

**CITY OF COSTA MESA
CALIFORNIA**

*City of the
Arts*



**ANNUAL COMPREHENSIVE
FINANCIAL
REPORT**

FISCAL YEAR ENDED
JUNE 30, 2021



CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2021

Prepared by: Finance
Department

www.costamesaca.gov



CITY OF COSTA MESA, CALIFORNIA
Annual Comprehensive Financial Report
Year ended June 30, 2021

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ANNUAL COMPREHENSIVE
FINANCIAL REPORT
INTRODUCTORY SECTION





CITY OF COSTA MESA

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

FROM THE OFFICE OF THE FINANCE DIRECTOR —CITY TREASURER

December 17, 2021

Honorable Mayor and Councilmembers:

The Annual Comprehensive Financial Report of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2021, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City's financial statements for the fiscal year ended June 30, 2021, have been audited by Davis Farr LLP, an independent public accounting firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 112,780 and a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

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

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

The City is a "full service city" and provides a wide range of services. These services include: police and fire protection; emergency medical aid; building safety regulation and inspection; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety, maintenance, and improvement; homeless street outreach and shelter services; 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, public works, and land-use planning.

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

The City Manager submits the budget to the City Council, who adopts it prior to the beginning of the fiscal year. Public hearings are conducted prior to budget adoption. Supplemental appropriations, when required during the fiscal year, are also approved by the City Council. Intra-functional and interfund budgetary amendments are approved by the City Manager subject to the total amount authorized by City Council.

ECONOMIC CONDITION

Fiscal year 2020-21 marks a full fiscal year's economic impact of the unprecedented worldwide pandemic, COVID-19. The pandemic continues to impact the global economy, our public health care system, and capital markets. Americans experienced job losses, rising rents, and increased inflation. The retail sector and dining industry experienced unparalleled fiscal challenges resulting from the government lockdowns necessary to reduce the transmission of COVID-19 and stabilize the nation's health care system.

Governments utilized multiple financial assistance grants and programs to help stimulate the economy and to fund the increased costs associated with managing the pandemic. Federal and State stimulus monies were sent to Americans and also to businesses through the CARES Act approved by Congress in March 2020 for \$2.2 trillion and December 2020 for \$900 billion. A third stimulus package was later approved, the American Rescue Plan Act, enacted in March 2021 for \$1.9 trillion. Due to social distancing requirements and restricted indoor and outdoor activities, spending on services such as dining, leisure, travel and personal services was significantly reduced. Americans either saved the financial assistance or purchased goods. Online spending surged. Service-related industry workers experienced record job losses. When the demand for services restarted, many employees chose not to return to service-related positions.

The shortage of workers and the demand for goods have resulted in a backlog in the supply chain. Globally, many ports are jammed, and cargo ships are significantly delayed in docking to transport cargo to their destinations. As a result, the price of consumer goods continues to increase.

In fiscal year 2020-21, General Fund revenue, not including transfers, increased by \$4.6 million or 3.4 percent. This is primarily due to a strong rebound in the retail sector and online purchases resulting in a sales tax revenue increase of \$8.0 million, or 14 percent. Costa Mesa is home to the renowned South Coast Plaza, Metro Pointe, and a variety of brick and mortar stores that have offered curbside pickup and social distancing shopping experiences that have assisted in the rebound of sales tax revenues. It is important to note that sales tax revenues in comparison to fiscal year 2018-19, the last full fiscal year prior to the pandemic, was lower by \$1.0 million, or 2 percent.

The sales tax increases were partially offset by the losses in the City's hotel taxes. Transient Occupancy Tax decreased by \$2.3 million or 35 percent. Business closures, shelter-in-place orders, and the significant reduction of conventions and conferences led to a continued decline in this revenue stream.

General Fund expenditures decreased by 2.6 percent compared to the prior year. For fiscal year 2020-21, the General Fund ended with a net operating positive of \$17.5 million before other financing uses of \$17.5 million, comprised of transfers to the Disaster Services Fund and to the Internal Services Funds for the City's Capital, Technology, and Equipment Funds. Net financing uses increased by 150 percent compared to the prior fiscal year due to interfund transfers to the Capital and Information Technology Replacement Funds to ensure compliance with the CAN (Capital Asset Needs), and to the Disaster Fund to cover expenditures incurred during the pandemic. After the net of other financing uses, the General Fund ended with a very slight increase of \$30,000 to the fund balance for fiscal year 2020-21.

The City is cautiously expecting a positive outlook for the local economy. The pandemic's negative impact on the economy, coupled with the multitude of stimulus funding by the Federal government, show a stabilization of sorts. Economic indicators show inflation rates are expected to close calendar year 2021 around 7 percent. In October 2021, the United States wages increased by 9.77 percent over the same month in the previous year. While the City of Costa Mesa is experiencing a slight reduction in its financial situation, the City is well positioned to continue to weather the impacts of the pandemic. The City enjoys a strong, diverse local economy, well-funded emergency reserves, and a solid commitment to continue to deliver top quality services to the community.

MAJOR AND FUTURE DEVELOPMENT INITIATIVES

Major Developments:

Anduril Headquarters (1375 Sunflower Street- former LA Times) – The master plan for the 665,000 square foot office project was approved in August 2017. Construction for rehabilitation of the first two phases of the project is under way. The first phase is near completion and the second phase is expected to be completed by end of 2021. Phase 3, which includes a new 185,000 square foot research and development building will be completed in 2022.

Harbor / Hamilton (2095 Harbor Blvd. and Hamilton Street) – This 1.53-acre site is approved for construction of a detached single-family condominium development. This project will consist of 28 two and three-bedroom, three story, and detached homes including seven units with ground level work space. The model homes and first phase are completed and the remainder of the project is anticipated to be completed this year, or in the beginning of 2022.

Vanguard University (55 Fair Drive) – The university has an approved master plan to replace some of the existing buildings with more modern facilities, provide additional student housing, and replace some surface parking with a parking structure. This amendment reflects long range plans for the university and will take several years to complete. The 42,687 square foot 2-story student center is complete. Construction drawings have been submitted and are being reviewed for perimeter improvements along Fair Drive and Newport Boulevard. Construction drawings for the new 61,006-square-foot gymnasium and events center are anticipated to be submitted in 2022, and would consist of a multipurpose gymnasium and an athletic facility with additional student facilities.

Halcyon House (former Symphony Apartments located at 595 Anton Blvd.) – The five-story project consisting of 393 luxury apartment units and retail shops at the corner of Anton Boulevard and Avenue of the Arts, was approved in 2015. Construction of Building A is nearing completion and the exterior façade is well under way. Building B is currently in the framing stage. The project is anticipated to be completed in 2022.

Newport & Ford (1957 Newport Blvd.) – The 38-unit three-story condominium project was approved by the City Council in October 2018. The first phase is now occupied and the project is anticipated to be completed in 2022.

Orange County Museum of Art (3333 Avenue of the Arts) – The project consists of 53,875 square-foot two-story structure, which will become the new home to the Orange County Museum of Art, on the existing vacant site within the Theater Arts District. Construction is well underway and the project is expected to be completed in 2022.

LUX Apartments (2277 Harbor Boulevard) – The project consists of 200 apartment units (including 9 very low-income units). The project is under construction and is anticipated to be completed in 2022.

Avenue of the Arts Hotel Expansion (3350 Avenue of the Arts) – The master plan amendment for the project that included a new building design of the approved hotel expansion, was approved in November 2019. The new master plan includes a two-level underground parking structure, a new restaurant and hotel lobby, and six levels of 150 new hotel rooms. Minor changes are being submitted to the design in 2021, with construction commencing in 2022.

The Plant (765-767 Baker Street and 2972 Century Place) – This project consists of the proposed renovation of three existing commercial buildings (containing the former Car Mart and Plant Stand) totaling 19,100 square feet, for retail and restaurant uses surrounding a central courtyard area. In addition, new buildings are proposed consisting of two greenhouse structures which will contain food stall uses, and a four-story mixed use building with 48 residential units, 14 live/work units, and 2,570 square feet of workshop/maker office space

above a two-level parking structure containing 170 parking spaces. Additionally, 39 on-site open parking spaces and 34 open parking spaces accessible from Century Place are proposed, for a total of 243 proposed parking spaces. This project was approved by the City Council; submittal of development plans is anticipated in 2021.

Vans Headquarter Expansion (1588 South Coast Drive)- The Vans Building Expansion Project proposes to construct a three-story, 91,032 square foot office building approximately 40-feet north of the existing Vans Headquarter building on the Vans Headquarters Campus (Campus) located at 1588 South Coast Drive, Costa Mesa. The proposed project would also construct a three-story parking structure accommodating 358 parking spaces in the northeast quadrant of the Campus. Ancillary improvements include a small amphitheater/seating area just east of the proposed office building and south of the proposed parking structure, and a half pipe skate ramp, just west of the proposed office building. A project design feature is an addition of a traffic signal on Hyland Avenue at the Vans north driveway. The project has been entitled, plans approved, and construction is anticipated to be completed in 2022.

Future Development (pending approval):

One Metro West (1683 Sunflower Avenue) – The proposed Project is a mixed-use development and consists of residential, specialty retail, creative office, and recreational uses. The Project is proposed to include up to 1,057 dwelling units (anticipated to be rental units), 25,000 square feet of commercial creative office, 6,000 square feet of specialty retail, and 1.5-acres of public open space. All existing buildings, structures, parking areas, drive aisles, and hardscape/landscape improvements are proposed to be demolished. The proposed development includes: three multi-family residential structures with a maximum building height of seven stories; one stand-alone office building up to four stories in height; tenant-serving commercial retail space integrated into one of the residential structures; open space; landscaping; streetscape improvements; and a Class-I bike trail system on Sunflower Avenue providing access to the Santa Ana River Trail. The proposed Project is subject to Measure Y, as codified in Article 22, Chapter IX of Title 13 (Zoning) of the Costa Mesa Municipal Code. Pursuant to Measure Y, after final approval by the City Council, including all CEQA review, the voters must then approve the Project.

Senior Housing Project at Senior Center (Jamboree Housing ENA) – In 2020, the City Council approved an Exclusive Negotiating Agreement (ENA) to partner with Jamboree Housing Corporation in determining the feasibility, and potential terms, for the right to acquire a long-term leasehold interest in an approximately 0.90-acre portion of the parking lot at the Senior Center property to develop a senior housing project. The conceptual density study plans envision the potential for 60 senior affordable dwelling units (59 plus one manager unit). An application for an Urban Master Plan Screening for the proposed project was submitted in November 2021.

DEBT ADMINISTRATION

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

In October 2017, the FA issued the 2017 Lease Revenue Bonds that refinanced the PFA Series 2007 Certificates of Participation (COP) and provided partial funding for the Lion's Park, Donald Dungan Library and Neighborhood Community Center project. Standard & Poor's (S&P) rated the 2017 bonds AA+ upon initial issuance. On November 3, 2020, S&P reaffirmed the 2017 bonds' AA+ long-term rating with a stable outlook. According to the final report, S&P "reviewed governance risks and consider them better than the sector standard because of the City's very strong management profile with strong financial policies and practices, and successful economic development efforts."

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

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2021 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for another award.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



LORI ANN FARRELL HARRISON
City Manager



CAROL MOLINA
Finance Director



City of Costa Mesa List of Principal Officials

June 30, 2021

Mayor

John Stephens

City Council

Andrea Marr

Manuel Chavez

Loren Gameros

Jeff Harlan

Don Harper

Arlis Reynolds

City Manager ----- --Lori Ann Farrell Harrison
Assistant City Manager----- --Susan Price
City Attorney (Contract) ----- Kimberly Hall Barlow
Economic and Development Services Director ----- Jennifer Le
Finance Director -----Carol Molina
Information Technology Director ----- Steve Ely
Parks and Community Services Director ----- Jason Minter
Public Services Director ----- Raja Sethuraman
Fire Chief ----- Dan Stefano
Police Chief ----- Ron Lawrence



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Costa Mesa
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO





ANNUAL COMPREHENSIVE
FINANCIAL REPORT
INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa (the City), as of and for the year ended June 30, 2021 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described further in note 20 to the financial statements, during the year ended June 30, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84 resulting in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Costa Mesa's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated, December 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedules identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Irvine, California
December 17, 2021





ANNUAL COMPREHENSIVE
FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage all readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2021 by \$37.1 million (*net position*). Of this amount, \$243.9 million (*unrestricted net position deficit*) primarily resulted from implementations of Governmental Accounting Standards Board (GASB) Statement Nos. 68, 71 and 73 for pensions, and GASB Statement No. 75 for Postemployment Benefit Other than Pensions (OPEB). These statements established standards for measuring and recognizing liabilities for defined benefit plans.
- In the government-wide financial statements, total net position increased by \$15.3 million from the prior fiscal year total of \$21.8 million primarily due to an increase federal funding from the CARES Act and American Rescue Plan Act (ARPA). This increase was offset by a decrease in charges for services and an increase in expenditures due to the ongoing COVID-19 pandemic.
- In the fund financial statements, the governmental funds reported a combined ending fund balance of \$109.4 million, an increase of \$7.1 million in comparison with the prior year total of \$102.3 million.
- At the end of fiscal year 2021, the General Fund's unassigned fund balance was \$17.4 million or 14.1 percent of general fund expenditures of \$123.5 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- At June 30, 2021, the City reported \$314.7 million in pension liabilities and \$62.9 million in OPEB liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The *statement of activities* presents information to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The basic government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 26 individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General, Capital Improvements and Gas Tax funds, all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Funds

The City maintains one type of proprietary fund, *internal service funds*. Internal service funds are an accounting device used to accumulate and allocate costs internally among various City functions. The City uses internal service funds to account for equipment replacement, self-insurance (workers' compensation, general liability, unemployment), and information technology replacement functions. Because there are no business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of these funds are *not* available to support the City's own programs and services. The accounting method used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 27-28 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-72 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Required supplementary information can be found on pages 73-92 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information section. Combined and individual fund statements and schedules can be found on pages 96-126 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37.1 million at June 30, 2021, an increase of \$15.3 million from 2020.

As in previous years, the City's net position continued to reflect the impact from implementations of GASB Statements No. 68, 71 and 73 for pension and GASB 75 for OPEB, all of which account for the City's defined benefit liabilities. The City's total defined benefit liability is estimated at \$377.6 million on the Statement of Net Position, an increase of \$14.0 million as compared to the prior year.

