	-	-	-	-	10,434,212
Deferred revenue	1,149,355	-	1,381,964	2,531,319	8,412,524
Total liabilities	2,172,624	-	1,918,378	4,091,002	20,786,679
Fund balances:					
Nonspendable					
Prepaid items/deposits	-	-	-	-	13,662
Restricted for:					
Protection of persons and property	1,905,217	-	-	1,905,217	715,383
Community programs	41,592	-	-	41,592	4,356
Public services	624,958	-	7,749,060	8,374,018	9,147,269
Redevelopment	-	-	-	-	5,236,185
Debt service	-	7,075,697	-	7,075,697	(2,537,596)
Assigned for:					
Protection of persons and property	-	-	737,359	737,359	726,525
Public services	-	-	6,357,807	6,357,807	6,420,250
Unassigned	(141)	-	-	(141)	(18,567)
Total fund balances	2,571,626	7,075,697	14,844,226	24,491,549	19,707,467
Total liabilities and fund balances	\$ 4,744,250	7,075,697	16,762,604	28,582,551	40,494,146

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, 2012

(With Comparative Data for Prior Year)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2012	2011
Revenues:					
Taxes	\$ 843,542	968,358	4,184	1,816,084	4,657,549
Fines and forfeits	1,970,727	-	-	1,970,727	361,073
Intergovernmental	2,091,513	-	4,435,065	6,526,578	8,957,257
Charges for services	-	-	450,320	450,320	712,924
Rental	10,555	-	92,693	103,248	98,991
Investment income	46,664	134,452	228,754	409,870	434,434
Miscellaneous	48,933	-	197,630	246,563	223,413
Total revenues	5,011,934	1,102,810	5,408,646	11,523,390	15,445,641
Expenditures:					
Current:					
Protection of persons and property	2,085,933	-	-	2,085,933	1,709,289
Community programs	1,513,524	-	-	1,513,524	2,044,124
Public services	164,012	-	5,984,354	6,148,366	5,069,394
Redevelopment	232,886	-	678,818	911,704	862,541
Debt service:					
Principal	-	3,985,000	-	3,985,000	3,835,000
Interest and fiscal charges	-	2,479,784	-	2,479,784	2,750,538
Total expenditures	3,996,355	6,464,784	6,663,172	17,124,311	16,270,886
Excess (deficiency) of revenues over (under) expenditures	1,015,579	(5,361,974)	(1,254,526)	(5,600,921)	(825,245)
Other financing sources (uses):					
Transfers in	33,804	4,808,305	-	4,842,109	6,448,720
Transfers out	(6,991)	-	(251,769)	(258,760)	(2,927,778)
Total other financing sources (uses)	26,813	4,808,305	(251,769)	4,583,349	3,520,942
Net change in fund balances, before extraordinary item	1,042,392	(553,669)	(1,506,295)	(1,017,572)	2,695,697
Extraordinary item:					
Gain (loss) on transfer to successor agency	(2,823,892)	10,166,962	(1,541,416)	5,801,654	-
Net change in fund balances	(1,781,500)	9,613,293	(3,047,711)	4,784,082	2,695,697
Fund balances at beginning of year	4,353,126	(2,537,596)	17,891,937	19,707,467	17,011,770
Fund balances at end of year	\$ 2,571,626	7,075,697	14,844,226	24,491,549	19,707,467

NONMAJOR SPECIAL REVENUE FUNDS

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

Proposition 172 Fund

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

Air Quality Improvement Fund

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

Community Development Fund

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

Supplemental Law Enforcement Services Fund (SLESF)

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

Rental Rehabilitation Program Fund

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

Narcotics Forfeiture Fund

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

Local Law Enforcement Block Grant Fund

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

Office of Traffic Safety Fund

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

Homelessness Prevention Fund

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

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. Activity in this fund is reflected through January 31, 2012, pursuant to the State of California's dissolution of redevelopment agencies. Most of the subsequent activity, assets, liabilities, and fund balances are reflected in the Housing Authority Fund.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2012

(With Comparative Data for Prior Year)

<u>Assets</u>	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
Cash and investments	\$ 323,452	588,952	18,436	-	-
Due from other governments	67,186	34,107	148,353	46,364	-
Interest receivable	1,043	1,899	59	-	-
Loans receivable	-	-	634,506	-	350,355
Advances to other funds	-	-	156,283	-	-
Prepaid items	-	-	-	-	-
Total assets	\$ 391,681	624,958	957,637	46,364	350,355
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	-	105,354	-	-
Accrued liabilities	12,786	-	10,797	4,491	-
Retentions payable	-	-	9,105	-	-
Due to other funds	-	-	-	41,064	-
Deferred revenue	-	-	790,789	-	350,355
Total liabilities	12,786	-	916,045	45,555	350,355
Fund balances:					
Nonspendable					
Prepaid items/deposits	-	-	-	-	-
Restricted for:					
Protection of persons or property	378,895	-	-	809	-
Community programs	-	-	41,592	-	-
Public services	-	624,958	-	-	-
Redevelopment	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	378,895	624,958	41,592	809	-
Total liabilities and fund balances	\$ 391,681	624,958	957,637	46,364	350,355

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Homelessness Prevention	Low and Moderate Income Housing	Totals	
					2012	2011
2,253,905	30,884	-	-	-	3,215,629	5,057,729
112	-	73,667	7,320	-	377,109	657,184
7,267	100	-	-	-	10,368	9,874
-	-	-	-	-	984,861	5,756,915
-	-	-	-	-	156,283	161,638
-	-	-	-	-	-	813
<u>2,261,284</u>	<u>30,984</u>	<u>73,667</u>	<u>7,320</u>	<u>-</u>	<u>4,744,250</u>	<u>11,644,153</u>
64,221	-	-	7,320	-	176,895	496,357
694,323	-	-	-	-	722,397	608,365
-	-	-	-	-	9,105	37,636
-	-	73,667	141	-	114,872	183,033
8,211	-	-	-	-	1,149,355	5,965,636
<u>766,755</u>	<u>-</u>	<u>73,667</u>	<u>7,461</u>	<u>-</u>	<u>2,172,624</u>	<u>7,291,027</u>
-	-	-	-	-	-	813
1,494,529	30,984	-	-	-	1,905,217	715,383
-	-	-	-	-	41,592	4,356
-	-	-	-	-	624,958	630,275
-	-	-	-	-	-	3,020,866
-	-	-	(141)	-	(141)	(18,567)
<u>1,494,529</u>	<u>30,984</u>	<u>-</u>	<u>(141)</u>	<u>-</u>	<u>2,571,626</u>	<u>4,353,126</u>
<u>2,261,284</u>	<u>30,984</u>	<u>73,667</u>	<u>7,320</u>	<u>-</u>	<u>4,744,250</u>	<u>11,644,153</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, 2012

(With Comparative Data for Prior Year)

	Proposition 172	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
Revenues:					
Taxes	\$ 843,542	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	149,631	1,364,809	182,481	-
Rental	-	-	10,555	-	-
Investment income	4,909	8,350	4,915	-	-
Miscellaneous	-	714	15,129	-	-
Total revenues	848,451	158,695	1,395,408	182,481	-
Expenditures:					
Current:					
Protection of persons and property	965,897	-	-	220,802	-
Community programs	-	-	1,358,172	-	-
Public services	-	164,012	-	-	-
Redevelopment	-	-	-	-	-
Total expenditures	965,897	164,012	1,358,172	220,802	-
Excess (deficiency) of revenues over (under) expenditures	(117,446)	(5,317)	37,236	(38,321)	-
Other financing sources (uses):					
Transfers in	-	-	-	33,226	578
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	33,226	578
Net change in fund balances, before extraordinary item	(117,446)	(5,317)	37,236	(5,095)	578
Extraordinary item:					
Loss on transfer to successor agency	-	-	-	-	-
Net change in fund balances	(117,446)	(5,317)	37,236	(5,095)	578
Fund balances (deficit) at beginning of year	496,341	630,275	4,356	5,904	(578)
Fund balances (deficit) at end of year	\$ 378,895	624,958	41,592	809	-

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Homelessness Prevention	Low and Moderate Income Housing	Totals	
					2012	2011
-	-	-	-	-	843,542	1,613,558
1,970,727	-	-	-	-	1,970,727	361,073
20,471	1,565	199,356	173,200	-	2,091,513	2,724,024
-	-	-	-	-	10,555	10,000
21,575	506	-	-	6,409	46,664	38,204
4,400	-	-	-	28,690	48,933	73,750
<u>2,017,173</u>	<u>2,071</u>	<u>199,356</u>	<u>173,200</u>	<u>35,099</u>	<u>5,011,934</u>	<u>4,820,609</u>
699,408	-	199,826	-	-	2,085,933	1,709,289
-	-	-	155,352	-	1,513,524	2,044,124
-	-	-	-	-	164,012	214,265
-	-	-	-	232,886	232,886	440,354
<u>699,408</u>	<u>-</u>	<u>199,826</u>	<u>155,352</u>	<u>232,886</u>	<u>3,996,355</u>	<u>4,408,032</u>
<u>1,317,765</u>	<u>2,071</u>	<u>(470)</u>	<u>17,848</u>	<u>(197,787)</u>	<u>1,015,579</u>	<u>412,577</u>
-	-	-	-	-	33,804	189,966
-	-	(6,991)	-	-	(6,991)	-
-	-	(6,991)	-	-	26,813	189,966
1,317,765	2,071	(7,461)	17,848	(197,787)	1,042,392	602,543
-	-	-	-	(2,823,892)	(2,823,892)	-
1,317,765	2,071	(7,461)	17,848	(3,021,679)	(1,781,500)	602,543
176,764	28,913	7,461	(17,989)	3,021,679	4,353,126	3,750,583
<u>1,494,529</u>	<u>30,984</u>	<u>-</u>	<u>(141)</u>	<u>-</u>	<u>2,571,626</u>	<u>4,353,126</u>

CITY OF COSTA MESA, CALIFORNIA

Proposition 172 Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 825,000	825,000	843,542	18,542	779,510
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	1,000	1,000	4,909	3,909	4,179
Miscellaneous	-	-	-	-	-
Total revenues	826,000	826,000	848,451	22,451	783,689
Expenditures:					
Current:					
Protection of persons and property	1,233,043	1,237,580	965,897	271,683	703,468
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	1,233,043	1,237,580	965,897	271,683	703,468
Excess (deficiency) of revenues over (under) expenditures	(407,043)	(411,580)	(117,446)	294,134	80,221
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(407,043)	(411,580)	(117,446)	294,134	80,221
Fund balance at beginning of year	496,341	496,341	496,341	-	416,120
Fund balance at end of year	\$ 89,298	84,761	378,895	294,134	496,341

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	140,000	167,037	149,631	(17,406)	162,676
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	6,300	6,300	8,350	2,050	11,405
Miscellaneous	-	-	714	714	31
Total revenues	146,300	173,337	158,695	(14,642)	174,112
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	95,000	591,986	164,012	427,974	214,265
Total expenditures	95,000	591,986	164,012	427,974	214,265
Excess (deficiency) of revenues over (under) expenditures	51,300	(418,649)	(5,317)	413,332	(40,153)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	51,300	(418,649)	(5,317)	413,332	(40,153)
Fund balance at beginning of year	630,275	630,275	630,275	-	670,428
Fund balance at end of year	\$ 681,575	211,626	624,958	413,332	630,275

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	1,230,892	1,886,358	1,364,809	(521,549)	1,641,542
Charges for services	-	-	-	-	-
Rental	-	-	10,555	10,555	10,000
Investment income	-	-	4,915	4,915	5,004
Miscellaneous	-	-	15,129	15,129	-
Total revenues	1,230,892	1,886,358	1,395,408	(490,950)	1,656,546
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	1,204,217	1,841,686	1,358,172	483,514	1,773,628
Public services	-	-	-	-	-
Total expenditures	1,204,217	1,841,686	1,358,172	483,514	1,773,628
Excess (deficiency) of revenues over (under) expenditures	26,675	44,672	37,236	(7,436)	(117,082)
Other financing sources (uses):					
Transfers in	-	-	-	-	88,991
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	88,991
Net change in fund balance	26,675	44,672	37,236	(7,436)	(28,091)
Fund balance at beginning of year	4,356	4,356	4,356	-	32,447
Fund balance at end of year	\$ 31,031	49,028	41,592	(7,436)	4,356

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	100,000	100,000	182,481	82,481	114,921
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	40
Miscellaneous	-	-	-	-	-
Total revenues	100,000	100,000	182,481	82,481	114,961
Expenditures:					
Current:					
Protection of persons and property	208,529	208,529	220,802	(12,273)	212,888
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	208,529	208,529	220,802	(12,273)	212,888
Excess (deficiency) of revenues over (under) expenditures	(108,529)	(108,529)	(38,321)	70,208	(97,927)
Other financing sources (uses):					
Transfers in	100,000	100,000	33,226	(66,774)	100,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	100,000	100,000	33,226	(66,774)	100,000
Net change in fund balance	(8,529)	(8,529)	(5,095)	3,434	2,073
Fund balance at beginning of year	5,904	5,904	5,904	-	3,831
Fund balance at end of year	\$ (2,625)	(2,625)	809	3,434	5,904

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	300,000	300,000	1,970,727	1,670,727	361,073
Intergovernmental	5,000	5,000	20,471	15,471	13,934
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	4,500	4,500	21,575	17,075	2,120
Miscellaneous	-	-	4,400	4,400	-
Total revenues	309,500	309,500	2,017,173	1,707,673	377,127
Expenditures:					
Current:					
Protection of persons and property	397,000	397,000	699,408	(302,408)	352,943
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	397,000	397,000	699,408	(302,408)	352,943
Excess (deficiency) of revenues over (under) expenditures	(87,500)	(87,500)	1,317,765	1,405,265	24,184
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(87,500)	(87,500)	1,317,765	1,405,265	24,184
Fund balance at beginning of year	176,764	176,764	176,764	-	152,580
Fund balance at end of year	\$ 89,264	89,264	1,494,529	1,405,265	176,764

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	40,630	1,565	(39,065)	119,472
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	506	506	96
Miscellaneous	-	-	-	-	-
Total revenues	-	40,630	2,071	(38,559)	119,568
Expenditures:					
Current:					
Protection of persons and property	-	39,066	-	39,066	90,513
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	-	39,066	-	39,066	90,513
Excess (deficiency) of revenues over (under) expenditures	-	1,564	2,071	507	29,055
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	1,564	2,071	507	29,055
Fund balance (deficit) at beginning of year	28,913	28,913	28,913	-	(142)
Fund balance at end of year	\$ 28,913	30,477	30,984	507	28,913

CITY OF COSTA MESA, CALIFORNIA

Office of Traffic Safety Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	313,537	199,356	(114,181)	349,303
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	313,537	199,356	(114,181)	349,303
Expenditures:					
Current:					
Protection of persons and property	-	307,412	199,826	107,586	349,477
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Total expenditures	-	307,412	199,826	107,586	349,477
Excess (deficiency) of revenues over (under) expenditures	-	6,125	(470)	(6,595)	(174)
Other financing sources (uses):					
Transfers in	-	-	-	-	975
Transfers out	-	-	(6,991)	(6,991)	-
Total other financing sources (uses)	-	-	(6,991)	(6,991)	975
Net change in fund balance	-	6,125	(7,461)	(13,586)	801
Fund balance at beginning of year	7,461	7,461	7,461	-	6,660
Fund balance at end of year	\$ 7,461	13,586	-	(13,586)	7,461

CITY OF COSTA MESA, CALIFORNIA

Homelessness Prevention Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	173,200	173,200	-	282,176
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	173,200	173,200	-	282,176
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	155,211	155,352	(141)	270,496
Public services	-	-	-	-	-
Total expenditures	-	155,211	155,352	(141)	270,496
Excess (deficiency) of revenues over (under) expenditures	-	17,989	17,848	(141)	11,680
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	17,989	17,848	(141)	11,680
Fund balance (deficit) at beginning of year	(17,989)	(17,989)	(17,989)	-	(29,669)
Fund balance (deficit) at end of year	<u>\$ (17,989)</u>	<u>-</u>	<u>(141)</u>	<u>(141)</u>	<u>(17,989)</u>

CITY OF COSTA MESA, CALIFORNIA

Low and Moderate Income Housing Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 825,000	825,000	-	(825,000)	834,048
Fines and forfeits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	8,250	8,250	6,409	(1,841)	15,360
Miscellaneous	-	-	28,690	28,690	73,719
Total revenues	833,250	833,250	35,099	(798,151)	923,127
Expenditures:					
Current:					
Protection of persons and property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Redevelopment	583,542	583,542	232,886	350,656	440,354
Total expenditures	583,542	583,542	232,886	350,656	440,354
Excess (deficiency) of revenues over (under) expenditures	249,708	249,708	(197,787)	(447,495)	482,773
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance, before extraordinary item	249,708	249,708	(197,787)	(447,495)	482,773
Extraordinary item:					
Loss on transfer to successor agency	-	-	(2,823,892)	(2,823,892)	-
Net change in fund balance	249,708	249,708	(3,021,679)	(3,271,387)	482,773
Fund balance at beginning of year	3,021,679	3,021,679	3,021,679	-	2,538,906
Fund balance at end of year	\$ 3,271,387	3,271,387	-	(3,271,387)	3,021,679

NONMAJOR DEBT SERVICE FUNDS

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

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

Financing Authority Debt Service Fund

To accumulate monies for payment of the 2007 Certificates of Participation (COP), 2006 Revenue Refunding Bonds, the 2003 Refunding Certificates of Participation, and the 1998 Refunding Revenue Bonds of the Corporation. The 2007 COP provided funding for the expansion of the police facility. The 2006 Revenue Refunding bonds refunded the 1991 Local Agency Revenues Bonds that provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds. The 2003 Refunding COP refunded the 1993 Refunding Revenue Bonds that provided for the refunding of the Costa Mesa City Hall and Public Safety Facilities, Inc. 1966 and 1988 Lease Revenue Bond issues. The 1998 Refunding Revenue Bonds provided for the refunding of the 1990 Lease Revenue Bonds.

Redevelopment Agency Debt Service Fund

To accumulate monies for payment of the 2003 Tax Allocation Refunding Bonds, the promissory note due upon demand to the City of Costa Mesa and other developer loans. All tax increments received are placed in this fund and are used to retire debt (bonded or loans) in accordance with the Health and Safety Code. Activity in this fund is reflected through January 31, 2012, pursuant to the State of California's dissolution of redevelopment agencies. All subsequent activity, assets, liabilities, and fund balances are reflected in the Successor Agency of the Costa Mesa Redevelopment Agency, a private purpose trust fund.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Debt Service Funds

Combining Balance Sheet

June 30, 2012

(With Comparative Data for Prior Year)

	Financing	Redevelopment	Totals	
	Authority Debt Service	Agency Debt Service	2012	2011
<u>Assets</u>				
Cash and investments	\$ 1,505,000	-	1,505,000	1,615,000
Cash and investments with fiscal agent	5,570,697	-	5,570,697	6,248,007
Due from other governments	-	-	-	17,393
Interest receivable	-	-	-	1,216
Due from other funds	-	-	-	15,000
Total assets	<u>\$ 7,075,697</u>	<u>-</u>	<u>7,075,697</u>	<u>7,896,616</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accrued liabilities	\$ -	-	-	-
Advances from other funds	-	-	-	10,434,212
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,434,212</u>
Fund balances:				
Restricted for:				
Debt service	<u>7,075,697</u>	<u>-</u>	<u>7,075,697</u>	<u>(2,537,596)</u>
Total fund balances	<u>7,075,697</u>	<u>-</u>	<u>7,075,697</u>	<u>(2,537,596)</u>
Total liabilities and fund balances	<u>\$ 7,075,697</u>	<u>-</u>	<u>7,075,697</u>	<u>7,896,616</u>

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, 2012

(With Comparative Data for Prior Year)