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

CONDENSED STATEMENT OF NET POSITION
--

	June 30, 2021	June 30, 2020	Increase/ (Decrease)	Percent Increase/ (Decrease)
ASSETS:				
Current and other assets	\$155,763,694	\$139,065,874	\$ 16,697,820	12.01%
Capital assets, net of accumulated depreciation	282,879,937	277,554,449	5,325,488	1.92%
Total assets	438,643,631	416,620,323	22,023,308	5.29%
Deferred outflows of resources	52,911,235	47,770,801	5,140,434	10.76%
LIABILITIES:				
Current and other liabilities	15,215,718	16,028,238	(812,520)	-5.07%
Long-term liabilities	430,748,965	414,825,401	15,923,564	3.84%
Total liabilities	445,964,683	430,853,639	15,111,044	3.51%
Deferred inflows of resources	8,529,449	11,771,635	(3,242,186)	-27.54%
NET POSITION:				
Net investment in capital assets	255,443,158	248,815,081	6,628,077	2.66%
Restricted	25,552,401	24,367,869	1,184,532	4.86%
Unrestricted	(243,934,825)	(251,417,100)	7,482,275	-2.98%
Total net position	\$ 37,060,734	\$21,765,850	\$ 15,294,884	70.27%

At the end of fiscal year 2020-21, the City continued to report positive balances in two out of three categories of net position for the government as a whole, as well as for its separate governmental activities. The unrestricted net position improved by \$7.5 million, ending the fiscal year with a balance of \$243.9 million primarily due to implementations of pension and OPEB accounting standards.

During the fiscal year 2020-21, the City's total net position increased by \$15.3 million.

CHANGES IN NET POSITION		
	Governmental Activities	
	2021	2020
REVENUES:		
Program Revenues:		
Charges for services	\$ 17,113,465	\$ 19,374,347
Operating contributions and grants	32,519,129	10,576,719
Capital contributions and grants	8,267,623	6,251,484
General Revenues:		
Taxes:		
Property taxes	47,891,698	45,548,585
Sales and use taxes	63,738,411	55,866,831
Transient occupancy tax	4,282,802	6,587,224
Franchise taxes	4,895,574	4,822,964
Business tax	1,227,843	1,663,100
Other intergovernmental, unrestricted	84,182	91,674
Investment income	(80,831)	4,075,623
Miscellaneous	1,420,418	1,638,221
Total revenues	<u>181,360,314</u>	<u>156,496,772</u>
EXPENSES:		
General Government	36,763,868	32,124,703
Protection of persons and property	88,643,852	96,625,585
Community programs	22,007,275	17,285,898
Public services	17,663,842	16,269,612
Interest on long-term debt	986,593	1,083,190
Total expenses	<u>166,065,430</u>	<u>163,388,988</u>
Change in net position	<u>15,294,884</u>	<u>(6,892,216)</u>
NET POSITION, BEGINNING OF YEAR	21,765,850	28,658,066
NET POSITION, END OF YEAR	<u>\$ 37,060,734</u>	<u>\$21,765,850</u>

Governmental Activities

Governmental activities increased the City's net position by \$15.3 million. The Coronavirus (COVID-19) pandemic that started at the beginning of 2020 forced government agencies worldwide to issue business closure and shelter-at-home orders to protect life and safety. In fiscal year 2020-21, the City continued to implement multi-pronged operating cost reduction measures. These measures along with re-opening of businesses, lifting of the shelter-at-home order and Federal funding, contributed to the increase of the net position. Key factors in the City's net position included:

- Sales tax increased by \$7.9 million or 14.1 percent. Costa Mesa is primarily based on retail commercial business, sales tax from which is the City's largest revenue source. The lifting of the State's shelter-in-place order, resulting from COVID-19, has given citizens an opportunity to consume again, positively affecting sales tax revenue.
- Operating contributions and grants increased \$21.9 million or 207.5 percent primarily due to one-time federal stimulus funding; CARES Act and American Rescue Plan Act.
- Transient occupancy tax decreased by \$2.3 million or 35.0 percent due to the continuing decline in tourism, travel, conferences, and conventions directly correlated to the ongoing worldwide pandemic.
- Investment income decreased by \$4.2 million or 102.0 percent. Due to the continuing global COVID-19 pandemic throughout fiscal year 2020-21, the economy was negatively impacted resulting in a decrease in the market.
- Overall expenses increased by \$2.7 million or 1.6 percent from fiscal year 2019-20 as the City continued to implement safety measures against COVID-19 while reopening its doors for public service.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2020-21, the City's governmental funds reported combined ending fund balance of \$109.4 million, an increase of \$7.1 million in comparison with the prior fiscal year fund balance of \$102.3 million. Of this total amount:

- \$0.9 million represents *nonspendable fund balance* which includes amounts that cannot be used because they are either not spendable in form or legally or contractually required to remain intact.
- \$27.0 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.

- \$25.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by a formal action of the City Council. It includes legislation (City Council action) that can only be overturned by a subsequent council action requiring a voting consensus.
- \$39.4 million represents *assigned fund balance* which includes amounts that are designated or expressed by the City Council for certain purposes but do not require formal actions like resolutions or ordinances. City Council, via resolution, delegated the authority to establish, modify, or rescind a fund balance assignment to the Finance Director.
- The remaining \$17 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2020-21, the General Fund's fund balance increased by \$28,593. While the total fund balance amounted to \$53.5 million, the unassigned fund balance was \$17 million. As discussed in previous sections, the worldwide COVID pandemic continues to significantly impact key revenues and expenditures:

- Sales tax revenues increased by \$8.0 million or 14.3 percent from fiscal year 2019-20. This increase is due to consumer online spending in addition to storefronts offering contact less curbside pickup and social distancing while shopping in store.
- Transient occupancy tax decreased by \$2.3 million or 35.0 percent due to a reduction of convention conferences, business closures and shelter-in-place orders.
- Property tax increased by \$2.3 million or 5.0 percent.
- Overall, total revenues in the General Fund increased by \$4.6 million or 3.4 percent.
- Community programs and public services expenditures decreased by \$1.6 million, in total, as the City implemented cost reduction measures in response to revenue losses from COVID.
- Overall, total expenditures in the General Fund decreased by \$3.2 million or 2.6 percent.

Major Funds Other Than the General Fund

The Capital Improvements Fund had \$17.2 million in fund balance at the end of the fiscal year which represents a net increase of \$5.7 million or 49.6 percent from the prior fiscal year. The increase in fund balance is mainly attributed to Transfers in for various capital improvement projects as well as the true up of 5% per the City's Capital Asset Needs Ordinance requirement.

The Gas Tax Fund had \$13.6 million in fund balance at the end of the fiscal year which represents a net increase of \$1.8 million or 15.1 percent from the prior fiscal year. The increase is mainly attributed to fewer expenditures in capital projects due to the ongoing COVID-19 pandemic.

Proprietary Funds

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

The unrestricted net position of the Internal Service Funds at the end of the year was \$10.4 million. Total net position increased by \$6.8 million from the prior fiscal year. This was primarily due to increases in Transfer In for various equipment and fleet purchases, and for pending litigations.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2020-21 the actual revenues were \$295,510 or 0.2 percent higher, than the final adjusted budget. The actuals were higher than the final adjusted budget due to a one-time rebate from Southern California Edison, as a result from changing all the City street lights to LED. This is seen in advances/repayment. There was a decrease in charges for services due to the pandemic that caused cancellations of activities that normally take place. There was also a slight decrease in franchise tax monies.

Actual expenditures were \$4.3 million or 3.4 percent lower than originally estimated and final adjusted budget. The variance was due to the defunding of full-time vacant positions citywide, the reduction of certain non-essential services, the closure of City parks, the establishment of a five percent employee furlough, the partial waiver of the Capital Asset Needs Ordinance (CAN), and the prepayment of the annual CalPERS contribution obligations.

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, 2021, amounted to \$282.9 million net of accumulated depreciation and amortization. The investment in capital assets includes land, building improvements and structures, landscaping and sprinklers, machinery and equipment, intangible assets, park system and facilities, and road and storm drain infrastructure. The City's investment in capital assets for the current fiscal year increased by \$5.3 million. Major infrastructure asset additions during fiscal year 2020-21 were citywide street rehabilitation for Zones 6 and 7, Fairview Traffic Signal Synchronization, and other ongoing capital projects. Other assets capitalized included vehicle replacements and a variety of equipment purchases. During the fiscal year, capital assets not being depreciated decreased by \$8.5 million and capital assets being depreciated increased by \$21.3 million.

CAPITAL ASSETS			
<i>(NET OF DEPRECIATION)</i>			
	Governmental Activities		
	2021	2020	
Land	\$ 34,579,306	\$ 34,579,306	
Land rights related to streets	29,821,224	29,821,224	
Construction in progress	8,437,088	16,985,950	
Building improvements and structures	75,902,623	59,748,311	
Machinery and equipment	12,037,596	12,920,546	
Intangibles	466,741	587,320	
Park system and facilities	7,399,467	6,616,992	
Infrastructure- roads	99,900,537	100,823,445	
Infrastructure- storm drains	14,335,355	15,471,355	
TOTALS	\$282,879,937	\$277,554,449	

Construction in progress as of June 30, 2021 totaled \$8.4 million and included some of the following projects with significant commitment balances:

CONSTRUCTION COMMITMENTS

CONSTRUCTION PROJECT	TOTAL BUDGET	SPEND TO DATE	REMAINING COMMITMENT
Land Management System	\$ 2,054,941	\$ 695,206	\$ 1,359,735
ERP system for Human Resource, Finance and Payroll	1,028,318	55,625	972,693
Fairview Road Improvement 405/Adams	1,178,820	2,670	1,176,150
SB Newport Blvd Improvements Mesa Victoria	1,908,337	2,431	1,905,906
Newport NB 22th Bristol SB Bristol Mesa	2,134,145	2,360	2,131,785
Citywide Street Maintenance	7,409,627	5,286,818	2,122,809
Jack Hammett Field Upgrade	1,706,071	8,796	1,697,275
TOTALS	\$ 17,420,259	\$ 6,053,906	\$ 11,366,353

Additional information on capital assets can be found in note 6 on pages 48-49 of this report.

Long-Term Debt

At year-end, the City had two outstanding bond issues: the Public Financing Authority 2006 Revenue Refunding Bonds with an outstanding balance of \$210,000 and the Financing Authority 2017 Lease Revenue Bonds with an outstanding balance of \$24.9 million. Additionally, the City had \$25 million in other outstanding liabilities related to loans, claims and employee benefits.

Long-term liabilities had a net increase of \$3.5 million, primarily due to an increase in notes payable for the financing of the Pierce Arrow XT Firetruck and the City's outstanding liability claims.

OUTSTANDING DEBT

	Governmental Activities	
	2021	2020
Bonds Payable	\$ 28,200,046	\$ 30,222,813
Other Liabilities	24,960,460	21,019,797
TOTALS	\$ 53,160,506	\$ 51,242,610

Additional information on the City's long-term debt can be found in notes 7 through 8 on pages 49-52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During fiscal year 2020-21, the local economy continues to face the financial hardships arising from the COVID-19 pandemic. The City took a multi-faceted approach for addressing the estimated deficit by reducing spending across City Departments and implementing five percent employee furloughs, which were subsequently funded through ARPA monies. With the funding from the CARES Act and Federal American Rescue Plan Act, the City was able to sustain core services until revenues return to pre-pandemic levels. The City of Costa Mesa is experiencing a slight increase in its financial situation, attesting that the City is well positioned to continue to weather the fiscal impacts of the pandemic. For fiscal year 2021-22 the City is carefully restoring staffing and service levels cut at the height of the pandemic, while continuing to utilize federal stimulus funds.

REQUESTS FOR INFORMATION

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

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



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
GOVERNMENT-WIDE FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statement of Net Position

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

Statement of Activities

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

CITY OF COSTA MESA, CALIFORNIA
Statement of Net Position
June 30, 2021
(With Comparative Data for Prior Year)

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments (note 2)	\$ 127,921,427	\$ 119,401,427
Cash and investments with fiscal agent (note 2)	978,262	2,011,305
Due from other governments	20,450,671	13,093,504
Accounts receivable	2,351,222	2,284,298
Interest receivable	312,024	529,414
Loans receivable, net (note 5)	650,674	862,534
Rent receivable	346,702	425,221
Inventories	202,311	164,782
Prepaid items	2,550,401	293,389
Capital assets (note 6):		
Nondepreciable	72,837,618	81,386,480
Depreciable, net of accumulated depreciation	210,042,319	196,167,969
Total assets	<u>438,643,631</u>	<u>416,620,323</u>
Deferred outflows of resources:		
Deferred outflows related to pensions (note 10)	41,380,794	41,239,600
Deferred outflows related to OPEB (note 13)	11,530,441	6,531,201
Total deferred outflows of resources	<u>52,911,235</u>	<u>47,770,801</u>
Liabilities:		
Accounts payable	7,898,300	7,432,608
Accrued liabilities	3,876,294	3,080,801
Accrued interest payable	280,975	301,975
Retentions payable	474,229	1,734,890
Deposits payable	2,381,365	644,495
Unearned revenue	304,555	2,833,469
Long-term liabilities:		
Portion due within one year (note 8)	9,234,500	7,666,000
Portion due beyond one year (note 8)	43,926,006	43,576,610
OPEB liability (note 13)	62,882,272	58,917,480
Police retirement 1% supplemental liability (note 11)	2,274,765	2,364,522
Net pension liability (note 10)	312,431,422	302,300,789
Total liabilities	<u>445,964,683</u>	<u>430,853,639</u>
Deferred inflows of resources:		
Deferred inflows related to pensions (note 10)	5,792,266	11,548,022
Deferred inflows related to OPEB (note 13)	2,737,183	223,613
Total deferred inflows of resources	<u>8,529,449</u>	<u>11,771,635</u>
Net position:		
Net investment in capital assets	255,443,158	248,815,081
Restricted for:		
Protection of persons and property	1,329,350	1,628,892
Community programs	6,176,036	5,687,227
Public services	18,047,015	17,051,750
Unrestricted	(243,934,825)	(251,417,100)
Total net position	<u>\$ 37,060,734</u>	<u>\$ 21,765,850</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Statement of Activities
Year ended June 30, 2021
(With Comparative Data for Prior Year)

Functions/programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2021	2020
Governmental activities:						
General government	\$ 36,763,868	\$ -	\$ 15,493,343	\$ -	\$ (21,270,525)	\$ (30,941,207)
Protection of persons and property	88,643,852	5,497,350	6,770,524	-	(76,375,978)	(86,288,667)
Community programs	22,007,275	5,243,843	4,670,623	186,238	(11,906,571)	(10,513,178)
Public services	17,663,842	6,372,272	5,584,639	8,081,385	2,374,454	1,639,804
Interest on long-term debt	986,593	-	-	-	(986,593)	(1,083,190)
Total governmental activities	\$ 166,065,430	\$ 17,113,465	\$ 32,519,129	\$ 8,267,623	(108,165,213)	(127,186,438)
General revenues:						
Taxes:						
					47,891,698	45,548,585
					63,738,411	55,866,831
					4,282,802	6,587,224
					4,895,574	4,822,964
					1,227,843	1,663,100
					84,182	91,674
					(80,831)	4,075,623
					1,420,418	1,638,221
					<u>123,460,097</u>	<u>120,294,222</u>
					15,294,884	(6,892,216)
					<u>21,765,850</u>	<u>28,658,066</u>
					<u>\$ 37,060,734</u>	<u>\$ 21,765,850</u>

See notes to financial statements





ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUNDS

Major Governmental Funds

GENERAL FUND

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

SPECIAL REVENUE FUNDS

Gas Tax Fund

Established to account for the receipt and disbursement of funds required to be used for construction and maintenance of the City's road network system. Financing is provided by the City's share of State gasoline taxes, including allocations from the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (RMRA).