	Financing Authority Debt Service	Redevelopment Agency Debt Service	Totals	
			2012	2011
Revenues:				
Taxes	\$ -	968,358	968,358	3,043,202
Investment income	134,439	13	134,452	146,991
Miscellaneous	-	-	-	15,000
Total revenues	<u>134,439</u>	<u>968,371</u>	<u>1,102,810</u>	<u>3,205,193</u>
Expenditures:				
Debt service:				
Principal	3,460,000	525,000	3,985,000	3,835,000
Interest and fiscal charges	1,564,053	915,731	2,479,784	2,750,538
Total expenditures	<u>5,024,053</u>	<u>1,440,731</u>	<u>6,464,784</u>	<u>6,585,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,889,614)</u>	<u>(472,360)</u>	<u>(5,361,974)</u>	<u>(3,380,345)</u>
Other financing sources (uses):				
Transfers in	4,806,604	1,701	4,808,305	4,811,144
Transfers out	-	-	-	(1,065,712)
Total other financing sources (uses)	<u>4,806,604</u>	<u>1,701</u>	<u>4,808,305</u>	<u>3,745,432</u>
Net change in fund balances, before extraordinary item	<u>(83,010)</u>	<u>(470,659)</u>	<u>(553,669)</u>	<u>365,087</u>
Extraordinary item:				
Gain on transfer to successor agency	-	10,166,962	10,166,962	-
Net change in fund balances	<u>(83,010)</u>	<u>9,696,303</u>	<u>9,613,293</u>	<u>365,087</u>
Fund balances (deficit) at beginning of year	<u>7,158,707</u>	<u>(9,696,303)</u>	<u>(2,537,596)</u>	<u>(2,902,683)</u>
Fund balances (deficit) at end of year	<u>\$ 7,075,697</u>	<u>-</u>	<u>7,075,697</u>	<u>(2,537,596)</u>

CITY OF COSTA MESA, CALIFORNIA
Redevelopment Agency Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2012
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 3,300,000	3,300,000	968,358	(2,331,642)	3,043,202
Investment income	33,000	33,000	13	(32,987)	4,094
Miscellaneous	25,510	25,510	-	(25,510)	15,000
Total revenues	3,358,510	3,358,510	968,371	(2,390,139)	3,062,296
Expenditures:					
Debt service:					
Principal	1,008,255	1,008,255	525,000	483,255	510,000
Interest and fiscal charges	995,017	992,017	915,731	76,286	1,046,213
Total expenditures	2,003,272	2,000,272	1,440,731	559,541	1,556,213
Excess (deficiency) of revenues over (under) expenditures	1,355,238	1,358,238	(472,360)	(1,830,598)	1,506,083
Other financing sources (uses):					
Transfers in	-	-	1,701	1,701	-
Transfers out	(1,355,238)	(1,355,238)	-	1,355,238	(1,065,712)
Total other financing sources (uses)	(1,355,238)	(1,355,238)	1,701	1,356,939	(1,065,712)
Net change in fund balance, before extraordinary item	-	3,000	(470,659)	(473,659)	440,371
Extraordinary Item:					
Gain on transfer to successor agency	-	-	10,166,962	10,166,962	-
Net change in fund balance	-	3,000	9,696,303	9,693,303	440,371
Fund balance (deficit) at beginning of year	(9,696,303)	(9,696,303)	(9,696,303)	-	(10,136,674)
Fund balance (deficit) at end of year	\$ (9,696,303)	(9,693,303)	-	9,693,303	(9,696,303)

MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS

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

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

Park Development Fund

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

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

Capital Improvements Fund

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

Measure "M" Construction Fund

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

Parking Districts Fund

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

Golf Course Improvements Fund

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

Drainage Fees Fund

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

Traffic Impact Fees Fund

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

Fire System Development Fees Fund

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

Redevelopment Projects Fund

Established to account or financial resources to be used for acquisition or construction of major capital facilities within the Redevelopment Project Areas of Costa Mesa. Activity in this fund is reflected through January 31, 2012, pursuant to the State of California's dissolution of redevelopment agencies. All subsequent activity, assets, liabilities, and fund balances are reflected in the Successor Agency of the Costa Mesa Redevelopment Agency, a private purpose trust fund.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2012

(With Comparative Data for Prior Year)

	<u>Capital Improvements</u>	<u>Measure "M" Construction</u>	<u>Parking Districts</u>	<u>Golf Course Improvements</u>
<u>Assets</u>				
Cash and investments	\$ 500,020	7,619,506	5,281	646,465
Due from other governments	439,252	1,726,012	3,155	-
Accounts receivable	20,000	-	-	10,570
Interest receivable	1,612	28,036	17	2,084
Rent receivable	-	-	-	-
Prepaid items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 960,884</u>	<u>9,373,554</u>	<u>8,453</u>	<u>659,119</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 24,788	320,076	-	-
Accrued liabilities	-	10,950	-	-
Retentions payable	60,161	91,504	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	180,000	1,201,964	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>264,949</u>	<u>1,624,494</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public Services	-	7,749,060	-	-
Redevelopment	-	-	-	-
Assigned for:				
Protection of persons and property	-	-	-	-
Public Services	695,935	-	8,453	659,119
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>695,935</u>	<u>7,749,060</u>	<u>8,453</u>	<u>659,119</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 960,884</u>	<u>9,373,554</u>	<u>8,453</u>	<u>659,119</u>

Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Redevelopment Projects	Totals	
				2012	2011
1,162,504	3,844,587	734,990	-	14,513,353	16,029,359
-	-	-	-	2,168,419	2,414,734
-	-	-	-	30,570	22,228
3,748	12,396	2,369	-	50,262	1,353,583
-	-	-	-	-	1,120,624
-	-	-	-	-	12,849
<u>1,166,252</u>	<u>3,856,983</u>	<u>737,359</u>	<u>-</u>	<u>16,762,604</u>	<u>20,953,377</u>
-	28,935	-	-	373,799	313,075
-	-	-	-	10,950	328
-	-	-	-	151,665	122,417
-	-	-	-	-	100,000
-	-	-	-	-	78,732
-	-	-	-	1,381,964	2,446,888
<u>-</u>	<u>28,935</u>	<u>-</u>	<u>-</u>	<u>1,918,378</u>	<u>3,061,440</u>
-	-	-	-	-	12,849
-	-	-	-	7,749,060	8,516,994
-	-	-	-	-	2,215,319
-	-	737,359	-	737,359	726,525
<u>1,166,252</u>	<u>3,828,048</u>	<u>-</u>	<u>-</u>	<u>6,357,807</u>	<u>6,420,250</u>
<u>1,166,252</u>	<u>3,828,048</u>	<u>737,359</u>	<u>-</u>	<u>14,844,226</u>	<u>17,891,937</u>
<u>1,166,252</u>	<u>3,856,983</u>	<u>737,359</u>	<u>-</u>	<u>16,762,604</u>	<u>20,953,377</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, 2012

(With Comparative Data for Prior Year)

	Capital Improvements	Measure "M" Construction	Parking Districts	Golf Course Improvements
Revenues:				
Taxes	\$ -	-	4,184	-
Intergovernmental	1,707,078	2,727,987	-	-
Charges for services	-	-	-	-
Rental	-	-	-	92,693
Investment income	10,609	122,540	71	9,708
Miscellaneous	161,180	36,450	-	-
Total revenues	1,878,867	2,886,977	4,255	102,401
Expenditures:				
Current:				
Public services	2,120,717	3,654,911	-	118,991
Redevelopment	-	-	-	-
Total expenditures	2,120,717	3,654,911	-	118,991
Excess (deficiency) of revenues over (under) expenditures	(241,850)	(767,934)	4,255	(16,590)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(250,000)	-	(68)	-
Total other financing sources (uses)	(250,000)	-	(68)	-
Net change in fund balance, before extraordinary item	(491,850)	(767,934)	4,187	(16,590)
Extraordinary item:				
Loss on transfer to successor agency	-	-	-	-
Net change in fund balance	(491,850)	(767,934)	4,187	(16,590)
Fund balance at beginning of year	1,187,785	8,516,994	4,266	675,709
Fund balance at end of year	<u>\$ 695,935</u>	<u>7,749,060</u>	<u>8,453</u>	<u>659,119</u>

Drainage Fees	Traffic Impact Fees	Fire System Development Fees	Redevelopment Projects	Totals	
				2012	2011
-	-	-	-	4,184	789
-	-	-	-	4,435,065	6,233,233
352,222	98,098	-	-	450,320	712,924
-	-	-	-	92,693	88,991
15,732	55,896	10,834	3,364	228,754	249,239
-	-	-	-	197,630	134,663
<u>367,954</u>	<u>153,994</u>	<u>10,834</u>	<u>3,364</u>	<u>5,408,646</u>	<u>7,419,839</u>
47,423	42,312	-	-	5,984,354	4,855,129
-	-	-	678,818	678,818	422,187
<u>47,423</u>	<u>42,312</u>	<u>-</u>	<u>678,818</u>	<u>6,663,172</u>	<u>5,277,316</u>
320,531	111,682	10,834	(675,454)	(1,254,526)	2,142,523
-	-	-	-	-	1,447,610
-	-	-	(1,701)	(251,769)	(1,862,066)
-	-	-	(1,701)	(251,769)	(414,456)
320,531	111,682	10,834	(677,155)	(1,506,295)	1,728,067
-	-	-	(1,541,416)	(1,541,416)	-
320,531	111,682	10,834	(2,218,571)	(3,047,711)	1,728,067
<u>845,721</u>	<u>3,716,366</u>	<u>726,525</u>	<u>2,218,571</u>	<u>17,891,937</u>	<u>16,163,870</u>
<u>1,166,252</u>	<u>3,828,048</u>	<u>737,359</u>	<u>-</u>	<u>14,844,226</u>	<u>17,891,937</u>

CITY OF COSTA MESA, CALIFORNIA

Capital Improvements Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	1,267,600	3,126,405	1,707,078	(1,419,327)	2,347,086
Rental	-	-	-	-	-
Investment income	15,000	15,000	10,609	(4,391)	24,687
Miscellaneous	-	250,000	161,180	(88,820)	132,715
Total revenues	1,282,600	3,391,405	1,878,867	(1,512,538)	2,504,488
Expenditures:					
Current:					
Public services	1,477,600	4,024,658	2,120,717	1,903,941	3,279,248
Redevelopment	-	-	-	-	-
Total expenditures	1,477,600	4,024,658	2,120,717	1,903,941	3,279,248
Excess (deficiency) of revenues over (under) expenditures	(195,000)	(633,253)	(241,850)	391,403	(774,760)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(250,000)	(250,000)	(1,583,005)
Total other financing sources (uses)	-	-	(250,000)	(250,000)	(1,583,005)
Net change in fund balance	(195,000)	(633,253)	(491,850)	141,403	(2,357,765)
Fund balance at beginning of year	1,187,785	1,187,785	1,187,785	-	3,545,550
Fund balance at end of year	\$ 992,785	554,532	695,935	141,403	1,187,785

CITY OF COSTA MESA, CALIFORNIA

Measure "M" Construction Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	1,300,000	4,874,227	2,727,987	(2,146,240)	3,886,147
Rental	-	-	-	-	-
Investment income	55,000	55,000	122,540	67,540	113,439
Miscellaneous	-	-	36,450	36,450	1,948
Total revenues	1,355,000	4,929,227	2,886,977	(2,042,250)	4,001,534
Expenditures:					
Current:					
Public services	2,823,935	9,139,684	3,654,911	5,484,773	1,469,871
Redevelopment	-	-	-	-	-
Total expenditures	2,823,935	9,139,684	3,654,911	5,484,773	1,469,871
Excess (deficiency) of revenues over (under) expenditures	(1,468,935)	(4,210,457)	(767,934)	3,442,523	2,531,663
Other financing sources (uses):					
Transfers in	-	-	-	-	381,898
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	381,898
Net change in fund balance	(1,468,935)	(4,210,457)	(767,934)	3,442,523	2,913,561
Fund balance at beginning of year	8,516,994	8,516,994	8,516,994	-	5,603,433
Fund balance at end of year	\$ 7,048,059	4,306,537	7,749,060	3,442,523	8,516,994

CITY OF COSTA MESA, CALIFORNIA

Parking Districts Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ 906	906	4,184	3,278	789
Intergovernmental	-	-	-	-	-
Rental	-	-	-	-	-
Investment income	-	-	71	71	70
Miscellaneous	-	-	-	-	-
Total revenues	906	906	4,255	3,349	859
Expenditures:					
Current:					
Public services	-	-	-	-	-
Redevelopment	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	906	906	4,255	3,349	859
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(68)	(68)	(70)
Total other financing sources (uses)	-	-	(68)	(68)	(70)
Net change in fund balance	906	906	4,187	3,281	789
Fund balance at beginning of year	4,266	4,266	4,266	-	3,477
Fund balance at end of year	\$ 5,172	5,172	8,453	3,281	4,266

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	200,000	200,000	352,222	152,222	222,720
Rental	-	-	-	-	-
Investment income	10,000	10,000	15,732	5,732	13,594
Miscellaneous	-	-	-	-	-
Total revenues	210,000	210,000	367,954	157,954	236,314
Expenditures:					
Current:					
Public services	300,000	399,524	47,423	352,101	44,300
Redevelopment	-	-	-	-	-
Total expenditures	300,000	399,524	47,423	352,101	44,300
Excess (deficiency) of revenues over (under) expenditures	(90,000)	(189,524)	320,531	510,055	192,014
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(90,000)	(189,524)	320,531	510,055	192,014
Fund balance at beginning of year	845,721	845,721	845,721	-	653,707
Fund balance at end of year	\$ 755,721	656,197	1,166,252	510,055	845,721

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	150,000	150,000	98,098	(51,902)	122,572
Rental	-	-	-	-	-
Investment income	40,000	40,000	55,896	15,896	63,899
Miscellaneous	-	-	-	-	-
Total revenues	190,000	190,000	153,994	(36,006)	186,471
Expenditures:					
Current:					
Public services	-	337,734	42,312	295,422	-
Redevelopment	-	-	-	-	-
Total expenditures	-	337,734	42,312	295,422	-
Excess (deficiency) of revenues over (under) expenditures	190,000	(147,734)	111,682	259,416	186,471
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	190,000	(147,734)	111,682	259,416	186,471
Fund balance at beginning of year	3,716,366	3,716,366	3,716,366	-	3,529,895
Fund balance at end of year	\$ 3,906,366	3,568,632	3,828,048	259,416	3,716,366

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, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	264,210
Rental	-	-	-	-	-
Investment income	6,000	6,000	10,834	4,834	13,023
Miscellaneous	-	-	-	-	-
Total revenues	6,000	6,000	10,834	4,834	277,233
Expenditures:					
Current:					
Public services	-	-	-	-	-
Redevelopment	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	6,000	6,000	10,834	4,834	277,233
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	6,000	6,000	10,834	4,834	277,233
Fund balance at beginning of year	726,525	726,525	726,525	-	449,292
Fund balance at end of year	\$ 732,525	732,525	737,359	4,834	726,525

CITY OF COSTA MESA, CALIFORNIA

Redevelopment Projects Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Rental	123,669	123,669	-	(123,669)	88,991
Investment income	-	-	3,364	3,364	7,379
Miscellaneous	-	-	-	-	-
Total revenues	123,669	123,669	3,364	(120,305)	96,370
Expenditures:					
Current:					
Public services	-	-	-	-	-
Redevelopment	435,431	435,431	678,818	(243,387)	422,187
Total expenditures	435,431	435,431	678,818	(243,387)	422,187
Excess (deficiency) of revenues over (under) expenditures	(311,762)	(311,762)	(675,454)	(363,692)	(325,817)
Other financing sources (uses):					
Transfers in	1,355,238	1,355,238	-	(1,355,238)	1,065,712
Transfers out	(123,669)	(123,669)	(1,701)	121,968	(88,991)
Total other financing sources (uses)	1,231,569	1,231,569	(1,701)	(1,233,270)	976,721
Net change in fund balance, before extraordinary item	919,807	919,807	(677,155)	(1,596,962)	650,904
Extraordinary item:					
Loss on transfer to successor agency	-	-	(1,541,416)	(1,541,416)	-
Net change in fund balance	919,807	919,807	(2,218,571)	(3,138,378)	650,904
Fund balance at beginning of year	2,218,571	2,218,571	2,218,571	-	1,567,667
Fund balance at end of year	\$ 3,138,378	3,138,378	-	(3,138,378)	2,218,571

CITY OF COSTA MESA, CALIFORNIA

Park Development Fund

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

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	27,144	27,144	69,145
Rental	-	-	-	-	-
Investment income	20,000	20,000	21,498	1,498	31,715
Miscellaneous	-	-	750	750	-
Total revenues	20,000	20,000	49,392	29,392	100,860
Expenditures:					
Current:					
Public services	-	808,836	50,155	758,681	99,782
Debt service:					
Interest and fiscal charges	-	-	228,832	(228,832)	243,832
Total expenditures	-	808,836	278,987	529,849	343,614
Excess (deficiency) of revenues over (under) expenditures	20,000	(788,836)	(229,595)	559,241	(242,754)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	20,000	(788,836)	(229,595)	559,241	(242,754)
Fund balance (deficit) at beginning of year	(2,343,237)	(2,343,237)	(2,343,237)	-	(2,100,483)
Fund balance (deficit) at end of year	\$ (2,323,237)	(3,132,073)	(2,572,832)	559,241	(2,343,237)



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, 2012

(With Comparative Data for Prior Year)

<u>Assets</u>	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2012	2011
Current assets:				
Cash and investments	\$ 6,859,673	6,984,821	13,844,494	12,987,762
Accounts receivable	13,065	-	13,065	239,902
Interest receivable	22,825	22,037	44,862	42,549
Inventories	150,932	-	150,932	116,155
Total current assets	7,046,495	7,006,858	14,053,353	13,386,368
Capital assets:				
Motorized equipment	11,701,263	-	11,701,263	11,947,678
Other equipment	330,993	-	330,993	330,993
Accumulated depreciation	(7,888,517)	-	(7,888,517)	(7,441,222)
Net capital assets	4,143,739	-	4,143,739	4,837,449
Total assets	11,190,234	7,006,858	18,197,092	18,223,817
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	99,822	324,692	424,514	216,730
Accrued liabilities	11,417	1,259	12,676	12,412
Capital lease payable	189,129	-	189,129	182,187
Claims payable	-	3,005,239	3,005,239	3,052,865
Total current liabilities	300,368	3,331,190	3,631,558	3,464,194
Long-term liabilities:				
Capital lease payable	611,729	-	611,729	800,857
Claims payable	-	6,785,166	6,785,166	6,892,695
Total long-term liabilities	611,729	6,785,166	7,396,895	7,693,552
Total liabilities	912,097	10,116,356	11,028,453	11,157,746
Net assets:				
Invested in capital assets	3,342,881	-	3,342,881	3,854,405
Unrestricted	6,935,256	(3,109,498)	3,825,758	3,211,666
Total net assets (deficit)	\$ 10,278,137	(3,109,498)	7,168,639	7,066,071

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, 2012

(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2012	2011
Operating revenues:				
Charges for services	\$ 3,166,908	3,148,463	6,315,371	3,577,727
Total operating revenues	3,166,908	3,148,463	6,315,371	3,577,727
Operating expenses:				
Allocated administrative costs	639,769	308,772	948,541	835,439
Depreciation	664,795	-	664,795	757,294
Fuel and repair parts	1,139,155	-	1,139,155	1,106,023
Claims and premiums	-	3,577,090	3,577,090	3,005,025
Total operating expenses	2,443,719	3,885,862	6,329,581	5,703,781
Operating income (loss)	723,189	(737,399)	(14,210)	(2,126,054)
Nonoperating revenues (expenses):				
Investment income	91,497	96,545	188,042	215,607
Interest Expense	(37,454)	-	(37,454)	-
Gain/(loss) on sale of equipment	(33,810)	-	(33,810)	4,091
Total nonoperating revenues (expenses)	20,233	96,545	116,778	219,698
Income (loss) before transfers	743,422	(640,854)	102,568	(1,906,356)
Transfers in	-	-	-	-
Transfers out	-	-	-	(238,505)
Total transfers	-	-	-	(238,505)
Change in net assets	743,422	(640,854)	102,568	(2,144,861)
Net assets (deficit) at beginning of year	9,534,715	(2,468,644)	7,066,071	9,210,932
Net assets (deficit) at end of year	\$ 10,278,137	(3,109,498)	7,168,639	7,066,071