CAPITAL PROJECTS FUNDS

Capital Improvements Fund

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

Nonmajor Governmental Funds

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

CITY OF COSTA MESA, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2021
(With Comparative Data for Prior Year)

	General	Special Revenue Gas Tax	Capital Projects Capital Improvements
<u>Assets:</u>			
Cash and investments	\$ 43,565,140	\$ 13,874,809	\$ 17,201,815
Cash and investments with fiscal agents	-	-	-
Due from other governments	16,060,992	387,749	764,471
Accounts receivable, net	2,217,497	-	-
Interest receivable	171,700	26,645	22,261
Loans receivable, net	-	-	-
Rent receivable	346,702	-	-
Due from other funds (note 3)	590,847	-	-
Inventories	70,717	-	-
Prepaid items	894,129	-	-
Total assets	<u>\$ 63,917,724</u>	<u>\$ 14,289,203</u>	<u>\$ 17,988,547</u>
<u>Liabilities:</u>			
Accounts payable	\$ 3,604,333	\$ 619,547	\$ 535,508
Accrued liabilities	3,791,548	16,424	30
Retentions payable	-	66,288	55,156
Deposits payable	2,339,773	-	-
Due to other funds (note 3)	-	-	-
Unearned revenue	28,404	-	-
Total liabilities	<u>9,764,058</u>	<u>702,259</u>	<u>590,694</u>
<u>Deferred inflows of resources:</u>			
Unavailable revenue	<u>661,405</u>	<u>33,678</u>	<u>210,674</u>
<u>Fund balances (note 9):</u>			
Non-spendable:			
Prepaid items	894,129	-	-
Inventories	70,717	-	-
Restricted:			
Pension and OPEB	1,778,220	-	-
Protection of persons and property	-	-	-
Community programs	-	-	-
Public services	-	13,553,266	-
Debt service	-	-	-
Committed	25,125,000	-	-
Assigned	8,195,429	-	17,187,179
Unassigned	17,428,766	-	-
Total fund balances	<u>53,492,261</u>	<u>13,553,266</u>	<u>17,187,179</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 63,917,724</u>	<u>\$ 14,289,203</u>	<u>\$ 17,988,547</u>

See notes to financial statements

Nonmajor Governmental Funds	Totals	
	2021	2020
\$ 25,116,579	\$ 99,758,343	\$ 99,766,839
978,262	978,262	2,011,305
3,237,459	20,450,671	13,093,504
133,725	2,351,222	2,278,271
48,983	269,589	454,533
650,674	650,674	862,534
-	346,702	425,221
-	590,847	2,966,367
-	70,717	68,800
-	894,129	293,389
<u>\$ 30,165,682</u>	<u>\$ 126,361,156</u>	<u>\$ 122,220,763</u>
\$ 2,490,732	\$ 7,250,120	\$ 6,879,879
36,875	3,844,877	3,068,226
352,785	474,229	1,734,890
41,592	2,381,365	644,495
590,847	590,847	2,966,367
276,151	304,555	2,833,469
<u>3,788,982</u>	<u>14,845,993</u>	<u>18,127,326</u>
<u>1,194,548</u>	<u>2,100,305</u>	<u>1,791,323</u>
-	894,129	293,389
-	70,717	68,800
-	1,778,220	-
1,329,138	1,329,138	1,510,346
5,655,880	5,655,880	5,636,628
4,098,695	17,651,961	17,763,641
563,401	563,401	765,715
-	25,125,000	25,125,000
13,986,106	39,368,714	34,625,698
(451,068)	16,977,698	16,512,897
<u>25,182,152</u>	<u>109,414,858</u>	<u>102,302,114</u>
<u>\$ 30,165,682</u>	<u>\$ 126,361,156</u>	<u>\$ 122,220,763</u>

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2021

Fund balances of governmental funds	\$ 109,414,858
Amounts reported for governmental activities in the Statement of Net Position are different because:	
<u>Capital Related Items</u>	
When capital assets (property, plant, equipment) for governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole:	
Cost of capital assets	643,937,768
Accumulated depreciation/amortization	(368,472,038)
<u>Long-Term Debt Transactions</u>	
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position:	
Bonds payable	(22,685,516)
Premium on bonds	(3,140,046)
Claims payable	(2,374,484)
Loans payable	(112,870)
Employee benefits leave payable	(5,920,664)
<u>Accrued Interest</u>	
Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds are due to accrued interest on outstanding debt payable.	
	(280,975)
<u>Internal Service Funds</u>	
Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position because they primarily service governmental activities of the City.	
	17,801,069
<u>Deferred Inflows of Resources</u>	
Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	
	2,100,305
<u>Pension and OPEB</u>	
Amounts regarding the pension plans and OPEB are as follows:	
Deferred outflows of resources related to pensions	41,380,794
Deferred outflows of resources related to OPEB	11,530,441
Deferred inflows of resources related to pensions	(5,792,266)
Deferred inflows of resources related to OPEB	(2,737,183)
CalPERS pension liability	(312,431,422)
OPEB liability	(62,882,272)
Police 1% supplemental retirement liability	(2,274,765)
Net position of governmental activities	\$ 37,060,734

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	General	Special Revenue	Capital Projects
		Gas Tax	Capital Improvements
Revenues:			
Taxes	\$ 121,743,217	\$ -	\$ -
Licenses and permits	4,368,740	-	-
Charges for services	4,897,671	-	-
Fines and forfeitures	1,055,886	-	-
Intergovernmental	4,097,821	4,640,209	5,048,416
Investment income (loss)	(67,681)	(11,307)	(1,744)
Rental income	4,112,442	-	-
Miscellaneous	859,000	71,583	283,801
Total revenues	<u>141,067,096</u>	<u>4,700,485</u>	<u>5,330,473</u>
Expenditures:			
Current:			
General government	29,109,247	-	-
Protection of persons and property	79,892,925	-	157,318
Community programs	7,641,580	-	14,242
Public services	6,873,941	2,925,039	7,247,016
Debt service:			
Principal	15,391	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>123,533,084</u>	<u>2,925,039</u>	<u>7,418,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,534,012</u>	<u>1,775,446</u>	<u>(2,088,103)</u>
Other financing sources (uses):			
Transfer in (note 4)	9,173,146	-	7,787,926
Transfer out (note 4)	(26,678,565)	-	-
Total other financing sources (uses)	<u>(17,505,419)</u>	<u>-</u>	<u>7,787,926</u>
Net change in fund balances	28,593	1,775,446	5,699,823
Fund balances at beginning of year	<u>53,463,668</u>	<u>11,777,820</u>	<u>11,487,356</u>
Fund balances at end of year	<u>\$ 53,492,261</u>	<u>\$ 13,553,266</u>	<u>\$ 17,187,179</u>

See notes to financial statements

Nonmajor Governmental Funds	Totals	
	2021	2020
\$ 395,371	\$ 122,138,588	\$ 114,463,599
-	4,368,740	5,496,049
2,412,201	7,309,872	9,489,827
5,460	1,061,346	2,067,884
26,069,188	39,855,634	15,006,292
43,716	(37,016)	3,394,398
661,220	4,773,662	3,566,255
196,612	1,410,996	2,161,633
<u>29,783,768</u>	<u>180,881,822</u>	<u>155,645,937</u>
2,742,385	31,851,632	30,808,182
3,977,405	84,027,648	82,939,180
10,922,489	18,578,311	14,297,137
9,987,546	27,033,542	20,506,675
1,875,000	1,890,391	1,815,392
1,155,360	1,155,360	1,230,958
<u>30,660,185</u>	<u>164,536,884</u>	<u>151,597,524</u>
<u>(876,417)</u>	<u>16,344,938</u>	<u>4,048,413</u>
9,658,445	26,619,517	10,811,227
<u>(9,173,146)</u>	<u>(35,851,711)</u>	<u>(11,936,227)</u>
<u>485,299</u>	<u>(9,232,194)</u>	<u>(1,125,000)</u>
(391,118)	7,112,744	2,923,413
<u>25,573,270</u>	<u>102,302,114</u>	<u>99,378,701</u>
<u>\$ 25,182,152</u>	<u>\$ 109,414,858</u>	<u>\$ 102,302,114</u>

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Year ended June 30, 2021

Net changes in fund balances - total governmental funds \$ 7,112,744

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

Capital Related Items

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

Capital outlay	19,312,819
Depreciation expense	(13,466,970)
Other capital asset related items	(333,539)

Long-Term Debt Transactions

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

Net changes in employee benefits leave payable	(884,124)
Principal payments - bonds	1,875,000
Principal payments - loans payable	15,391
Amortization of bond premium	147,767

Pension and OPEB

Pension and OPEB expense reported in the governmental funds include the actual contributions. In the Statement of Activities, pension and OPEB expenses include the change in net pension and opeb liabilities and the related changes in pension and OPEB amounts for deferred outflows of resources and deferred inflows of resources of resources and deferred inflows of resources.

Net change in pension liability	(4,143,926)
Net change in OPEB liability	(1,479,122)

Accrued Interest

Recording of the current year change of accrued interest on outstanding debt payable.	21,000
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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.

6,808,862

Deferred Inflows of Resources

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

308,982

Change in net position of governmental activities	\$ 15,294,884
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See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Net Position
June 30, 2021
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2021	2020
<u>Assets:</u>		
Current assets:		
Cash and investments	\$ 28,163,084	\$ 19,634,588
Accounts receivable	-	6,027
Interest receivable	42,435	74,881
Prepaid expenses	1,656,272	-
Inventories	131,594	95,982
Total current assets	29,993,385	19,811,478
Capital Assets:		
Construction in progress	693,456	391,214
Motorized equipment	14,512,571	14,323,172
Other equipment	3,349,326	2,846,895
Accumulated depreciation	(11,141,146)	(9,960,252)
Net capital assets	7,414,207	7,601,029
Total assets	37,407,592	27,412,507
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	648,180	552,729
Accrued liabilities	31,417	12,575
Note payable	135,493	-
Claims payable	3,754,328	2,299,557
Total current liabilities	4,569,418	2,864,861
Long-term liabilities:		
Note payable	1,336,909	-
Claims payable	13,700,196	13,555,439
Total long-term liabilities	15,037,105	13,555,439
Total liabilities	19,606,523	16,420,300
<u>Net Position:</u>		
Investment in capital assets	7,414,207	7,601,029
Unrestricted	10,386,862	3,391,178
Total net position	\$ 17,801,069	\$ 10,992,207

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2021	2020
Operating revenues:		
Charges for services	\$ 7,525,179	\$ 7,875,941
Total operating revenues	<u>7,525,179</u>	<u>7,875,941</u>
Operating expenses:		
Allocated administrative costs	2,006,201	1,488,451
Depreciation	1,216,665	1,279,612
Fuel and repair parts	1,015,493	1,061,932
Materials and supplies	-	30,602
Claims and premiums	5,716,404	3,550,804
Total operating expenses	<u>9,954,763</u>	<u>7,411,401</u>
Operating income (loss)	<u>(2,429,584)</u>	<u>464,540</u>
Nonoperating revenues (expenses):		
Investment income	(42,398)	694,080
Intergovernmental	25,670	-
Contributions	186,238	278,521
Gain/(loss) on disposal of equipment	(163,258)	2,294
Total nonoperating revenues (expenses)	<u>6,252</u>	<u>974,895</u>
Income (loss) before transfers	(2,423,332)	1,439,435
Transfers in (note 4)	<u>9,232,194</u>	<u>1,125,000</u>
Change in net position	6,808,862	2,564,435
Net position at beginning of year	<u>10,992,207</u>	<u>8,427,772</u>
Net position at end of year	<u>\$ 17,801,069</u>	<u>\$ 10,992,207</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Proprietary Funds
Statement of Cash Flows
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2021	2020
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 7,531,206	\$ 7,880,985
Cash payments to suppliers for goods and services	(5,437,822)	(5,252,269)
Cash payments to employees for services	(1,597,124)	(1,206,551)
Net cash provided by (used for) operating activities	496,260	1,422,165
Cash flows from noncapital financing activities:		
Cash received from other funds	9,232,194	1,125,000
Cash paid to other funds	-	(56,271)
Intergovernmental revenue received	26,355	-
Net cash provided by (used for) noncapital financing activities	9,258,549	1,068,729
Cash flows from capital and related financing activities:		
Cash received from disposal of assets	-	36,198
Acquisition of capital assets	(1,216,361)	(347,732)
Net cash provided by (used for) capital and related financing activities	(1,216,361)	(311,534)
Cash flows from investing activities:		
Investment income received	(9,952)	704,677
Net cash provided by (used for) investing activities	(9,952)	704,677
Net increase (decrease) in cash and cash equivalents	8,528,496	2,884,037
Cash and cash equivalents at beginning of year	19,634,588	16,750,551
Cash and cash equivalents at end of year	\$ 28,163,084	\$ 19,634,588
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (2,429,584)	\$ 464,540
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,216,665	1,279,612
(Increase) decrease in inventories	(35,612)	17,729
(Increase) decrease in accounts receivable	6,027	5,044
(Increase) decrease in prepaid items	(183,870)	5,828
Increase (decrease) in accounts payable	304,264	(143,917)
Increase (decrease) in accrued liabilities	18,842	3,920
Increase (decrease) in claims payable	1,599,528	(210,591)
Net cash provided by (used for) operating activities	\$ 496,260	\$ 1,422,165

There were no noncash investing, capital and financing activities during fiscal years ended June 30, 2021, except for a note payable issued to prepay the purchase of equipment and donations of \$185,553 worth of equipment that was recorded in the Equipment Replacement Internal Service Fund.