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Cash Flows

For the fiscal year ended June 30, 2012

(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Totals	
			2012	2011
Cash flows from operating activities:				
Cash received from customers and user departments	\$ 3,154,966	3,387,242	6,542,208	3,341,205
Cash payments to suppliers for goods and services	(1,207,908)	(3,819,356)	(5,027,264)	(4,272,344)
Cash payments to employees for services	(595,760)	(57,456)	(653,216)	(799,849)
Net cash provided by (used for) operating activities	<u>1,351,298</u>	<u>(489,570)</u>	<u>861,728</u>	<u>(1,730,988)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	-
Cash paid to other funds	-	-	-	(238,505)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(238,505)</u>
Cash flows from capital and related financing activities:				
Cash received from disposal of assets	52,112	-	52,112	16,360
Acquisition of capital assets	(23,197)	-	(23,197)	(17,355)
Cash paid for capital related financing	(219,640)	-	(219,640)	-
Net cash provided by (used for) capital and related financing activities	<u>(190,725)</u>	<u>-</u>	<u>(190,725)</u>	<u>(995)</u>
Cash flows from investing activities:				
Investment income received	<u>87,277</u>	<u>98,452</u>	<u>185,729</u>	<u>238,503</u>
Net cash provided by (used for) investing activities	<u>87,277</u>	<u>98,452</u>	<u>185,729</u>	<u>238,503</u>
Net increase (decrease) in cash and cash equivalents	1,247,850	(391,118)	856,732	(1,731,985)
Cash and cash equivalents at beginning of year	<u>5,611,823</u>	<u>7,375,939</u>	<u>12,987,762</u>	<u>14,719,747</u>
Cash and cash equivalents at end of year	<u>\$ 6,859,673</u>	<u>6,984,821</u>	<u>13,844,494</u>	<u>12,987,762</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 723,189	(737,399)	(14,210)	(2,126,054)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	664,795	-	664,795	757,294
(Increase) decrease in inventories	(34,777)	-	(34,777)	23,098
(Increase) decrease in accounts receivable	(45,752)	238,779	193,027	(236,522)
(Increase) decrease in prepaid items	-	-	-	-
Increase (decrease) in accounts payable	43,643	164,141	207,784	(30,164)
Increase (decrease) in accrued liabilities	200	64	264	(4,237)
Increase (decrease) in claims payable	-	(155,155)	(155,155)	(114,403)
Net cash provided by (used for) operating activities	<u>\$ 1,351,298</u>	<u>(489,570)</u>	<u>861,728</u>	<u>(1,730,988)</u>

AGENCY FUNDS

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

Deposits Fund

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

Community Facilities District Fund

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

Costa Mesa Community Foundation Fund

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

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

Established to account for the receipt of funds made available to finance, acquire, and maintain the Airborne Law Enforcement Services, a public law enforcement service program. The Cities of Costa Mesa and Newport Beach are member agencies of this joint powers agency. The agency contracts with public entities to provide helicopter services. In February 2011, ABLE's Board of Governors made a decision to dissolve the joint venture and commencing July 1, 2011 the member agencies ceased to contribute to the operation.

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

June 30, 2012

(With Comparative Data for Prior Year)

	Deposits	Community Facilities District	Costa Mesa Community Foundation	Airborne Law Enforcement	Totals	
					2012	2011
<u>Assets</u>						
Cash and investments	\$ 2,383,712	-	134,584	4,845,944	7,364,240	7,084,415
Due from other governments	-	-	-	6,617	6,617	153,270
Accounts receivable	13,480	-	-	25,309	38,789	6,325
Interest receivable	-	-	434	15,624	16,058	14,627
Inventories	-	-	-	85,447	85,447	96,041
Prepaid items	-	-	-	-	-	4,412
Total assets	<u>\$ 2,397,192</u>	<u>-</u>	<u>135,018</u>	<u>4,978,941</u>	<u>7,511,151</u>	<u>7,359,090</u>
<u>Liabilities</u>						
Accounts payable	\$ 288,740	-	19,693	122,462	430,895	689,565
Deposits payable	2,108,452	-	102,987	-	2,211,439	2,570,484
Due to other governments	-	-	-	4,856,479	4,856,479	4,099,041
Deferred revenue	-	-	12,338	-	12,338	-
Total liabilities	<u>\$ 2,397,192</u>	<u>-</u>	<u>135,018</u>	<u>4,978,941</u>	<u>7,511,151</u>	<u>7,359,090</u>

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2012

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<u>DEPOSITS</u>				
<u>Assets</u>				
Cash and investments	\$ 2,924,948	35,127,008	35,668,244	2,383,712
Accounts receivable	3,883	170,033	160,436	13,480
Interest receivable	263	-	263	-
Total assets	<u>\$ 2,929,094</u>	<u>35,297,041</u>	<u>35,828,943</u>	<u>2,397,192</u>
<u>Liabilities</u>				
Accounts payable	\$ 464,683	3,674,376	3,850,319	288,740
Deposits payable	2,464,411	37,455,312	37,811,271	2,108,452
Total liabilities	<u>\$ 2,929,094</u>	<u>41,129,688</u>	<u>41,661,590</u>	<u>2,397,192</u>
<u>COMMUNITY FACILITIES DISTRICT</u>				
<u>Assets</u>				
Cash and investments	\$ -	248,986	248,986	-
Total assets	<u>\$ -</u>	<u>248,986</u>	<u>248,986</u>	<u>-</u>
<u>Liabilities</u>				
Accounts payable	\$ -	244,045	244,045	-
Held for bondholders	-	248,986	248,986	-
Total liabilities	<u>\$ -</u>	<u>493,031</u>	<u>493,031</u>	<u>-</u>
<u>COSTA MESA COMMUNITY FOUNDATION</u>				
<u>Assets</u>				
Cash and investments	\$ 103,452	80,758	49,626	134,584
Accounts receivable	1,223	-	1,223	-
Interest receivable	343	434	343	434
Total assets	<u>\$ 105,018</u>	<u>81,192</u>	<u>51,192</u>	<u>135,018</u>
<u>Liabilities</u>				
Accounts payable	\$ 474	69,667	50,448	19,693
Accrued liabilities	-	34	34	-
Deposits payable	104,544	107,473	109,030	102,987
Deferred revenue	-	12,338	-	12,338
Total liabilities	<u>\$ 105,018</u>	<u>189,512</u>	<u>159,512</u>	<u>135,018</u>

(Continued)

CITY OF COSTA MESA, CALIFORNIA

(Continued)

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2012

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<u>AIRBORNE LAW ENFORCEMENT</u>				
<u>Assets</u>				
Cash and investments	\$ 4,056,015	1,376,373	586,444	4,845,944
Due from other governments	153,270	92,395	239,048	6,617
Accounts receivable	1,219	27,581	3,491	25,309
Interest receivable	14,021	15,624	14,021	15,624
Inventories	96,041	-	10,594	85,447
Prepaid items	4,412	-	4,412	-
Total assets	<u>\$ 4,324,978</u>	<u>1,511,973</u>	<u>858,010</u>	<u>4,978,941</u>
<u>Liabilities</u>				
Accounts payable	\$ 224,408	363,245	465,191	122,462
Deposits payable	1,529	309	1,838	-
Due to other governments	4,099,041	1,260,139	502,701	4,856,479
Total liabilities	<u>\$ 4,324,978</u>	<u>1,623,693</u>	<u>969,730</u>	<u>4,978,941</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 7,084,415	36,833,125	36,553,300	7,364,240
Due from other governments	153,270	92,395	239,048	6,617
Accounts receivable	6,325	197,614	165,150	38,789
Interest receivable	14,627	16,058	14,627	16,058
Inventories	96,041	-	10,594	85,447
Prepaid items	4,412	-	4,412	-
Total assets	<u>\$ 7,359,090</u>	<u>37,139,192</u>	<u>36,987,131</u>	<u>7,511,151</u>
<u>Liabilities</u>				
Accounts payable	\$ 689,565	4,107,288	4,365,958	430,895
Accrued liabilities	-	34	34	-
Deposits payable	2,570,484	37,563,094	37,922,139	2,211,439
Due to other governments	4,099,041	1,260,139	502,701	4,856,479
Deferred revenue	-	12,338	-	12,338
Held for bondholders	-	244,045	244,045	-
Total liabilities	<u>\$ 7,359,090</u>	<u>43,186,938</u>	<u>43,034,877</u>	<u>7,511,151</u>

STATISTICAL SECTION

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

FINANCIAL TRENDS

TABLES 1 - 4

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

REVENUE CAPACITY

TABLES 5 - 12

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

DEBT CAPACITY

TABLES 13 - 15

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

TABLES 16 - 17

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

OPERATING INFORMATION

TABLES 18 - 20

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

TABLE 1

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 169,744,591	202,575,439	204,310,422	207,142,027	223,882,753	231,078,900	238,167,532	232,204,195	209,554,571	207,954,876
Restricted										
Protection of Persons and Property	2,411,456	2,723,835	1,714,903	1,481,296	747,564	431,303	407,718	1,040,371	1,303,260	2,519,015
Community programs	4,541,217	1,990,698	1,637,173	2,649,931	10,166,878	10,601,709	5,909,972	6,475,370	2,292,260	10,262,006
Public services	35,868,367	29,155,232	23,973,667	27,895,363	19,186,443	18,781,762	18,531,911	18,083,105	26,299,602	28,568,791
Redevelopment	-	-	-	6,348,075	8,743,736	-	-	-	-	-
Unrestricted	59,804,886	60,812,797	71,067,417	66,063,174	62,778,909	67,546,727	50,034,265	40,025,930	42,251,930	44,741,840
Total governmental activities net assets	<u>272,370,517</u>	<u>297,258,001</u>	<u>302,703,582</u>	<u>311,579,866</u>	<u>325,506,283</u>	<u>328,440,401</u>	<u>313,051,398</u>	<u>297,828,971</u>	<u>281,701,623</u>	<u>294,046,528</u>