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021
(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency		Totals	
	Private Purpose Trust Fund	Custodial Fund	2021	2020
			2021	2020
<u>Assets:</u>				
Cash and cash investments (note 2)	\$ 1,524,563	\$ 1,720,038	\$ 3,244,601	\$ 3,482,152
Total assets	<u>\$ 1,524,563</u>	<u>\$ 1,720,038</u>	<u>\$ 3,244,601</u>	<u>\$ 3,482,152</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 1,076,667	\$ 1,076,667	\$ 309,633
Loan from City (note 5)	4,916,327	-	4,916,327	6,212,950
Deposits payable	-	-	-	2,136,682
Total liabilities	<u>4,916,327</u>	<u>1,076,667</u>	<u>5,992,994</u>	<u>8,659,265</u>
<u>Net Position:</u>				
Restricted for:				
Held in trust for Successor Agency	(3,391,764)	-	(3,391,764)	(5,177,113)
Individuals, organizations and other governments	-	643,371	643,371	-
Total net position	<u>\$ (3,391,764)</u>	<u>\$ 643,371</u>	<u>\$ (2,748,393)</u>	<u>\$ (5,177,113)</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency		Totals	
	Private Purpose Trust Fund	Custodial Fund	2021	2020
Additions:				
Property tax	\$ 1,902,703	\$ -	\$ 1,902,703	\$ 1,270,135
Assessments and fees	-	1,373,718	1,373,718	-
Donations	-	56,239	56,239	-
Total additions	\$ 1,902,703	\$ 1,429,957	\$ 3,332,660	\$ 1,270,135
Deductions:				
Administrative expenses	\$ -	\$ -	\$ -	\$ 1,500
Interest expense	117,354	-	117,354	156,085
Remittance to others	-	1,448,285	1,448,285	-
Total deductions	117,354	1,448,285	1,565,639	157,585
Net increase (decrease) in fiduciary net position	1,785,349	(18,328)	1,767,021	1,112,550
Net position at beginning of year, as restated (note 20)	(5,177,113)	661,699	(4,515,414)	(6,289,663)
Net position at end of year	\$ (3,391,764)	\$ 643,371	\$ (2,748,393)	\$ (5,177,113)

See notes to financial statements



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
NOTES TO THE FINANCIAL STATEMENTS



CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies

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

(a) Description of Reporting Entity

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

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

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are appropriately presented as funds of the primary government. The following organizations are considered to be component units of the City:

Costa Mesa Public Financing Authority

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

Costa Mesa Housing Authority

The Costa Mesa Housing Authority (Housing Authority) was created pursuant to the State of California Health and Safety Code, Section 34176(a). The Housing Authority promotes affordable housing for low and moderate income households within the City, administers the homeless outreach program and operates the bridge shelter for homeless individuals.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

The Housing Authority is a separate entity primarily funded by housing loan repayments and transfers from the City.

City Council members, in separate session, serve as the governing board of the Housing Authority, and all accounting and administrative functions are performed by the City. Financial activity of the Housing Authority has been reported as if it were part of the City in the Housing Authority Special Revenue Fund. Separate financial statements of the Housing Authority can be obtained at City Hall.

Costa Mesa Financing Authority

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

(b) Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

Under the *accrual basis of accounting*, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

The City uses an availability period of 60 days for all governmental fund revenue, except for grant revenue which uses an availability period of 90 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 when 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 generally only current assets, current liabilities and deferred inflows of resources are included on their balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

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

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary and private-purpose trust funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when related goods or services are delivered.

In the fund financial statements, proprietary and private-purpose trust funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

(c) Property Tax Calendar

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(d) Fund Classifications

The City reports the following major governmental funds:

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

Special Revenue Fund

Gas Tax Fund - Established to account for the receipt and disbursement of funds required to be used for construction and maintenance of the City's road network system. Financing is provided by the City's share of State gasoline taxes, including allocations from the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (RMRA).

Capital Projects Fund

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

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

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

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

Custodial Funds – The custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for fees, assessments, seizures and donations for which the City is acting in an agent capacity.

(e) Cash and Investments

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

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

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

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

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

(f) Cash Equivalents

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

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

(g) 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) Prepaids

The City uses the consumption method to record prepaid items.

(i) New Accounting Pronouncements

Current Year Standards

GASB 84 - Fiduciary Activities. The implementation of this statement resulted in a prior period restatement as described in note 20.

GASB 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61. The implementation of this statement did not result in financial impact to the City.

GASB 98 - The Annual Comprehensive Financial Report. The implementation of this statement resulted in a change to the name of this report from Comprehensive Annual Financial Report to Annual Comprehensive Financial Report.

Pending Accounting Standards

GASB has issued the following pronouncements that have an effective date subsequent to June 30, 2021, which may impact the City's financial reporting requirements in the future. Unless otherwise noted, management has not determined what, if any, impact implementation of the following Statements may have on future financial statements.

GASB 87 - Leases: Effective for the City's fiscal year ending June 30, 2022.

GASB 91 - Conduit Debt Obligations: Effective for the City's fiscal year ending June 30, 2023.

GASB 92 - Omnibus 2020: Effective for the City's fiscal year ending June 30, 2022.

GASB 93 - Replacement of Interbank Offered Rates: Effective for the year ending June 30, 2022.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

GASB 94 – Public-Private and Private-Public Partnerships and Availability Payment Arrangements: Effective for the City’s fiscal year ending June 30, 2023.

GASB 96 – Subscription-Based Information Technology Arrangement: Effective for the year ending June 30, 2023.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans: Effective for the year ending June 30, 2021.

(j) Capital Assets

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

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

(k) Deferred Outflows/Inflows of Resources

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

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

(l) 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 Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

(m) Employee Leave Benefits

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

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

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.

(n) 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.

(o) Pensions

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

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

	<u>CalPERS Plans</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

	<u>Supplemental Plan</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

(p) Other Post Employment Benefits (OPEB)

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(1) Summary of Significant Accounting Policies (Continued)

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

(q) Use of Estimates

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

(r) Prior Year Data

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

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

(2) Cash and Investments

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and Investments	\$ 127,921,427
Cash and Investments with Fiscal Agent	978,262
Statement of Fiduciary Net Position:	
Cash and Investments	<u>3,244,601</u>
Total cash and investments	<u>\$ 132,144,290</u>

Cash and investments at June 30, 2021 consisted of the following:

Petty cash on hand	\$ 58,202
Demand deposits	4,474,508
Investments	<u>127,611,580</u>
Total cash and investments	<u>\$ 132,144,290</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

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

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

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

Investments Authorized by Debt Agreements

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(2) Cash and Investments (Continued)

Generally, the following investment types are authorized by the City's debt agreements:

<u>Authorized Investments</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	1 year	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
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-funded Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Total</u>
Federal Agency Securities	\$ 1,520,529	\$ 13,579,438	\$ 10,358,785	\$ 25,458,752
State Investment Pool (LAIF)	62,348,656	-	-	62,348,656
U.S. Treasury Securities	3,523,199	7,021,046	12,323,210	22,867,455
Medium-Term Corporate Notes	1,953,344	7,508,049	3,170,110	12,631,503
Asset Backed Securities	-	160,105	1,394,339	1,554,444
Money Market Mutual Funds	59,195	-	-	59,195
PARS Section 115 Trust:				
Pooled Balanced Index Plus	1,778,220	-	-	1,778,220
Held by Trustee:				
Money Market Mutual Funds	878,355	-	-	878,355
Lehman Brothers Holdings				
Inc. Bankruptcy	35,000	-	-	35,000
Total	<u>\$ 72,096,498</u>	<u>\$ 28,268,638</u>	<u>\$ 27,246,444</u>	<u>\$ 127,611,580</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(2) Cash and Investments (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Disclosures Relating to Credit Risk

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

Investment Type	Minimum Legal					
	Rating	AAA	AA	A	Not Rated	Total
Federal Agency Securities	N/A	\$ -	\$25,458,752	\$ -	\$ -	\$ 25,458,752
U.S. Treasury Securities*	N/A	-	-	-	-	22,867,455
Medium-Term Corporate Notes	A	700,165	3,564,494	8,366,844	-	12,631,503
State Investment Pool (LAIF)	N/A	-	-	-	62,348,656	62,348,656
Asset Backed Securities	AAA	1,554,444	-	-	-	1,554,444
Money Market Mutual Funds	AAA	59,195	-	-	-	59,195
PARS Section 115 Trust:						
Pooled Balanced Index Plus	N/A	-	-	-	1,778,220	1,778,220
Held by Trustee:						
Money Market Mutual Funds	AAA	878,355	-	-	-	878,355
Lehman Brothers Holdings Inc. Bankruptcy	N/A	-	-	-	35,000	35,000
Total		\$3,192,159	\$29,023,246	\$8,366,844	\$64,161,876	\$127,611,580

* not required to be rated

GASB requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2021, the City's investment in the following single issuers exceeded 5%:

Issuer	Investment Type	Reported Amount	Percentage
FNMA	Federal Agency Securities	\$ 12,112,545	10%
FHLMC	Federal Agency Securities	7,837,514	6%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(2) Cash and Investments (Continued)

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

Investment in Public Agency Retirement Services

The City is a voluntary participant in the Public Agency Retirement Services (PARS). In 2021, the City funded an Internal Revenue Services Section 115 irrevocable trust with PARS for pension and OPEB benefits. The trust account allows more control and flexibility in investment allocations compared to the City's portfolio which is restricted by State regulations to fixed income instruments. OPEB and Pension trust fund assets are held on behalf of the City by PARS. The City provides investment direction and determines the amount and timing of disbursements of PARS trust fund assets.

Fair Value Measurements

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(2) Cash and Investments (Continued)

Fair value measurements for the year ended June 30, 2021 are as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 25,458,752	\$ -	\$ 25,458,752
U.S. Treasury Securities	-	22,867,455	-	22,867,455
Medium Term Corporate Notes	-	12,631,503	-	12,631,503
Asset Backed Securities	-	1,554,444	-	1,554,444
Held by Trustee: Lehman Brothers Holdings Inc. Bankruptcy	-	-	35,000	35,000
Investments measured at Fair Value	<u>\$ -</u>	<u>\$ 62,512,154</u>	<u>\$ 35,000</u>	62,547,154
State Investment Pool (LAIF)*				62,348,656
Money Market Mutual Funds*				59,195
PARS Section 115 Trust: Pooled Balanced Index Plus*				1,778,220
Held By Trustee: Money Market Mutual Funds*				<u>878,355</u>
Total Investment Portfolio				<u>\$ 127,611,580</u>

* Not subject to fair value categorization

(3) Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 590,847

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

(4) Transfers In and Out

Transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>	
General Fund	Capital Improvements Fund	\$ 7,787,926	(a1)
General Fund	Nonmajor Governmental Funds	18,890,639	(a2 to a6)
Nonmajor Governmental Funds	General Fund	<u>9,173,146</u>	(b1)
		<u>\$ 35,851,711</u>	

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(4) Transfers In and Out (Continued)

- (a)** The General Fund transferred the following:
1. \$7,787,926 to the Capital Improvements Capital Projects Fund for capital improvement projects and transfer for 5% CAN Ordinance;
 2. \$2,814,501 to the Financing Authority Debt Service Fund for debt service payments;
 3. \$1,790,836 to the Housing Authority for subsidy of homeless program costs;
 4. \$6,857,710 to the Internal Service Funds for various equipment and vehicle purchases as well as true up 5% per CAN Ordinance;
 5. \$5,053,108 to the Disaster Fund for Small Business grants and to backfill spending gap; and
 6. \$2,374,484 to the Self-Insurance Fund for pending litigations.
- (b)** The Nonmajor Governmental Funds (American Rescue Plan Act Fund) transferred the following:
1. \$9,173,146 to the General Fund as reimbursement of ARPA eligible expenses incurred.

(5) Loans Receivable

The City's loans receivable at June 30, 2021 by loan programs are as follows:

HOME Program	\$1,237,455
Community Development Loan Program	191,195
Rental Rehabilitation Program	228,560
First Time Home Buyer Program	1,488,656
Single Family Rehabilitation Program	142,500
Neighborhood Stabilization Program	181,250
Other Programs	<u>508,542</u>
 Total	 3,978,158
Less allowance for uncollectible loans	<u>(3,327,484)</u>
 Loans receivable, net	 <u>\$ 650,674</u>

Allowance for uncollectible accounts are established for various loans.

General Fund Loan to the Successor Agency

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

Loan receivable	\$ 4,916,327
Less allowance for doubtful accounts	<u>(4,916,327)</u>
Loans receivable, net	<u>\$ -</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(6) Capital Assets

A summary of changes in capital assets is as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$ 34,579,306	\$ -	\$ -	\$ 34,579,306
Land rights related to streets	29,821,224	-	-	29,821,224
Construction in progress	<u>16,985,950</u>	<u>19,221,067</u>	<u>(27,769,929)</u>	<u>8,437,088</u>
Total capital assets not being depreciated	<u>81,386,480</u>	<u>19,221,067</u>	<u>(27,769,929)</u>	<u>72,837,618</u>
Capital assets being depreciated/amortized:				
Building improvements and structures	103,411,671	19,874,001	(353,019)	122,932,653
Landscaping and sprinklers	10,116,095	19,692	(59,112)	10,076,675
Automotive equipment	14,731,108	396,073	(316,748)	14,810,433
Office furniture	921,225	35,834	(15,707)	941,352
Office machines	8,923,216	-	(411,839)	8,511,377
Other equipment	13,375,679	1,179,244	(859,459)	13,695,464
Intangible assets	1,606,245	40,636	-	1,646,881
Park system and facilities	18,038,086	1,596,523	-	19,634,609
Infrastructure - roads	296,336,980	5,700,838	(5,483,208)	296,554,610
Infrastructure - storm drains	<u>100,891,798</u>	<u>219,580</u>	<u>(259,929)</u>	<u>100,851,449</u>
Total capital assets being depreciated/amortized	<u>568,352,103</u>	<u>29,062,421</u>	<u>(7,759,021)</u>	<u>589,655,503</u>
Less accumulated depreciation/amortization:				
Building improvements and structures	(43,663,360)	(3,719,689)	353,019	(47,030,030)
Landscaping and sprinklers	(9,425,644)	(76,445)	59,112	(9,442,977)
Automotive equipment	(9,215,930)	(892,108)	145,848	(9,962,190)
Office furniture	(569,704)	(49,838)	11,241	(608,301)
Office machines	(7,791,440)	(261,530)	411,839	(7,641,131)
Other equipment	(8,144,059)	(1,058,506)	859,459	(8,343,106)
Intangible assets	(1,018,925)	(161,215)	-	(1,180,140)
Park system and facilities	(11,421,094)	(814,048)	-	(12,235,142)
Infrastructure - roads	(195,513,535)	(6,294,675)	5,154,137	(196,654,073)
Infrastructure - storm drains	<u>(85,420,443)</u>	<u>(1,355,580)</u>	<u>259,929</u>	<u>(86,516,094)</u>
Total accumulated depreciation/amortization	<u>(372,184,134)</u>	<u>(14,683,634)</u>	<u>7,254,584</u>	<u>(379,613,184)</u>
Total capital assets being depreciated/amortized, net	<u>196,167,969</u>	<u>14,378,787</u>	<u>(504,437)</u>	<u>210,042,319</u>
Capital assets, net	<u>\$ 277,554,449</u>	<u>\$ 33,599,854</u>	<u>\$ (28,274,366)</u>	<u>\$ 282,879,937</u>

Depreciation expense is charged to the following functions for the year ended June 30, 2021:

Governmental activities:

General government	\$ 1,065,878
Protection of persons and property	3,478,321
Community programs	2,367,048
Public services	<u>7,772,387</u>

Total depreciation expense-governmental activities \$14,683,634

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(6) Capital Assets (Continued)

The City has active construction projects as of June 30, 2021. The significant projects include the following:

<u>Construction Project</u>	<u>Total Budget</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Land Management System	\$ 2,054,941	\$ 695,206	\$ 1,359,735
ERP system for Human Resource, Finance and Payroll	1,028,318	55,625	972,693
Fairview Road Improvement 405/Adams	1,178,820	2,670	1,176,150
SB Newport Blvd Improvements Mesa Victoria	1,908,337	2,431	1,905,906
Newport NB 22th Bristol SB Bristol Mesa	2,134,145	2,360	2,131,785
Citywide Street Maintenance	7,409,627	5,286,818	2,122,809
Jack Hammett Field Upgrade	<u>1,706,071</u>	<u>8,796</u>	<u>1,697,275</u>
Total	<u>\$ 17,420,259</u>	<u>\$ 6,053,906</u>	<u>\$11,366,353</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2021 is as follows:

	<u>Balance at July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>
Bonds payable:						
Public Financing Authority						
2006 Revenue						
Refunding Bonds	\$ 410,000	\$ -	\$ (200,000)	\$ 210,000	\$ 210,000	\$ -
Financing Authority						
2017 Lease Revenue						
Bonds	26,525,000	-	(1,675,000)	24,850,000	1,740,000	23,110,000
Unamortized premium	<u>3,287,813</u>	<u>-</u>	<u>(147,767)</u>	<u>3,140,046</u>	<u>147,767</u>	<u>2,992,279</u>
Total bonds payable	<u>30,222,813</u>	<u>-</u>	<u>(2,022,767)</u>	<u>28,200,046</u>	<u>2,097,767</u>	<u>26,102,279</u>
Other liabilities:						
Loans payable	128,261	-	(15,391)	112,870	15,391	97,479
Claims payable	15,854,996	3,705,942	(2,106,414)	17,454,524	3,754,328	13,700,196
Note payable	-	1,472,402	-	1,472,402	135,493	1,336,909
Employee leave benefits payable	<u>5,036,540</u>	<u>3,896,266</u>	<u>(3,012,142)</u>	<u>5,920,664</u>	<u>3,231,521</u>	<u>2,689,143</u>
Total other liabilities	<u>21,019,797</u>	<u>9,074,610</u>	<u>(5,133,947)</u>	<u>24,960,460</u>	<u>7,136,733</u>	<u>17,823,727</u>
Total	<u>\$ 51,242,610</u>	<u>\$ 9,074,610</u>	<u>\$ (7,156,714)</u>	<u>\$ 53,160,506</u>	<u>\$ 9,234,500</u>	<u>\$ 43,926,006</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(8) Long-Term Liabilities

Costa Mesa Public Financing Authority Bonds - 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 \$220,910 on the 2006 Revenue Refunding Bonds. The City has \$220,715 on reserve with the fiscal agent at June 30, 2021. The principal balance outstanding at June 30, 2021 is \$210,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten business days of receipt. The City received taxes on December 23, 2020 and April 22, 2021 and remitted payments to the fiscal agent one and seven business days later, respectively.

The annual debt service requirements for the bonds as of June 30, 2021 are as follows:

Year Ending June 30	Principal	Interest	Total
2022	<u>\$ 210,000</u>	<u>\$ 5,355</u>	<u>\$ 215,355</u>
Total	<u>\$ 210,000</u>	<u>\$ 5,355</u>	<u>\$ 215,355</u>

Costa Mesa Financing Authority Bonds - 2017 Lease Revenue Bonds

On October 1, 2017, the Costa Mesa Financing Authority issued \$29,735,000 of 2017 Lease Revenue Bonds to finance certain capital improvements of the City of Costa Mesa and to advance refund \$16,765,000 of outstanding Costa Mesa Public Financing Authority 2007 Certificates of Participation (2007 Certificates). The bond issue also included a bond premium of \$3,694,172. The bonds mature from October 1, 2018 through October 1, 2042 in annual installments ranging from \$570,000 to \$2,220,000. Interest is payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2018 at a rate ranging from 2% to 5%. As of June 30, 2021, the principal outstanding is \$24,850,000 and the unamortized bond premium balance is \$3,140,046.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(8) Long-Term Liabilities (Continued)

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

The annual debt service requirements for the bonds as of June 30, 2021 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,740,000	\$ 1,062,550	\$ 2,802,550
2023	1,830,000	973,300	2,803,300
2024	1,920,000	879,550	2,799,550
2025	2,015,000	781,175	2,796,175
2026	2,115,000	677,925	2,792,925
2027 - 2031	4,685,000	2,387,125	7,072,125
2032 - 2036	3,840,000	1,501,200	5,341,200
2037 - 2041	4,635,000	719,999	5,354,999
2042 - 2043	<u>2,070,000</u>	<u>67,763</u>	<u>2,137,763</u>
Total	<u>\$ 24,850,000</u>	<u>\$ 9,050,587</u>	<u>\$ 33,900,587</u>

Loans Payable – SCE On-Bill Financing (OBF) Loans

During the year ended June 30, 2019, the City entered into loan agreements with Southern California Edison to finance certain street lighting projects. The total amount of the loans was \$153,914. The loan's term is ten years with monthly payments of \$1,282. The loans bears no interest.

The annual debt service requirements for loans payable as of June 30, 2021 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Total</u>
2022	\$ 15,391	\$ 15,391
2023	15,391	15,391
2024	15,391	15,391
2025	15,391	15,391
2026	15,391	15,391
2027 - 2029	<u>35,915</u>	<u>35,915</u>
Total	<u>\$ 112,870</u>	<u>\$ 112,870</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(8) Long-Term Liabilities (Continued)

Firetruck Note Payable

On February 25, 2021, the City entered into a Master Lease – Purchase Agreement and financed the purchase of a Pierce Arrow XT Firetruck for \$1,472,402. The note matures annually on March 5th of each year with annual payments of \$162,497. The note bears an interest rate of 1.8340% per annum.

The annual debt service requirements for the note as of June 30, 2021 is as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 135,493	\$ 27,004	\$ 162,497
2023	137,978	24,519	162,497
2024	140,509	21,988	162,497
2025	143,086	19,411	162,497
2026	145,710	16,787	162,497
2027 - 2031	<u>769,626</u>	<u>42,858</u>	<u>812,484</u>
Total	<u>\$ 1,472,402</u>	<u>\$ 152,567</u>	<u>\$ 1,624,969</u>

(9) Fund Balances

Fund balance consisted of the following at June 30, 2021:

	General	Major Funds		Non-Major Funds
		Gas Tax	Capital Improvements	
Nonspendable:				
Prepaid items	\$ 894,129	\$ -	\$ -	\$ -
Inventories	70,717	-	-	-
Restricted for:				
Pension and OPEB	1,778,220	-	-	-
Protection of persons and Property	-	-	-	1,329,138
Community programs	-	-	-	5,655,880
Public services (1)	-	13,553,266	-	4,098,695
Debt service	-	-	-	563,401
Committed for:				
Declared disasters (2)	14,125,000	-	-	-
Self insurance (3)	2,000,000	-	-	-
Economic reserves	9,000,000	-	-	-
Assigned for:				
Compensated absences	5,920,664	-	-	-
Police Retirement 1% Supplemental	2,274,765	-	-	-
Protection of persons and Property	-	-	-	651,541
Public services	-	-	17,187,179	13,334,565
Unassigned	<u>17,428,766</u>	<u>-</u>	<u>-</u>	<u>(451,068)</u>
Total Fund Balance	<u>\$ 53,492,261</u>	<u>\$ 13,553,266</u>	<u>\$ 17,187,179</u>	<u>\$ 25,182,152</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(9) Fund Balances (Continued)

1. Restricted fund balances in the Public Services category consist of fund balances in the Gas Tax, Air Quality Improvement, Lions Park Capital Improvements, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation and facility related capital projects.
2. The fund balance committed for declared disasters was adopted by Ordinance No. 91-20 and Municipal Code Section 2-206 to provide required funding as a result of a declared emergency by the City Council for an unanticipated but urgent event threatening the public health, safety and welfare of the City. Any fund balance utilized has to be replenished.
3. The fund balance committed for self-insurance was codified in the Ordinance No. 96-14 and City Municipal Code Section 2-154 to provide a self-insurance reserve to be used to pay actual losses not covered by insurance policies or insurance pools. Any fund balance utilized has to be replenished.
4. The fund balance committed for economic reserves was adopted by the City Council on March 3, 2015 as a part of the reserve goal plan. The City commits \$1,500,000 each year toward economic reserve.

The following funds had deficits at June 30, 2021:

Nonmajor Governmental Funds:

Special Revenue Funds:	
Office of Traffic Safety	(213)
Government Grants	(450,855)
Internal Service Fund:	
Self-Insurance – Worker’s Compensation/General Liability Unemployment	(652,519)
Fiduciary Fund:	
Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	(3,391,764)

(10) Defined Benefit Pension Plans

(a) General Information about the Pension Plans

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

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Total</u>
Net pension liability	\$ (103,519,168)	\$ (127,350,714)	\$ (81,561,540)	\$ (312,431,422)
Deferred outflows of resources - pension	12,331,404	13,248,345	15,801,045	41,380,794
Deferred inflows of resources - pension	(189,457)	(2,809,254)	(2,793,555)	(5,792,266)
Pension expense	12,034,930	13,842,978	12,985,103	38,863,011

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

The total aggregate amount of pension expense, including the Police 1% Supplemental Retirement Plan, is \$38,977,699. Plan Below are descriptions of the retirement plans along with selected information regarding benefits, contributions, liabilities and actuarial assumptions:

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service.

PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service.

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Miscellaneous (Agent Multiple-Employer)</u>		
	<u>Prior to March 11, 2012</u>	<u>On or After March 11, 2012</u>	<u>On or After January 1, 2013</u>
Hire Date			
Benefit formula	2.5% @55	2.0% @60	2% @62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	10.469%	7%	6.75%
Required employer contribution rates	7.98%	10.45%	10.45%

	<u>Police Safety (Agent Multiple-Employer)</u>	
	<u>On or After March 11, 2012</u>	<u>On or After January 1, 2013</u>
Hire Date		
Benefit formula	3% @50	2.7% @57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	14%	11.50%
Required employer contribution rates	16.62%	21.62%

	<u>Fire Safety (Cost Sharing Multiple-Employer)</u>		
	<u>Prior to December 30, 2012</u>	<u>On or After December 30, 2012</u>	<u>On or After January 1, 2013</u>
Hire Date			
Benefit formula	3.0% @50	2.0% @50	2.7% @57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	14%	9%	12%
Required employer contribution rates	20.54%	18.15%	13.04%

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

Employees Covered

At the June 30, 2020 measurement date, the following employees were covered by each plan's benefit terms:

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
Inactive employees or beneficiaries currently receiving benefits	565	197	144
Inactive employees entitled to but not yet receiving benefits	742	71	-
Active employees	<u>351</u>	<u>129</u>	<u>80</u>
Totals	<u>1,658</u>	<u>397</u>	<u>224</u>

Contributions

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

Payments made by the employer to satisfy plan member contribution requirements as identified by the pension plan terms are classified as plan member contributions.

(b) Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2020, based on an annual actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the three CalPERS Plans, the June 30, 2019 valuation was rolled forward to determine the June 30, 2020 pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-Age Normal in accordance with the requirements of GASB 68

Actuarial assumptions:

Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long term expected rate of return on plan on investment was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, except compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rate of return by asset class are as followed:

<u>Asset Class¹</u>	<u>Assumed asset allocation</u>	<u>Real Return Years 1-10²</u>	<u>Real Return Years 11+³</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)

¹ In the system's ACFR, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investment; Inflation Assets are included both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period

³ An expected inflation of 2.92% used for this period

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

Changes in Net Pension Liability

The changes in the net pension liability for the Miscellaneous (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2020, are as follows:

Changes in Net Pension Liability for the Miscellaneous (Agent Multiple-Employer) Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2019 (Valuation Date)	\$ 293,335,282	\$ 193,198,539	\$ 100,136,743
Changes in the Year:			
Service cost	4,081,002	-	4,081,002
Interest on the total pension liability	20,506,212	-	20,506,212
Differences between actual and expected experience	(324,784)	-	(324,784)
Net plan to plan resource movement	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	9,336,852	(9,336,852)
Contributions - employees	-	2,205,872	(2,205,872)
Net investment income	-	9,609,644	(9,609,644)
Administrative expenses	-	(272,363)	272,363
Benefit payments, including refunds of employee contributions	(16,501,681)	(16,501,681)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>7,760,749</u>	<u>4,378,324</u>	<u>3,382,425</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 301,096,031</u>	<u>\$ 197,576,863</u>	<u>\$ 103,519,168</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

The changes in the net pension liability for the Police Safety (Agent-Multiple-Employer) Plan, using the measurement date of June 30, 2020, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2019 (Valuation Date)	<u>\$ 313,204,725</u>	<u>\$ 188,816,224</u>	<u>\$ 124,388,501</u>
Changes in the Year:			
Service cost	4,912,766	-	4,912,766
Interest on the total pension liability	21,872,003	-	21,872,003
Differences between actual and expected experience	(1,729,542)	-	(1,729,542)
Net plan to plan resource movement	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	10,608,592	(10,608,592)
Contributions - employees	-	2,285,323	(2,285,323)
Net investment income	-	9,465,284	(9,465,284)
Administrative expenses	-	(266,185)	266,185
Benefit payments, including refunds of employee contributions	(16,058,867)	(16,058,867)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>8,996,360</u>	<u>6,034,147</u>	<u>2,962,213</u>
Balance at June 30, 2020 (Measurement Date)	<u>\$ 322,201,085</u>	<u>\$ 194,850,371</u>	<u>\$ 127,350,714</u>