Source: Government-Wide Financial Statements

TABLE 2

CITY OF COSTA MESA, CALIFORNIA

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General government	\$ 17,466,434	21,245,163	23,646,274	21,823,044	28,246,216	29,508,603	29,708,604	24,640,217	22,942,186	19,977,655
Protection of persons and property	47,765,134	45,672,246	51,753,396	58,123,794	52,299,944	57,655,181	64,718,615	65,999,456	58,600,881	61,788,930
Community programs	4,999,104	4,937,852	4,927,306	3,770,475	5,945,293	7,704,374	10,953,425	6,957,413	5,585,317	4,310,750
Public services	14,099,350	16,699,275	14,728,739	19,371,276	24,479,949	28,707,820	22,068,699	20,338,489	18,051,024	18,873,545
Redevelopment	528,350	632,735	534,995	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541	911,704
Interest on long-term debt	3,046,397	3,359,285	1,486,198	2,502,868	3,419,566	3,651,584	3,426,155	3,243,198	3,043,559	2,683,598
Total primary government expenses	<u>87,904,769</u>	<u>92,546,556</u>	<u>97,076,908</u>	<u>108,101,128</u>	<u>115,275,973</u>	<u>128,396,325</u>	<u>131,250,997</u>	<u>122,404,766</u>	<u>109,085,508</u>	<u>108,546,182</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	2,379,028	2,931,054	2,932,734	3,199,365	3,742,586	3,553,680	3,236,412	3,266,143	2,660,989	2,635,880
Community programs	4,626,660	5,407,997	5,247,815	5,402,789	5,423,255	5,554,124	6,075,951	5,617,827	5,290,235	5,268,839
Public services	2,312,339	4,316,825	3,181,180	3,374,546	5,680,415	2,822,877	1,839,433	1,974,779	2,626,032	2,861,971
Redevelopment	180,061	-	-	-	-	-	-	-	-	-
Operating grants and contributions	12,012,746	6,818,121	6,071,120	11,709,774	11,459,481	8,948,635	10,276,030	5,699,857	6,717,009	8,832,089
Capital grants and contributions	3,592,565	5,419,104	5,253,030	4,511,691	6,506,495	10,594,837	8,938,881	6,441,397	6,233,234	4,555,065
Total primary government revenues	<u>25,103,399</u>	<u>24,893,101</u>	<u>22,685,879</u>	<u>28,198,165</u>	<u>32,812,232</u>	<u>31,474,153</u>	<u>30,366,707</u>	<u>23,000,003</u>	<u>23,527,499</u>	<u>24,153,844</u>
Total primary government net expense	<u>(62,801,370)</u>	<u>(67,653,455)</u>	<u>(74,391,029)</u>	<u>(79,902,963)</u>	<u>(82,463,741)</u>	<u>(96,922,172)</u>	<u>(100,884,290)</u>	<u>(99,404,763)</u>	<u>(85,558,009)</u>	<u>(84,392,338)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property taxes	17,853,053	18,826,218	18,586,166	19,752,336	22,921,884	24,715,336	25,327,904	23,885,560	24,626,634	21,564,340
Sales and use taxes	36,255,107	41,027,059	43,582,985	46,049,080	46,489,599	46,917,845	39,488,414	35,267,341	40,953,224	43,077,849
Transient occupancy tax	3,799,682	4,221,661	4,641,350	5,465,320	5,959,556	5,791,004	4,719,158	4,268,984	5,344,968	6,524,510
Franchise taxes	2,308,683	2,329,340	2,833,347	3,674,652	3,911,800	4,046,517	4,174,172	3,945,159	4,240,255	4,471,326
Business license tax	854,580	830,794	912,434	912,324	897,608	932,278	860,491	858,567	866,442	888,967
Other intergovernmental, unrestricted	7,811,132	5,208,889	8,659,395	8,108,852	8,687,055	9,155,864	9,215,927	9,117,466	9,112,000	8,594,277
Investment income	5,314,256	2,436,835	3,455,453	3,082,011	7,433,407	6,659,736	1,649,319	4,016,384	2,499,790	1,377,209
Miscellaneous	5,411,936	891,797	740,848	210,302	89,249	862,648	850,080	1,784,618	860,972	978,394
Extraordinary item										
Gain on transfer of assets to Successor Agency										9,260,371
Total primary government	<u>79,608,429</u>	<u>75,772,593</u>	<u>83,411,978</u>	<u>87,254,877</u>	<u>96,390,158</u>	<u>99,081,228</u>	<u>86,285,465</u>	<u>83,144,079</u>	<u>88,504,285</u>	<u>96,737,243</u>
Change in Net Assets	<u>16,807,059</u>	<u>8,119,138</u>	<u>9,020,949</u>	<u>7,351,914</u>	<u>13,926,417</u>	<u>2,159,056</u>	<u>(14,598,825)</u>	<u>(16,260,684)</u>	<u>2,946,276</u>	<u>12,344,905</u>

Source: Government-Wide Financial Statements

TABLE 3

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012
General fund										
Reserved	13,579,931	15,225,005	15,227,236	14,744,220	18,326,310	15,768,661	15,140,564	14,421,676	-	-
Unreserved	46,239,990	46,375,225	54,605,118	56,192,948	55,057,757	50,467,786	33,716,155	27,098,389	-	-
Nonspendable									13,334,328	12,872,213
Restricted									-	-
Committed									16,125,000	16,125,000
Assigned									9,900,467	10,347,804
Unassigned									5,915,735	8,464,909
Total general fund	<u>59,819,921</u>	<u>61,600,230</u>	<u>69,832,354</u>	<u>70,937,168</u>	<u>73,384,067</u>	<u>66,236,447</u>	<u>48,856,719</u>	<u>41,520,065</u>	<u>45,275,530</u>	<u>47,809,926</u>
All other governmental funds										
Reserved	8,577,548	12,496,295	12,565,629	12,561,311	26,378,785	23,661,322	10,576,691	9,357,430	-	-
Unreserved, reported in:										
Special revenue funds	24,055,526	17,411,372	16,637,291	18,233,112	20,625,152	7,904,617	13,042,672	14,952,556	-	-
Capital projects funds	17,574,858	13,443,518	8,349,839	8,730,735	15,128,023	18,759,882	15,658,912	10,780,360	-	-
Debt services funds	(13,160,320)	(12,732,031)	(12,226,674)	(11,783,729)	(11,002,058)	(10,400,263)	(9,579,072)	(10,136,674)	-	-
Nonspendable	-	-	-	-	-	-	-	-	12,849	-
Restricted	-	-	-	-	-	-	-	-	34,165,657	30,585,248
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	7,146,775	7,095,166
Unassigned	-	-	-	-	-	-	-	-	(12,177,382)	(2,733,847)
Total primary government net expense	<u>37,047,612</u>	<u>30,619,154</u>	<u>25,326,085</u>	<u>27,741,429</u>	<u>51,129,902</u>	<u>39,925,558</u>	<u>29,699,203</u>	<u>24,953,672</u>	<u>29,147,899</u>	<u>34,946,567</u>

Source: Fund Financial Statements

Notes:

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

TABLE 4

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	61,071,105	67,235,072	70,556,282	75,818,711	80,180,448	82,402,980	74,570,140	68,225,614	76,031,925	76,526,993
Licenses and permits	1,766,850	2,143,839	1,948,650	2,101,870	2,874,124	1,876,959	1,168,026	1,289,600	1,557,797	1,903,361
Fines and forfeits	2,333,653	3,358,468	2,953,385	3,157,859	2,915,299	3,066,355	2,965,960	2,868,066	2,104,816	3,508,181
Intergovernmental	25,593,714	16,080,227	19,585,648	22,199,470	22,675,698	27,088,736	26,359,128	21,137,881	21,681,418	19,838,941
Charges for services	3,477,270	3,170,569	3,325,517	4,771,803	7,789,875	4,355,738	4,179,547	4,156,944	4,478,711	4,167,896
Rental	2,686,336	2,816,656	2,858,286	2,792,016	2,909,707	3,128,271	3,189,975	2,838,744	2,900,049	3,054,100
Investment income	4,595,758	1,878,219	3,931,991	2,448,400	6,843,792	5,869,106	1,627,547	3,537,379	2,284,183	1,189,168
Miscellaneous	975,612	1,173,944.00	1,427,160	841,991	882,110	1,182,749	2,342,611	2,566,138	1,069,225	1,376,946
Total revenues	<u>102,500,298</u>	<u>97,856,994</u>	<u>106,586,919</u>	<u>114,132,120</u>	<u>127,071,053</u>	<u>128,970,894</u>	<u>116,402,934</u>	<u>106,620,366</u>	<u>112,108,124</u>	<u>111,565,586</u>
Expenditures										
General government	21,219,016	21,185,828	23,132,535	25,676,011	27,473,794	28,723,990	29,619,695	25,276,998	21,739,252	20,974,387
Protection of persons and property	47,622,359	48,965,777	51,926,311	58,653,822	61,444,097	66,889,007	68,691,164	61,884,416	56,207,290	59,993,364
Community programs	6,825,783	6,215,447	6,320,969	7,330,558	10,581,225	9,622,552	11,550,616	6,296,711	6,259,971	6,125,337
Public services	17,678,362	18,879,695	16,903,620	15,692,726	24,951,597	33,343,249	27,954,239	17,216,338	11,849,471	13,613,312
Redevelopment	528,350	488,843	549,793	2,509,671	885,005	1,168,763	375,499	1,225,993	862,541	911,704
Debt service:										
Principal	2,294,953	2,661,728	2,887,337	3,238,000	3,524,900	5,486,427	4,393,687	4,064,842	4,395,904	4,525,739
Interest	2,997,599	2,778,146	2,467,583	2,448,580	2,576,413	3,683,198	3,460,555	3,244,528	3,082,508	2,734,050
Other charges	-	2,730,272	-	90,345	593,136	-	-	-	-	-
Total expenditures	<u>99,166,422</u>	<u>103,905,736</u>	<u>104,188,148</u>	<u>115,639,713</u>	<u>132,030,167</u>	<u>148,917,186</u>	<u>146,045,455</u>	<u>119,209,826</u>	<u>104,396,937</u>	<u>108,877,893</u>
Excess of revenues over (under) expenditures	<u>3,333,876</u>	<u>(6,048,742)</u>	<u>2,398,771</u>	<u>(1,507,593)</u>	<u>(4,959,114)</u>	<u>(19,946,292)</u>	<u>(29,642,521)</u>	<u>(12,589,460)</u>	<u>7,711,187</u>	<u>2,687,693</u>
Other financing sources (uses):										
Transfers in	5,237,917	3,984,713	6,651,916	5,214,379	7,365,984	9,014,877	7,123,168	9,160,286	8,460,300	5,099,168
Transfers out	(5,011,721)	(3,468,827)	(6,111,632)	(4,627,108)	(6,611,691)	(8,195,611)	(7,158,081)	(8,653,011)	(8,221,795)	(5,099,168)
Extraordinary Gain (loss)	-	-	-	-	-	-	-	-	-	5,645,371
Issuance of long-term debt	-	21,824,120	-	7,151,217	-	-	-	-	-	-
Premium on debt issue	-	403,531	-	-	80,193	-	-	-	-	-
Payment to bond escrow agent	-	(19,645,279)	-	(2,139,205)	-	-	-	-	-	-
Lease proceeds	3,400,000	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	29,960,000	-	-	-	-	-
Sales of lands	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>3,626,196</u>	<u>3,098,258</u>	<u>540,284</u>	<u>5,599,283</u>	<u>30,794,486</u>	<u>819,266</u>	<u>(34,913)</u>	<u>507,275</u>	<u>238,505</u>	<u>5,645,371</u>
Net change in fund balances	<u>6,960,072</u>	<u>(2,950,484)</u>	<u>2,939,055</u>	<u>4,091,690</u>	<u>25,835,372</u>	<u>(19,127,026)</u>	<u>(29,677,434)</u>	<u>(12,082,185)</u>	<u>7,949,692</u>	<u>8,333,064</u>
Debt service as a percentage of noncapital expenditures	5.34%	7.86%	5.14%	5.54%	6.15%	7.73%	6.25%	6.43%	7.45%	7.03%

Source: Fund Financial Statements

TABLE 5

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

<u>Fiscal Years</u>	<u>Sales</u>	<u>Property</u>	<u>Transient Occupancy</u>	<u>Franchise</u>	<u>Business License</u>	<u>Proposition 172</u>	<u>Total</u>
2003	35,527,005	17,853,053	3,799,682	2,308,683	854,580	728,102	61,071,105
2004	40,244,632	18,826,218	4,221,661	2,329,340	830,794	782,427	67,235,072
2005	42,714,022	18,586,167	4,641,350	2,833,347	912,434	868,962	70,556,282
2006	45,116,230	19,717,334	5,465,320	3,674,652	912,324	932,851	75,818,711
2007	45,641,219	22,921,885	5,959,556	3,911,800	897,608	848,380	80,180,448
2008	45,990,428	24,715,336	5,791,004	4,046,517	932,278	927,417	82,402,980
2009	38,659,256	25,327,904	4,719,158	4,174,172	860,491	829,159	74,570,140
2010	34,516,828	23,885,560	4,268,984	3,945,159	858,567	750,513	68,225,611
2011	40,173,714	24,626,634	5,344,968	4,240,255	866,442	779,510	76,031,523
2012	42,234,307	21,564,340	6,524,510	4,471,326	888,967	843,542	76,526,993

Source: Required Supplementary Information

TABLE 6

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

	Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Apparel stores	\$ 354,517	\$ 371,013	\$ 419,206	\$ 454,318	\$ 463,521	\$ 482,249	\$ 432,965	\$ 383,716	\$ 436,980	\$ 484,036
General merchandise	514,136	536,259	583,136	614,478	602,376	639,878	582,091	534,936	540,920	568,293
Food stores	91,818	93,223	89,945	95,332	100,243	101,762	102,519	96,251	92,575	93,721
Eating and drinking establishments	250,199	273,604	308,988	330,384	360,331	379,604	358,069	325,087	337,684	371,523
Building materials	176,453	189,652	208,049	233,108	237,727	222,523	192,021	143,602	145,342	142,575
Auto dealers and supplies	615,995	678,550	760,174	767,922	724,664	659,095	560,317	488,122	536,390	577,755
Service stations	102,732	115,955	136,154	151,650	173,583	183,362	203,309	157,149	196,497	240,892
Other retail stores	655,700	761,889	884,442	966,736	1,052,096	1,030,546	918,095	797,163	853,264	924,979
All other outlets	795,047	826,899	872,929	917,503	905,603	928,733	822,086	697,731	758,854	778,329
	<u>\$ 3,556,597</u>	<u>\$ 3,847,044</u>	<u>\$ 4,263,023</u>	<u>\$ 4,531,431</u>	<u>\$ 4,620,144</u>	<u>\$ 4,627,752</u>	<u>\$ 4,171,472</u>	<u>\$ 3,623,757</u>	<u>\$ 3,898,506</u>	<u>\$ 4,182,103</u>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

TABLE 7

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

<u>Category</u>	2011			2002		
	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>
Other retail stores	924,979	1	22.12%	669,832	2	18.80%
All Other Outlets	778,329	2	18.61%	801,197	1	22.48%
Auto dealers and supplies	577,755	3	13.81%	622,143	3	17.46%
General merchandise	568,293	4	13.59%	511,510	4	14.35%
Apparel stores	484,036	5	11.57%	357,214	5	10.02%
Eating and drinking establishments	371,523	6	8.88%	250,171	6	7.02%
Service stations	240,892	7	5.76%	111,432	8	3.13%
Building materials	142,575	8	3.41%	157,451	7	4.42%
Food stores	93,721	9	2.24%	82,675	9	2.32%

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

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

<u>Fiscal Years</u>	<u>City Direct Rate</u>	<u>Orange County Rate</u>	<u>State of California Rate</u>	<u>Total Sales Tax Rate</u>
2003	1.00	0.50	6.00	7.50
2004	1.00	0.50	6.00	7.50
2005	1.00	0.50	6.25	7.75
2006	1.00	0.50	6.25	7.75
2007	1.00	0.50	6.25	7.75
2008	1.00	0.50	6.25	7.75
2009	1.00	0.50	7.25	8.75
2010	1.00	0.50	7.25	8.75
2011	1.00	0.50	7.25	8.75
2012	1.00	0.50	6.25	7.75

Source: State of California Board of Equalization

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the		Collected for Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2003	14,454,930	14,157,707	97.94%	269,338	14,427,045	99.81%
2004	15,334,915	14,971,613	97.63%	252,804	15,224,417	99.28%
2005	16,675,818	16,292,111	97.70%	210,990	16,503,101	98.96%
2006	18,134,611	17,586,064	96.98%	239,872	17,825,936	98.30%
2007	19,560,699	18,685,762	95.53%	312,318	18,998,080	97.12%
2008	20,888,474	19,998,097	95.74%	532,478	20,530,575	98.29%
2009	21,276,710	20,363,004	95.71%	920,531	21,283,534	100.03%
2010	21,092,684	17,122,170	81.18%	911,902	18,034,072	85.50%
2011	20,670,091	20,059,681	97.05%	594,003	20,653,684	99.92%
2012	20,574,309	19,958,891	97.01%	408,220	20,367,111	98.99%

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

Source: Orange County Assessor 2011/2012 Combined Tax Rolls

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

TABLE 10

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

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>Commerical Property</u>	<u>Industrial Property</u>	<u>Miscellaneous Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value ⁽¹⁾</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2003	5,037,637,890	1,508,229,344	771,481,624	2,175,012,439	-	9,492,361,297	0.17590%	9,492,361,297	100.00%
2004	5,401,000,174	2,708,744,818	914,850,557	1,032,588,177	-	10,057,183,726	0.17603%	10,057,183,726	100.00%
2005	6,011,396,006	1,648,237,709	875,070,937	2,154,452,653	-	10,689,157,305	0.17555%	10,689,157,305	100.00%
2006	6,687,872,490	1,786,332,922	955,171,755	2,215,398,310	-	11,644,775,477	0.17471%	11,644,775,477	100.00%
2007	7,358,784,736	2,216,054,436	1,009,929,135	2,149,934,744	-	12,734,703,051	0.17165%	12,734,703,051	100.00%
2008	8,012,690,802	2,358,236,884	1,049,297,119	2,404,008,712	-	13,824,233,517	0.17276%	13,824,233,517	100.00%
2009	8,164,306,671	2,553,080,097	1,129,832,358	2,518,888,713	-	14,366,107,839	0.17342%	14,366,107,839	100.00%
2010	8,171,208,423	3,383,235,481	1,196,215,357	1,682,015,788	-	14,432,675,049	0.17241%	14,432,675,049	100.00%
2011	8,347,650,226	3,466,364,532	1,138,864,468	1,163,583,656	-	14,116,462,882	0.17154%	14,116,462,882	100.00%
2012	8,557,101,277	3,394,223,104	1,100,996,492	1,065,596,839	-	14,117,917,712	0.17226%	14,117,917,712	100.00%

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

Source: HdL Coren & Cone, Orange County Assessor 2002/2003- 2011/2012 Combined Tax Rolls.

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

Fiscal Year	City Direct Rates				Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Redevelopment Debt Service ⁽²⁾	Redevelopment Program	Total Direct Rate ⁽¹⁾	County of Orange Debt	School District Debt	Special Districts Debt
2003	0.14879	0.00280	0.00950	1.00000	0.17590	0.36657	0.48974	0.00835
2004	0.14879	0.00276	0.00890	1.00000	0.17603	0.36657	0.50245	0.00775
2005	0.14879	-	0.00860	1.00000	0.17555	0.36657	0.52979	0.00745
2006	0.14879	-	0.00800	1.00000	0.17471	0.36657	0.51732	0.00685
2007	0.14879	-	0.00470	1.00000	0.17165	0.36657	0.51786	0.00635
2008	0.14879	-	0.00450	1.00000	0.17276	0.36657	0.51452	0.00615
2009	0.14879	-	0.00430	1.00000	0.17342	0.36649	0.67550	0.00615
2010	0.14879	-	0.00430	1.00000	0.17241	0.36649	0.48300	0.00595
2011	0.14879	-	0.00370	1.00000	0.17154	0.36649	0.48300	0.00535
2012	0.14879	-	0.00370	1.00000	0.17226	0.36649	0.48300	0.00535

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

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

Source: HdL Coren & Cone, Orange County Assessor 2002/2003 - 2011/2012 Combined Tax Rolls.

TABLE 12

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

<u>Taxpayer</u>	2011-2012			2002-2003		
	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>
Trust Costa Mesa Courtyards LLC	\$ 390,145	1	1.60%			
South Coast Plaza	378,322	2	1.56%	\$ 540,404	1	3.28%
Rreef America Reit II Corportation Cccc2	373,056	3	1.53%			
Irvine Company LLC	319,186	4	1.31%			
1901 Newport LLC	308,005	5	1.27%	175,924	7	1.07%
United Dominion Realty LP	255,674	6	1.05%			
WWG TSQ Owner LLC	238,639	7	0.98%			
RTS Sunflower LLC	212,834	8	0.88%			
Interinsurance Exchange of the Auto Club	192,764	9	0.79%	146,601	9	0.89%
Westbay Associates LLC	191,324	10	0.79%			
Triangle Square				473,526	2	2.88%
Teachers Retirement System				252,797	3	1.54%
Sakioka Farms				247,158	4	1.50%
FSP Two Town Center LLC				221,085	5	1.34%
Los Angeles Times				192,748	6	1.17%
Casden Lakes LP				150,948	8	0.92%
CJ Segerstrom & Sons				135,797	10	0.83%
Total	<u>\$ 2,859,948</u>		<u>11.76%</u>	<u>\$ 2,536,988</u>		<u>15.41%</u>

Source: HdL Coren & Cone, Orange County Assessor 2011/2012 & 2002/2003 Combined Tax Rolls.