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

As of June 30, 2021, the City reported net pension liabilities for its proportionate share of the net pension liability of the Fire Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Balance at: 6/30/2019	\$ 77,775,545
Balance at: 6/30/2020	81,561,540
Net Changes during 2020-21	3,785,995

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

The City's proportionate share of the net pension liability for this Plan as of the measurement dates of June 30, 2019 and 2020 was as follows:

	<u>Fire Safety</u>
Proportion - June 30, 2019	1.24590%
Proportion - June 30, 2020	1.22422%
Change - Increase (Decrease)	(.02168%)

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

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

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 141,911,089	\$ 171,420,503	\$ 110,397,610
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 103,519,168	\$ 127,350,714	\$ 81,561,540
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 71,878,916	\$ 91,325,064	\$ 57,898,815

Pension Plans Fiduciary Net Position

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

Amortization of Deferred Outflows and Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 years
All other amounts	Straight-line amortization over the expected average remaining lifetime of all members (EARSL)

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2021, the City recognized pension expense of \$12,034,930, \$13,842,978 and \$12,985,103 for the Miscellaneous, Police Safety, and Fire Safety Plans, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,249,971	\$ -
Differences between expected and actual experience	692,024	(189,457)
Net differences between projected and actual earnings on plan investments	1,389,409	-
Total	\$ 12,331,404	\$ (189,457)
	Police Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,803,904	\$ -
Differences between expected and actual experience	-	(2,552,529)
Change in assumptions	-	(256,725)
Net differences between projected and actual earnings on plan investments	1,444,441	-
Total	\$ 13,248,345	\$ (2,809,254)
	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,555,477	\$ -
Differences between expected and actual experience	6,324,684	-
Change in assumptions	-	(271,683)
Change in employer's proportion	-	(2,466,826)
Net difference between projected and actual earnings on plan investments	1,772,676	-
Differences between employer's contributions and change in employer's proportion	148,208	(55,046)
Total	\$ 15,801,045	\$ (2,793,555)

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(10) Defined Benefit Pension Plans (Continued)

At June 30, 2021, deferred outflows of resources in the amounts of \$10,249,971, \$11,803,904, and \$7,555,477 were related to contributions subsequent to the measurement date for the Miscellaneous, Police Safety and Fire Safety Plans, respectively. They will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Miscellaneous	Police Safety	Fire Safety
2022	\$ (375,065)	\$ (2,269,812)	\$ 292,694
2023	441,016	(466,005)	2,387,180
2024	1,036,784	591,820	1,883,929
2025	789,241	779,184	888,210
Thereafter	-	-	-

(11) Police 1% Supplemental Retirement Plan

(a) General Information about the Pension Plan

Plan Description

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

The Police 1% Supplemental Retirement Plan is a single employer defined benefit plan. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@ 50 benefit plan. The number of participants at June 30, 2021 was 18. The average monthly benefit being paid is \$949.24. The retirement benefit is 1% of the highest 12-month earnings for credited services up to 25 years. Maximum benefit is 75% of the highest 12-month earnings for service retirement including all public plan pension benefits but not including Social Security. The 75% is proportionately reduced for less than 25 years of Costa Mesa Police Department service.

Contributions

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

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

(b) Pension Liability

The City's pension liability for the Plan is measured as the total pension liability, as the pension plan has no fiduciary net position. The pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2021. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Methods and Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2021
Actuarial Assumptions:	
Discount Rate	2.10% per annum. This discount rate is the mid-point, rounded to 5 basis points, of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.
Payroll Growth	N/A; all participants have retired
Inflation Rate	2.75% per year
Cost Method	Entry Age Normal as a level percentage of payroll
Employer Funding Policy	Pay-as-you-go
Census Data	Census information was provided by the Plan Sponsor as of June 2020.
Retirement	
Disability/Turnover Rate	N/A; all participants have retired
Mortality	Rates are based on the 2017 CalPERS Experience Study for Public Agency Police as shown below:

Age	Healthy Retirees		Non-Duty Disabled Retirees	
	Male	Female	Male	Female
50	0.37%	0.35%	0.37%	0.35%
60	0.67%	0.48%	0.67%	0.48%
70	1.34%	0.93%	1.61%	1.11%
80	3.98%	3.01%	4.77%	3.61%
90	13.04%	10.09%	14.35%	11.10%
100	32.22%	28.15%	32.22%	28.15%
110	100.00%	100.00%	100.00%	100.00%

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

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

Discount Rate

The discount rate used to measure the total pension liability was 2.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Basted on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the fiscal year. Therefore, the long-term expected rate of return of 2.10% was used to discount funded projected benefit payments to determine the total pension liability. The single effective discount rate was 2.10%.

The discount rate changed from 2.45% as of June 30, 2020 to 2.10% as of June 30, 2021 measurement date.

(c) Changes in the Pension Liability

Balance at June 30, 2020	\$ 2,364,522
Changes in the year:	
Interest on the total pension liability	55,426
Changes in assumptions	59,262
Benefit payments, including refunds of member contributions	<u>(204,445)</u>
Net Changes	<u>(89,757)</u>
Balance at June 30, 2021	<u>\$ 2,274,765</u>

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

The following presents the total pension liability, calculated using the discount rate of 2.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	1.10%
Pension Liability	\$ 2,459,749
Current Discount Rate	2.10%
Pension Liability	\$ 2,274,765
1% Increase	3.10%
Pension Liability	\$ 2,112,199

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

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

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

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$114,688. At June 30, 2021, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

(12) Defined Contribution Plan

On January 1, 2000, the City adopted a Defined Contribution Plan (Plan) for part-time employees that work under 1,000 hours during the fiscal year and do not meet the eligibility requirements to be enrolled in the California Public Employee Retirement System (CalPERS). The Plan is administered by the Public Agency Retirement Services (PARS). As of June 30, 2021, there were 112 active participants in the Plan. Both the City and employees are required to each contribute 3.75% of gross wages. The City's contribution to the defined contribution plan for the year ended June 30, 2021 was \$23,576.

(13) Other Post Employment Benefits Plan (OPEB)

Plan Description

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

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	445
Inactive employees or beneficiaries currently receiving benefits	429
Inactive employees entitled to, but not yet receiving benefits	-
Total	<u>874</u>

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(13) Other Post Employment Benefits Plan (OPEB) (Continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made under the City Council and labor agreement requirements is on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2021, the City contributed \$1,814,944 to the Plan. The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

The City's total OPEB liability was measured as of June 30, 2020 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 2.66% for accounting disclosure purposes. The rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current valuation, the discount rate was selected from the range of indices as shown in the table below:

	As of 06/30/20
Bond Buyer Go 20 – Municipal Bond Index	2.21%
S&P Municipal Bond 20-year High Grade Rate Index	2.66%
Fidelity 20-year Go Municipal Bond Index	2.45%
Bond Index Range	2.21% - 2.66%
Actual Discount Rate Used	2.66%

Inflation Rate: 2.75% per year

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

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

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

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

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(13) Other Post Employment Benefits Plan (OPEB) (Continued)

Changes in the Total OPEB Liability

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

Balance at June 30, 2020	\$ 58,917,480
Changes recognized for the measurement period:	
Service cost	1,145,090
Interest	2,060,874
Differences between expected and actual experience	(3,128,209)
Changes of assumptions	6,606,929
Contributions - employer	-
Benefit payments	(2,719,892)
Administrative expense	-
Net Changes	<u>3,964,792</u>
Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i>	<u>\$ 62,882,272</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the City's OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
OPEB Liability	\$ 72,392,116	\$ 62,882,272	\$ 55,226,160

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

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	1% Decrease (5.25% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (6.25% decreasing to 4.50%)	1% Increase (7.25% decreasing to 5.50%)
OPEB Liability	\$58,118,782	\$62,882,272	\$69,757,991

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(13) Other Post Employment Benefits Plan (OPEB) (Continued)

The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The initial amortization period for deferred inflows and deferred outflows is three years.

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

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$4,203,278. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,818,944	\$ -
Differences between expected and actual differences	1,487,138	(2,737,183)
Changes in assumptions	8,224,359	-
Total	\$ 11,530,441	\$ (2,737,183)

The \$1,814,944 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2022	\$ 1,220,927
2023	1,220,927
2024	1,220,927
2025	1,220,927
2026	1,220,926
Thereafter	869,680

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

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution.

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

The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended starting November 7, 2010. For the CMPMA, effective July 2014, a 1% employee contribution is required to the plan, but no employer contribution is required. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2021 was \$0.

(15) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) is as follows at June 30, 2021:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:				
Supplemental Law	Protection of Persons			
Enforcement Services Fund	and property	268,637	245,013	23,624
Office of Traffic Safety Fund	Enhance traffic safety	270,456	267,125	3,331

(16) Risk Management

For the fiscal year ended June 30, 2021, the City participated in the California Municipal Excess Liability ("CAMEL") Program. The membership of CAMEL consists of 21 cities with similar interests and needs regarding liability insurance. The Board of Directors sets the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers' Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$17,454,524 for lawsuits and other claims arising in the ordinary course of business. The City is also self-insured for the first \$2,000,000 of each claim arising for workers' compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$25,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$8,903,985 for workers' compensation and \$8,550,539 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, 2021 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.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(16) Risk Management (Continued)

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

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

Fiscal Year	Beginning Balance	Claims Incurred and Changes in Estimates	Claim Payments	Ending Balance
2019-20	16,065,587	2,360,983	(2,571,574)	15,854,996
2020-21	15,854,996	3,705,942	(2,106,414)	17,454,524

The City is currently the subject of a number of lawsuits related to sober living facilities within Costa Mesa. These cases are at various phases. At this time, the probability of an unfavorable outcome ranges from remote to probable, however the City Council has not given direction on whether to vigorously defend these cases or attempt to settle. Without direction, it is difficult to estimate the potential exposure to the City. Professional standards require a loss contingency to be accrued if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of June 30, 2021, the City set up a loss reserve of \$2,374,484 related to sober living lawsuits.

(17) Pledged Revenue

The City and its component units has one debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented in the notes. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description in Note 8. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expense where so required by the debt agreement) are indicated in the table below. This percentage also approximates the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Mello-Roos CFD 91-1	\$ 243,675	\$ 215,355	88.38%

(18) Golf Course Lease Agreement

The City has entered into an agreement with Mesa Verde Partners (MVP) under which MVP will operate and collect user fees from the Costa Mesa Country Club through August 31, 2029. The agreement requires MVP to pay a percentage of gross receipts that MVP receives from green fees, driving range, cart rental, sales from the proshop, food and beverages, and the rental of banquet and meeting rooms, or a flat minimum monthly rate, whichever is greater.

CITY OF COSTA MESA, CALIFORNIA
Notes to the Basic Financial Statements
Year ended June 30, 2021

(18) Golf Course Lease Agreement (Continued)

The percentage of gross receipts varies from 6 percent to 35 percent depending on the revenue type, and the minimum rent is adjusted every two years. The minimum rent for the period of September 1, 2019 to August 31, 2021 is \$147,000 per month.

In fiscal year 2021, the City received a total of \$3,689,953 from the golf course operations, \$3,526,237 of which is reported in the General Fund and the remaining \$163,716 in the Golf Course Improvements Capital Projects Fund. The City reports the golf course and related equipment under capital assets in the government-wide financial statements.

(19) Legislation and Litigation Affecting the Successor Agency

As of February 1, 2012, California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) succeeded to the former Costa Mesa Redevelopment Agency (former Agency) and administers the enforceable obligations, including a \$9,278,545 loan from the City's General Fund to the former agency. The Department of Finance has approved the Successor Agency to reinstate this loan on its Report Obligation Payment Schedule (ROPS).

The City has adjusted the loan for principal/interest additions and principal repayments from the annual ROPS as approved by the Department of Finance. As of June 30, 2021, the Successor Agency's loan payable balance was \$4,916,327.

A summary of changes in long-term liabilities in the Successor Agency for the year ended June 30, 2021 is as follows:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2021</u>	Portion Due Within One Year	Portion Due Beyond One Year
Loans Payable	\$ 6,212,950	\$ -	\$ (1,296,623)	\$ 4,916,327	\$ 1,905,703	\$ 3,010,624
Total	<u>\$ 6,212,950</u>	<u>\$ -</u>	<u>\$ (1,296,623)</u>	<u>\$ 4,916,327</u>	<u>\$ 1,905,703</u>	<u>\$ 3,010,624</u>

(20) Prior Period Restatement

The City had a prior period restatement due to the implementation of GASB 84 as follows:

	<u>Fiduciary Activities</u>
Beginning net position, as previously reported	\$ -
Implementation of GASB 84	<u>661,699</u>
Beginning net position, as restated	<u>\$ 661,699</u>



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
REQUIRED SUPPLEMENTARY INFORMATION



CITY OF COSTA MESA, CALIFORNIA
Schedule of Changes in the Net Pension Liability and Related Ratios
Miscellaneous Plan
Last Ten Fiscal Years*

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

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2020 or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

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

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
\$ 3,528,896	\$ 3,828,540	\$ 4,081,002
19,188,563	19,990,625	20,506,212
(3,837,320)	4,152,146	(324,784)
(1,071,584)	-	-
<u>(15,285,935)</u>	<u>(16,317,568)</u>	<u>(16,501,681)</u>
2,522,620	11,653,743	7,760,749
<u>279,158,919</u>	<u>281,681,539</u>	<u>293,335,282</u>
<u>\$ 281,681,539</u>	<u>\$ 293,335,282</u>	<u>\$ 301,096,031</u>
\$ 7,300,573	\$ 8,320,570	\$ 9,336,852
1,906,040	2,055,169	2,205,872
15,161,548	11,863,211	9,609,644
(15,285,935)	(16,317,568)	(16,501,681)
(1,077)	-	-
(279,147)	(133,740)	(272,363)
(530,105)	435	-
<u>8,271,897</u>	<u>5,788,077</u>	<u>4,378,324</u>
<u>179,138,565</u>	<u>187,410,462</u>	<u>193,198,539</u>
<u>\$ 187,410,462</u>	<u>\$ 193,198,539</u>	<u>\$ 197,576,863</u>
<u>\$ 94,271,077</u>	<u>\$ 100,136,743</u>	<u>\$ 103,519,168</u>
66.53%	65.86%	65.62%
\$ 20,067,193	\$ 24,394,495	\$ 24,012,483
469.78%	410.49%	431.11%