TABLE 13

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

	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General bonded debt outstanding										
General obligation bonds	250,000	-	-	-						
Redevelopment bonds (1)	7,570,000	7,470,000	7,020,000	6,565,000	6,105,000	5,630,000	5,145,000	4,650,000	4,140,000	3,615,000
Total	<u>7,820,000</u>	<u>7,470,000</u>	<u>7,020,000</u>	<u>6,565,000</u>	<u>6,105,000</u>	<u>5,630,000</u>	<u>5,145,000</u>	<u>4,650,000</u>	<u>4,140,000</u>	<u>3,615,000</u>
Percentage of taxable assessed value	0.0778%	0.0699%	0.0603%	0.0516%	0.0442%	0.0392%	0.0356%	0.0329%	0.0293%	0.0256%
Per capita	\$ 14.70	\$ 16.31	\$ 16.47	\$ 14.09	\$ 12.07	\$ 7.18	\$ 6.53	\$ 9.90	\$ 8.85	\$ 8.43
Less: Amounts set aside to repay general debt	762,440	704,877	707,466	710,981	711,982	706,045	704,300	704,300	704,300	704,300
Total net debt applicable to debt limit	7,057,560	6,765,123	6,312,534	5,854,019	5,393,018	4,923,955	4,440,700	3,945,700	3,435,700	2,910,700
Legal debt limit (3.75% of Assessed Value)	381,059,948	405,242,385	430,391,123	465,925,448	515,894,487	556,242,642	583,264,697	585,910,407	574,243,802	575,152,015
Legal debt margin	374,002,388	398,477,262	424,078,589	460,071,429	510,501,469	551,318,687	578,823,997	581,964,707	570,808,102	572,241,315
Legal debt margin as a percentage of the debt limit	98.15%	98.33%	98.53%	98.74%	98.95%	99.11%	99.24%	99.33%	99.40%	99.49%

Source: City of Costa Mesa Finance Department

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

TABLE 14

**CITY OF COSTA MESA, CALIFORNIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	General Bonded Debt		Percentage of Total Taxable Assessed Value	Per Capita	Other Governmental Activities Debt			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bond ⁽¹⁾			Revenue Bonds	Certificates of Participation	Lease Purchase Financing			
2003	250,000	7,570,000	0.0778%	14.70	27,215,000	-	4,353,329	39,388,329	1.84%	2,084.04
2004	-	7,470,000	0.0699%	16.31	26,075,000	-	3,695,503	37,240,503	1.41%	1,595.43
2005	-	7,020,000	0.0603%	16.47	24,340,000	-	2,993,166	34,353,166	1.11%	1,257.04
2006	-	6,565,000	0.0516%	14.09	22,695,000	-	6,725,536	35,985,536	1.16%	1,316.78
2007	-	6,105,000	0.0442%	12.07	20,935,000	29,960,000	5,368,649	62,368,649	2.00%	2,282.18
2008	-	5,630,000	0.0392%	7.18	19,000,000	29,215,000	3,037,222	56,882,222	2.73%	3,105.81
2009	-	5,145,000	0.0356%	10.72	16,980,000	28,465,000	1,898,535	52,488,535	1.50%	1,745.60
2010	-	4,650,000	0.0329%	9.94	14,890,000	27,525,000	2,341,737	49,406,737	1.40%	1,636.85
2011	-	4,140,000	0.0293%	8.85	12,735,000	26,355,000	1,780,834	45,010,834	1.27%	1,491.22
2012	-	3,615,000	0.0256%	8.43	10,490,000	25,140,000	1,057,907	40,302,907	1.11%	1,224.86

Source: City of Costa Mesa Finance Department

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

TABLE 15

**CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Tax and Assessment debt repaid with property taxes			
City of Costa Mesa Community Facilities District No. 91-1	1,720,000	100%	1,720,000
Newport Mesa Unified School District	246,399,150	26.898%	66,276,443
Coast Community College District	317,803,867	14.297%	45,436,419
Santa Ana Unified School District	302,027,117	4.102%	12,389,152
Rancho Santiago Community College District	302,555,660	1.685%	5,098,063
Metropolitan Water District	196,545,000	0.755%	1,483,915
Subtotal overlapping Tax and Assessment debt repaid with property taxes			<u>132,403,992</u>
Overlapping general fund debt repaid with property taxes			
Newport Mesa Unified School District Certificates of Participation			
Municipal Water District of Orange County Water Facilities Corporation	12,145,000	4.270%	518,592
Coast Community College District General Fund Obligation	20,240,000	14.297%	2,893,713
Santa Ana Unified School District Certificates of Participation	50,672,741	4.102%	2,078,596
Orange County General Fund Obligations	233,751,000	3.614%	8,447,761
Orange County Pension Obligations	214,405,353	3.614%	7,748,609
Orange County Board of Education Certificates of Participation	16,000,000	3.614%	578,240
Irvine Ranch Water District Certificates of Participation	77,190,000	1.692%	1,306,055
Subtotal overlapping general fund debt repaid with property taxes			<u>23,571,566</u>
Subtotal, all overlapping debt			155,975,558
City direct debt			
City of Costa Mesa General Fund Obligations	33,910,000	100%	33,910,000
Total direct and overlapping debt			<u><u>189,885,558</u></u>

Source: California Municipal Statistics, Inc.

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

Calendar Year	Population (2)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (3)	Orange County Unemployment Rate (4)
2003	111,512	2,107,577	18,900	32	22,380	3.20%
2004	113,011	2,135,908	18,900	32	21,806	3.60%
2005	113,042	2,638,626	23,342	32	21,875	2.90%
2006	113,134	3,091,785	27,329	32	21,253	3.70%
2007	113,805	3,110,122	27,329	32	20,877	3.90%
2008	113,955	3,114,221	27,329	32	20,920	5.30%
2009	113,955	2,087,063	18,315	32	21,178	9.30%
2010	116,341	3,498,258	30,069	33	21,353	8.50%
2011	117,178	3,536,901	30,184	33	21,444	9.20%
2012	110,757	3,644,348	32,904	33	21,619	7.90%

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

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

<u>Employer</u>	<u>2011-2012</u>			<u>2002-2003⁽¹⁾</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Experian Information Solution	3,700	1	5.71%			
Coast Community College District Foundation	2,900	2	4.48%			
Orange Coast Community College	1,900	3	2.93%			
Fairview Developmental Center	1,500	4	2.32%			
A Clark /Mccarthy Joint Venture	1,250	5	1.93%			
Interinsurance Exchange of the Auto Club	1,200	6	1.85%			
Pacific Building Care, Inc	850	7	1.31%			
International Business Machines Corporation	750	8	1.16%			
Filenet Corporation	600	9	0.93%			
TTM Technologies, Inc	500	10	0.77%			

⁽¹⁾ - Data not available for the fiscal year 2002-2003

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

TABLE 18

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

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Number of residents served via public services programs	4,420	3,925	2,998	3,500	3,250	3,250	2,800	3,250	3,000	2,023
Accounts payable checks issued	12,037	11,525	11,693	12,075	12,250	12,000	12,500	12,500	10,187	9,634
Total printshop photocopies produced	6,243,573	6,223,133	5,257,928	5,010,580	5,200,000	5,250,000	4,965,000	2,260,000	2,528,476	2,746,559
Protection of persons and property										
Police protection										
Emergency calls	1,519	1,473	1,436	1,390	1,400	1,450	1,350	1,350	1,230	1,160
Calls responded to within 5 minutes	85%	85%	85%	81%	80%	80%	82%	82%	82%	80%
Assigned theft cases	1,932	1,998	2,130	2,000	1,000	1,000	2,055	2,000	2,055	1,900
Percentage of theft cases cleared	25%	23%	23%	25%	25%	25%	25%	25%	25%	25%
Assigned burglary cases	1,481	1,535	1,578	1,600	1,600	1,600	1,425	1,600	1,425	1,460
Percentage of burglary cases cleared	30%	23%	21%	25%	25%	25%	25%	25%	25%	25%
Case and arrest reports processed	47,583	46,236	27,704	46,300	24,180	24,603	24,603	24,603	19,814	21,921
Fire protection										
Number of calls for service	8,300	8,300	8,876	8,704	9,000	9,400	9,450	9,500	9,500	9,800
Fire related responses	249	255	178	261	180	188	283	285	238	110
Emergency medical aid responses	6,557	5,810	6,657	6,267	6,840	6,700	6,700	6,700	7,200	6,400
Community Programs										
Number of program participants at the Downtown Recreation Center	18,600	20,000	24,500	25,000	32,799	67,134	33,843	33,357	30,903	32,404
Over-the-counter plan checks reviewed within five (5) working days	290	420	438	482	600	650	600	450	270	319
Inspection requests with 24 hours	14,500	16,000	17,708	19,478	16,500	28,000	14,850	14,850	14,250	14,345
Complaint response within two (2) working days	13,000	15,025	15,459	22,742	22,000	12,000	19,800	19,000	13,500	13,590
Public services										
Number of trees trimmed annually	5,400	5,410	5,430	5,400	5,065	6,435	8,007	7,980	4,504	7,206
Number of catch basins cleaned annually	1,300	1,275	1,236	1,300	1,275	1,200	1,260	1,165	1,165	1,165

Source: City of Costa Mesa Finance Department

TABLE 19

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

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2003</u>	<u>2004⁽¹⁾</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
City council	5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.0	5.0
Chief Executive Officer's Office	14	16.25	16.27	16.27	16.56	16.56	16.56	16.00	13.00	15.75
City attorney	6	6	6	-	-	-	-	-	-	-
Financial services	23	23.67	23.67	23.67	23.67	24.42	24.42	24.42	17.75	17.75
Administrative services	133	135.96	136.11	130.28	125.19	124.66	126.21	119.86	103.05	96.47
Development services	43	45.10	44.50	44.50	45.00	45.00	45.00	44.50	30.00	26.50
Protection of persons and property										
Police protection	234	254.88	255.25	254.75	258.73	262.73	266.75	254.63	213.88	220.68
Fire protection	111	112.92	112.92	112.92	113.40	112.92	112.92	112.92	98.44	96.44
Public services	118	114.46	113.94	101	107.90	108.90	108.90	108.96	76.50	79.25
	687	714.74	714.16	688.89	695.95	700.69	706.26	686.79	557.62	557.84

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

Source: City of Costa Mesa Finance Department

TABLE 20

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

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Stations/Substations	2	2	2	2	2	2	2	2	2	2
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Other public works										
Streets (lane miles)	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0	525.0
Streetlights	6,651	6,658	6,658	6,661	6,676	6,669	6,669	6,669	6,669	6,674
Traffic signals	114	115	115	116	116	122	122	122	124	124
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957
Park sites	30	30	30	30	30	30	30	30	30	30
Baseball/softball diamonds	5	5	5	6	6	6	6	6	6	6
Soccer/football fields	9	9	9	8	8	8	8	8	8	8
Community centers	3	3	3	3	3	3	3	3	3	3
Wastewater (miles)										
Sanitary sewers	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7	325.7
Storm sewers	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5

Source: City of Costa Mesa Finance Department