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Miscellaneous Plan
Last Ten Fiscal Years*

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

Notes to schedule:

Valuation date for June 30, 2021 6/30/2018

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2018 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

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

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

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
\$ 6,913,866	\$ 9,256,492	\$ 9,876,401	\$ 10,249,971
<u>(6,913,866)</u>	<u>(9,256,492)</u>	<u>(9,876,401)</u>	<u>(10,249,971)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,067,193	\$ 24,394,495	\$ 24,012,483	\$ 26,206,105
34.45%	37.95%	41.13%	39.11%

CITY OF COSTA MESA, CALIFORNIA
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Safety Plan
Last Ten Fiscal Years*

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

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2020 or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

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

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
\$ 4,653,580	\$ 4,959,915	\$ 4,912,766
20,611,486	21,235,614	21,872,003
(1,494,789)	(2,112,152)	(1,729,542)
(1,540,347)	-	-
<u>(14,129,155)</u>	<u>(15,024,883)</u>	<u>(16,058,867)</u>
8,100,775	9,058,494	8,996,360
<u>296,045,456</u>	<u>304,146,231</u>	<u>313,204,725</u>
<u>\$ 304,146,231</u>	<u>\$ 313,204,725</u>	<u>\$ 322,201,085</u>
\$ 8,263,652	\$ 9,471,893	\$ 10,608,592
2,120,029	2,222,313	2,285,323
14,402,562	11,872,172	9,465,284
(14,129,155)	(15,024,883)	(16,058,867)
222	-	-
(265,711)	(128,739)	(266,185)
(504,590)	420	-
<u>9,887,009</u>	<u>8,413,176</u>	<u>6,034,147</u>
<u>170,516,039</u>	<u>180,403,048</u>	<u>188,816,224</u>
<u>\$ 180,403,048</u>	<u>\$ 188,816,224</u>	<u>\$ 194,850,371</u>
<u>\$ 123,743,183</u>	<u>\$ 124,388,501</u>	<u>\$ 127,350,714</u>
59.31%	60.29%	60.47%
\$ 14,529,255	\$ 17,534,445	\$ 16,175,525
851.68%	709.40%	787.30%

CITY OF COSTA MESA, CALIFORNIA
Schedule of Contributions
Police Safety Plan
Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Actuarially determined contribution	\$ 5,237,595	\$ 5,994,277
Contributions in relation to the actuarially determined contributions	<u>(5,237,595)</u>	<u>(5,994,277)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,714,558	\$ 14,161,162
Contributions as a percentage of covered payroll	38.19%	42.33%

Notes to schedule:

Valuation date for June 30, 2021 6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method/period	For details, see June 30, 2018 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2018 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Other information:

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

Fiscal year 2015 was the first year of implementation, therefore only seven years

* - are shown.

<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
\$ 7,592,899	\$ 8,098,773	\$ 10,894,754	\$ 11,174,155	\$ 11,803,904
<u>(7,592,899)</u>	<u>(8,098,773)</u>	<u>(10,894,754)</u>	<u>(11,174,155)</u>	<u>(11,803,904)</u>
<u>\$ -</u>				
\$ 14,696,132	\$ 14,529,255	\$ 17,534,445	\$ 16,175,525	\$ 15,883,165
51.67%	55.74%	62.13%	69.08%	74.32%

CITY OF COSTA MESA, CALIFORNIA
Schedule of Proportionate Share of the Net Pension Liability
Fire Safety Plan
Last Ten Fiscal Years*

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

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2020 or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

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

<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
0.75976%	0.78122%	0.75901%	0.74962%
\$ 75,347,795	\$ 75,280,246	\$ 77,775,545	\$ 81,561,540
\$ 9,116,708	\$ 9,057,608	\$ 9,614,585	\$ 9,034,047
826.48%	831.13%	808.93%	902.82%
71.74%	73.39%	73.37%	73.12%
\$ 5,040,152	\$ 5,855,909	\$ 6,865,279	\$ 7,555,475

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
\$ 5,040,152	\$ 5,855,909	\$ 6,865,279	\$ 7,555,477
<u>(5,040,152)</u>	<u>(5,855,909)</u>	<u>(6,865,279)</u>	<u>(7,555,477)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,057,608	\$ 9,614,585	\$ 9,034,047	\$ 9,203,544
55.65%	60.91%	75.99%	82.09%

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

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

Notes:

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension plan.

The discount rate changed from 3.50% as of June 30, 2018 to 3.15% as of June 30, 2019 measurement date.

The discount rate changed from 3.15% as of June 30, 2019 to 2.45% as of June 30, 2020 measurement date.

The discount rate changed from 2.45% as of June 30, 2020 to 2.10% as of June 30, 2021 measurement date.

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

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
\$ 82,454	\$ 79,579	\$ 69,134	\$ 55,426
(9,704)	-	80,298	-
(18,938)	46,602	122,873	59,262
<u>(205,233)</u>	<u>(205,233)</u>	<u>(205,036)</u>	<u>(204,445)</u>
(151,421)	(79,052)	67,269	(89,757)
<u>2,527,726</u>	<u>2,376,305</u>	<u>2,297,253</u>	<u>2,364,522</u>
<u>\$ 2,376,305</u>	<u>\$ 2,297,253</u>	<u>\$ 2,364,522</u>	<u>\$ 2,274,765</u>

0.00% 0.00% 0.00% 0.00%

N/A N/A N/A N/A

N/A N/A N/A N/A

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

Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB liability				
Service cost	\$ 1,229,918	\$ 1,098,145	\$ 1,110,733	\$ 1,145,090
Interest on the total OPEB liability	1,622,474	1,812,069	1,852,821	2,060,874
Actual and expected experience difference	-	-	2,081,994	(3,128,209)
Changes in assumptions	(3,959,316)	(670,841)	3,420,614	6,606,929
Benefit payments	<u>(2,318,709)</u>	<u>(2,469,425)</u>	<u>(2,751,358)</u>	<u>(2,719,892)</u>
Net change in total OPEB liability	(3,425,633)	(230,052)	5,714,804	3,964,792
Total OPEB liability - beginning	<u>56,858,361</u>	<u>53,432,728</u>	<u>53,202,676</u>	<u>58,917,480</u>
Total OPEB liability - ending	<u>\$ 53,432,728</u>	<u>\$ 53,202,676</u>	<u>\$ 58,917,480</u>	<u>\$ 62,882,272</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll ¹	\$ 41,026,788	\$ 43,392,898	\$ 43,828,141	\$ 45,645,442
OPEB liability as a percentage of covered-employee payroll ¹	130.24%	122.61%	134.43%	137.76%

Notes to schedule:

¹ - OPEB benefits are not based on employee payroll.

In Fiscal Year 2021 the City created a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. The funds are in a pooled account - balanced index. As of June 30, 2021 the market value of the investments held in the trust was \$1,778,220 and is reflected as a contribution subsequent to the measurement date as of Fiscal Year 2021.

Changes in assumptions. The discount rate as of the June 30, 2016 measurement date was 2.85%. The discount rate as of the June 30, 2017 measurement date was 3.40%. The discount rate as of the June 30, 2018 measurement date was 3.50%. The discount rate as of the June 30, 2019 measurement date was 3.51%. The discount rate as of the June 30, 2020 measurement date was 2.66%.

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

* - Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

GENERAL FUND

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

CITY OF COSTA MESA, CALIFORNIA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Taxes:					
Sales tax	\$ 54,343,382	\$ 63,834,760	\$ 63,834,761	\$ 1	\$ 55,866,831
Property tax	44,168,930	47,340,563	47,502,237	161,674	45,248,448
Transient occupancy tax	4,772,862	4,250,110	4,282,802	32,692	6,587,224
Franchise tax	5,183,672	5,183,672	4,895,574	(288,098)	4,822,964
Business license tax	716,250	897,000	901,604	4,604	899,426
Marijuana business tax	107,864	302,466	326,239	23,773	763,674
Total taxes	<u>109,292,960</u>	<u>121,808,571</u>	<u>121,743,217</u>	<u>(65,354)</u>	<u>114,188,567</u>
Licenses and permits	<u>3,125,304</u>	<u>4,079,929</u>	<u>4,368,740</u>	<u>288,811</u>	<u>5,496,049</u>
Fines and forfeitures	<u>1,487,358</u>	<u>1,322,702</u>	<u>1,055,886</u>	<u>(266,816)</u>	<u>1,400,807</u>
Intergovernmental:					
Motor vehicle in-lieu	60,000	60,000	84,182	24,182	91,674
Prop 172	1,035,655	1,035,655	1,151,953	116,298	1,102,506
Advances repayment	556,850	1,032,836	1,581,124	548,288	1,060,817
Grants and other reimbursements	862,023	1,210,861	1,280,562	69,701	841,062
Total intergovernmental	<u>2,514,528</u>	<u>3,339,352</u>	<u>4,097,821</u>	<u>758,469</u>	<u>3,096,059</u>
Charges for services	<u>6,804,044</u>	<u>5,608,722</u>	<u>4,897,671</u>	<u>(711,051)</u>	<u>6,813,680</u>
Rental	<u>2,445,661</u>	<u>4,055,466</u>	<u>4,112,442</u>	<u>56,976</u>	<u>2,901,367</u>
Investment income (loss)	<u>240,000</u>	<u>90,361</u>	<u>(67,681)</u>	<u>(158,042)</u>	<u>1,578,983</u>
Miscellaneous	<u>450,247</u>	<u>466,483</u>	<u>859,000</u>	<u>392,517</u>	<u>974,524</u>
Total revenues	<u>126,360,102</u>	<u>140,771,586</u>	<u>141,067,096</u>	<u>295,510</u>	<u>136,450,036</u>
Expenditures:					
Current:					
General government:					
City council	769,749	769,749	644,710	125,039	698,823
City manager:					
Administration	4,235,745	3,764,845	3,600,414	164,431	3,186,039
City clerk	1,206,780	1,136,780	917,491	219,289	778,232
Personnel services	1,700,155	1,375,155	1,252,768	122,387	1,413,892
Risk management services	337,909	351,809	298,024	53,785	2,388,330
City attorney	950,000	970,000	968,030	1,970	1,102,739
Financial services	4,485,375	3,926,788	3,578,773	348,015	3,252,348
Information technology	3,714,192	4,010,366	3,760,161	250,205	3,191,741
Facilities and equipment maintenance	10,871,262	10,857,230	10,905,348	(48,118)	11,091,624
Non-departmental	<u>2,807,294</u>	<u>3,408,857</u>	<u>3,183,528</u>	<u>225,329</u>	<u>2,052,728</u>
Total general government	<u>31,078,461</u>	<u>30,571,579</u>	<u>29,109,247</u>	<u>1,462,332</u>	<u>29,156,496</u>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
General Fund
(continued)
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2021
(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	48,334,032	49,918,397	48,905,954	1,012,443	50,525,708
Fire protection	27,747,083	29,458,632	29,042,308	416,324	28,840,324
Building and safety	2,471,053	2,208,231	1,944,663	263,568	2,106,571
Total protection of persons and property	78,552,168	81,585,260	79,892,925	1,692,335	81,472,603
Community programs:					
Community recreation	7,414,732	5,218,599	4,004,633	1,213,966	5,562,004
Planning	2,043,040	1,849,389	1,750,901	98,488	1,981,670
Community improvement	1,367,440	1,216,325	1,077,268	139,057	1,169,632
Development services administration	444,133	481,614	808,778	(327,164)	851,382
Total community programs	11,269,345	8,765,927	7,641,580	1,124,347	9,564,688
Public services:					
Administration	1,983,056	2,015,569	1,967,042	48,527	1,567,609
Engineering	2,210,661	2,180,711	2,151,377	29,334	2,423,039
Transportation	2,736,092	2,758,887	2,755,522	3,365	2,569,353
Total public services	6,929,809	6,955,167	6,873,941	81,226	6,560,001
Debt Service:					
Principal	-	-	15,391	(15,391)	15,392
Total debt service	-	-	15,391	(15,391)	15,392
Total expenditures	127,829,783	127,877,933	123,533,084	4,344,849	126,769,180
Excess (deficiency) of revenues over (under) expenditures	(1,469,681)	12,893,653	17,534,012	4,640,359	9,680,856
Other financing sources (uses):					
Transfers in	-	9,173,146	9,173,146	-	1,150,000
Transfers out	(8,807,487)	(26,855,901)	(26,678,565)	177,336	(10,663,687)
Total other financing sources (uses)	(8,807,487)	(17,682,755)	(17,505,419)	177,336	(9,513,687)
Net change in fund balance	(10,277,168)	(4,789,102)	28,593	4,817,695	167,169
Fund balance at beginning of year	53,463,668	53,463,668	53,463,668	-	53,296,499
Fund balance at end of year	<u>\$ 43,186,500</u>	<u>\$ 48,674,566</u>	<u>\$ 53,492,261</u>	<u>\$ 4,817,695</u>	<u>\$ 53,463,668</u>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Gas Tax Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 4,874,148	\$ 4,730,930	\$ 4,640,209	\$ (90,721)	\$ 4,651,870
Investment income (loss)	45,000	45,000	(11,307)	(56,307)	399,539
Miscellaneous	-	-	71,583	71,583	10,780
Total revenues	4,919,148	4,775,930	4,700,485	(75,445)	5,062,189
Expenditures:					
Current:					
Public services	4,839,146	11,436,081	2,925,039	8,511,042	2,290,228
Total expenditures	4,839,146	11,436,081	2,925,039	8,511,042	2,290,228
Excess (deficiency) of revenues over (under) expenditures	80,002	(6,660,151)	1,775,446	8,435,597	2,771,961
Net change in fund balance	80,002	(6,660,151)	1,775,446	8,435,597	2,771,961
Fund balance at beginning of year	11,777,820	11,777,820	11,777,820	-	9,005,859
Fund balance (deficit) at end of year	<u>\$ 11,857,822</u>	<u>\$ 5,117,669</u>	<u>\$ 13,553,266</u>	<u>\$ 8,435,597</u>	<u>\$ 11,777,820</u>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA
Notes to Required Supplementary Information
Year ended June 30, 2021

(1) Budgetary Data

Annual budgets are legally adopted or amended 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 or amended:

Special Revenue Funds:

American Rescue Plan Act

Disaster Fund

Government Grants

Debt Service Funds:

Financing Authority Debt Service Fund

Public Financing Authority Debt Service Fund

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



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
SUPPLEMENTARY SCHEDULES



MAJOR AND NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue derived from specific taxes or other earmarked revenues sources (other than expendable trust or for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

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

Gas Tax Fund

Established to account for the receipt and disbursement of funds required to be used for construction and maintenance of the City's road network system. Financing is provided by the City's share of State gasoline taxes, including allocations from the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (RMRA).

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

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.

Air Quality Improvement Fund

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

Community Development Fund

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

Supplemental Law Enforcement Services Fund (SLESF)

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

Rental Rehabilitation Program Fund

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

Narcotics Forfeiture Fund

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

Local Law Enforcement Block Grant Fund

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

Office of Traffic Safety Fund

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

Government Grants

Established to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

Housing Authority Fund

Established pursuant to the California Health and Safety Code, Section 34176(a). The Housing Authority serves two distinct functions: Low and Moderate Income Housing Asset Fund (LMIHAF) and homeless program. The LMIHAF is to promote affordable housing for families of low and moderate income within the City. The homeless program is to provide temporary assistance including housing to homeless individuals.

Disaster Fund

Established to account for receipt and disbursement of Federal and State grant monies received for COVID-19 mitigation and relief efforts.

American Rescue Plan Act (ARPA)

Established to account for receipt and disbursement of ARPA monies received under the American Rescue Plan Act.

CAPITAL PROJECTS FUNDS

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

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

Capital Improvements Fund

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

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

Measure “M2” Fund

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

Parking Districts Fund

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

Golf Course Improvements Fund

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

Park Development Fund

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

Drainage Fees Fund

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

Traffic Impact Fees Fund

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

Fire System Development Fees Fund

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

Jack Hammett Sports Complex Fund

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

Lions Park Capital Improvements Fund

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

DEBT SERVICE FUNDS

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

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

Public Financing Authority Debt Service Fund

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

Financing Authority Debt Service Fund

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

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2021
 (With Comparative Data for Prior Year)

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
<u>Assets:</u>					
Cash and investments	\$ 1,578,173	\$ 480,353	\$ -	\$ 19,386	\$ 280,942
Cash and investments with fiscal agents	-	-	-	-	-
Due from other governments	19,307	38,109	265,760	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	3,117	920	-	60	552
Loans receivable, net	-	-	-	-	-
Total assets	\$ 1,600,597	\$ 519,382	\$ 265,760	\$ 19,446	\$ 281,494
<u>Liabilities:</u>					
Accounts payable	\$ 27,367	\$ 17,053	\$ 135,855	\$ -	\$ -
Accrued liabilities	1,181	-	6,760	2,669	-
Retentions payable	-	-	-	-	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	35,993	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	28,548	17,053	178,608	2,669	-
<u>Deferred Inflows of Resources:</u>					
Unavailable revenues	-	-	-	-	-
<u>Fund Balances:</u>					
Restricted for:					
Protection of persons or property	-	-	-	16,777	-
Community programs	1,572,049	-	87,152	-	281,494
Public services	-	502,329	-	-	-
Debt service	-	-	-	-	-
Assigned for:					
Protection of persons and property	-	-	-	-	-
Public services	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	1,572,049	502,329	87,152	16,777	281,494
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,600,597	\$ 519,382	\$ 265,760	\$ 19,446	\$ 281,494

Special Revenue							Capital Projects
Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Government Grants	Housing Authority	Disaster Fund	American Rescue Plan Act Fund	Measure "M2"
\$ 1,274,589	\$ 34,376	\$ -	\$ -	\$ 3,389,539	\$ -	\$ 127,064	\$ 3,117,464
-	-	-	-	23,652	-	-	78,406
-	-	63,644	1,057,414	513,081	158,638	-	1,121,496
-	-	-	-	17,297	-	-	-
3,329	67	-	-	4,940	-	229	7,579
-	-	-	-	650,674	-	-	-
<u>\$ 1,277,918</u>	<u>\$ 34,443</u>	<u>\$ 63,644</u>	<u>\$ 1,057,414</u>	<u>\$ 4,599,183</u>	<u>\$ 158,638</u>	<u>\$ 127,293</u>	<u>\$ 4,324,945</u>
\$ -	\$ -	\$ 148	\$ 320,344	\$ 839,142	\$ 132,305	\$ -	\$ 156,987
-	-	-	931	18,264	3,675	-	3,395
-	-	-	49,281	-	-	-	218,746
-	-	-	-	26,592	-	-	-
-	-	63,497	468,699	-	22,658	-	-
-	-	-	148,858	-	-	127,293	-
-	-	63,645	988,113	883,998	158,638	127,293	379,128
-	-	212	520,156	-	-	-	674,180
1,277,918	34,443	-	-	-	-	-	-
-	-	-	-	3,715,185	-	-	-
-	-	-	-	-	-	-	3,271,637
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(213)	(450,855)	-	-	-	-
<u>1,277,918</u>	<u>34,443</u>	<u>(213)</u>	<u>(450,855)</u>	<u>3,715,185</u>	<u>-</u>	<u>-</u>	<u>3,271,637</u>
<u>\$ 1,277,918</u>	<u>\$ 34,443</u>	<u>\$ 63,644</u>	<u>\$ 1,057,414</u>	<u>\$ 4,599,183</u>	<u>\$ 158,638</u>	<u>\$ 127,293</u>	<u>\$ 4,324,945</u>

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2021
 (Continued)
 (With Comparative Data for Prior Year)

	Capital Projects				
	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees
<u>Assets:</u>					
Cash and investments	\$ 122,346	\$ 372,571	\$ 5,220,375	\$ 2,390,433	\$ 5,548,579
Cash and investments with fiscal agents	-	-	-	-	-
Due from other governments	10	-	-	-	-
Accounts receivable, net	-	15,678	-	-	-
Interest receivable	240	734	10,229	4,655	10,080
Loans receivable, net	-	-	-	-	-
Total assets	\$ 122,596	\$ 388,983	\$ 5,230,604	\$ 2,395,088	\$ 5,558,659
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ 510,627	\$ 294,162	\$ 56,742
Accrued liabilities	-	-	-	-	-
Retentions payable	-	-	68,521	4,534	11,703
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	579,148	298,696	68,445
<u>Deferred Inflows of Resources:</u>					
Unavailable revenues	-	-	-	-	-
<u>Fund Balances:</u>					
Restricted for:					
Protection of persons or property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned for:					
Protection of persons and property	-	-	-	-	-
Public services	122,596	388,983	4,651,456	2,096,392	5,490,214
Unassigned	-	-	-	-	-
Total fund balances (deficit)	122,596	388,983	4,651,456	2,096,392	5,490,214
Total liabilities, deferred inflows of resources, and fund balances	\$ 122,596	\$ 388,983	\$ 5,230,604	\$ 2,395,088	\$ 5,558,659

Capital Projects			Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Public Financing Authority	Financing Authority	2021	2020
\$ 650,266	\$ 498,197	\$ 11,926	\$ -	\$ -	\$ 25,116,579	\$ 30,614,362
-	-	312,803	563,400	1	978,262	1,971,321
-	-	-	-	-	3,237,459	1,998,370
-	100,750	-	-	-	133,725	110,707
1,275	977	-	-	-	48,983	115,504
-	-	-	-	-	650,674	862,534
<u>\$ 651,541</u>	<u>\$ 599,924</u>	<u>\$ 324,729</u>	<u>\$ 563,400</u>	<u>\$ 1</u>	<u>\$ 30,165,682</u>	<u>\$ 35,672,798</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,490,732	\$ 1,750,629
-	-	-	-	-	36,875	55,885
-	-	-	-	-	352,785	1,457,014
-	15,000	-	-	-	41,592	465,783
-	-	-	-	-	590,847	2,966,367
-	-	-	-	-	276,151	2,833,469
-	15,000	-	-	-	3,788,982	9,529,147
-	-	-	-	-	1,194,548	570,381
-	-	-	-	-	1,329,138	1,510,346
-	-	-	-	-	5,655,880	5,636,628
-	-	324,729	-	-	4,098,695	5,985,821
-	-	-	563,400	1	563,401	765,715
651,541	-	-	-	-	651,541	651,497
-	584,924	-	-	-	13,334,565	13,335,783
-	-	-	-	-	(451,068)	(2,312,520)
<u>651,541</u>	<u>584,924</u>	<u>324,729</u>	<u>563,400</u>	<u>1</u>	<u>25,182,152</u>	<u>25,573,270</u>
<u>\$ 651,541</u>	<u>\$ 599,924</u>	<u>\$ 324,729</u>	<u>\$ 563,400</u>	<u>\$ 1</u>	<u>\$ 30,165,682</u>	<u>\$ 35,672,798</u>

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Special Revenue				
	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Intergovernmental	41,261	272,415	1,895,058	273,945	-
Investment income (loss)	903	(1,404)	-	62	19
Rental income	-	-	-	-	-
Miscellaneous	46,325	-	-	-	-
Total revenues	<u>88,489</u>	<u>271,011</u>	<u>1,895,058</u>	<u>274,007</u>	<u>19</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	268,637	-
Community programs	193,092	-	1,845,791	-	-
Public services	-	137,450	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>193,092</u>	<u>137,450</u>	<u>1,845,791</u>	<u>268,637</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104,603)</u>	<u>133,561</u>	<u>49,267</u>	<u>5,370</u>	<u>19</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(104,603)</u>	<u>133,561</u>	<u>49,267</u>	<u>5,370</u>	<u>19</u>
Fund balances (deficit) at beginning of the year	<u>1,676,652</u>	<u>368,768</u>	<u>37,885</u>	<u>11,407</u>	<u>281,475</u>
Fund balances (deficit) at end of year	<u>\$ 1,572,049</u>	<u>\$ 502,329</u>	<u>\$ 87,152</u>	<u>\$ 16,777</u>	<u>\$ 281,494</u>

Special Revenue							Capital Projects
Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Government Grants	Housing Authority	Disaster Fund	American Rescue Plan Act Fund	Measure "M2"
\$ -	\$ -	\$ -	\$ -	\$ 381,141	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
5,460	-	-	-	-	-	-	-
-	-	273,383	4,015,354	1,041,662	2,322,310	13,113,464	2,820,336
415	1	-	5,887	(2,497)	-	381	19,408
-	-	-	-	396,753	-	-	-
-	-	-	-	41,466	-	-	-
5,875	1	273,383	4,021,241	1,858,525	2,322,310	13,113,845	2,839,744
-	-	-	-	-	749,201	1,988,022	-
129,039	-	270,456	619,643	-	954,116	1,735,514	-
-	-	-	2,930,251	3,574,792	2,014,327	134,315	-
-	-	-	985,617	-	1,348,394	82,848	4,862,070
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
129,039	-	270,456	4,535,511	3,574,792	5,066,038	3,940,699	4,862,070
(123,164)	1	2,927	(514,270)	(1,716,267)	(2,743,728)	9,173,146	(2,022,326)
-	-	-	-	1,790,836	5,053,108	-	-
-	-	-	-	-	-	(9,173,146)	-
-	-	-	-	1,790,836	5,053,108	(9,173,146)	-
(123,164)	1	2,927	(514,270)	74,569	2,309,380	-	(2,022,326)
1,401,082	34,442	(3,140)	63,415	3,640,616	(2,309,380)	-	5,293,963
<u>\$ 1,277,918</u>	<u>\$ 34,443</u>	<u>\$ (213)</u>	<u>\$ (450,855)</u>	<u>\$ 3,715,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,271,637</u>

CITY OF COSTA MESA, CALIFORNIA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2021
 (Continued)
 (With Comparative Data for Prior Year)

	Capital Projects				
	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees
Revenues:					
Taxes	\$ 14,230	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	766,372	433,329	1,212,500
Fines and forfeitures	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income (loss)	(77)	(434)	8,022	2,101	(9,495)
Rental income	-	163,716	-	-	-
Miscellaneous	-	-	106,966	-	1,855
Total revenues	<u>14,153</u>	<u>163,282</u>	<u>881,360</u>	<u>435,430</u>	<u>1,204,860</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Protection of persons and property	-	-	-	-	-
Community programs	-	-	229,921	-	-
Public services	-	49,820	1,523,234	593,407	404,706
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>49,820</u>	<u>1,753,155</u>	<u>593,407</u>	<u>404,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,153</u>	<u>113,462</u>	<u>(871,795)</u>	<u>(157,977)</u>	<u>800,154</u>
Other financing sources (uses):					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>14,153</u>	<u>113,462</u>	<u>(871,795)</u>	<u>(157,977)</u>	<u>800,154</u>
Fund balances (deficit) at beginning of the year	<u>108,443</u>	<u>275,521</u>	<u>5,523,251</u>	<u>2,254,369</u>	<u>4,690,060</u>
Fund balances (deficit) at end of year	<u>\$ 122,596</u>	<u>\$ 388,983</u>	<u>\$ 4,651,456</u>	<u>\$ 2,096,392</u>	<u>\$ 5,490,214</u>

Capital Projects			Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Public Financing Authority	Financing Authority	2021	2020
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,371	\$ 275,032
-	-	-	-	-	2,412,201	2,676,147
-	-	-	-	-	5,460	667,077
-	-	-	-	-	26,069,188	5,931,174
44	34	1,639	18,700	7	43,716	1,111,178
-	100,751	-	-	-	661,220	664,888
-	-	-	-	-	196,612	100,219
44	100,785	1,639	18,700	7	29,783,768	11,425,715
-	-	-	5,162	-	2,742,385	1,598,046
-	-	-	-	-	3,977,405	1,258,206
-	-	-	-	-	10,922,489	4,672,274
-	-	-	-	-	9,987,546	5,792,792
-	-	-	200,000	1,675,000	1,875,000	1,800,000
-	-	-	15,810	1,139,550	1,155,360	1,230,958
-	-	-	220,972	2,814,550	30,660,185	20,016,119
44	100,785	1,639	(202,272)	(2,814,543)	(876,417)	(8,590,404)
-	-	-	-	2,814,501	9,658,445	5,258,547
-	-	-	-	-	(9,173,146)	(122,540)
-	-	-	-	2,814,501	485,299	5,136,007
44	100,785	1,639	(202,272)	(42)	(391,118)	209,446
651,497	484,139	323,090	765,672	43	25,573,270	25,363,824
\$ 651,541	\$ 584,924	\$ 324,729	\$ 563,400	\$ 1	\$ 25,182,152	\$ 25,573,270

CITY OF COSTA MESA, CALIFORNIA
HOME Program Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 505,820	\$ 41,261	\$ (464,559)	\$ 141,966
Investment income	10,000	903	(9,097)	61,227
Miscellaneous	70,000	46,325	(23,675)	49,818
Total revenues	585,820	88,489	(497,331)	253,011
Expenditures:				
Current:				
Community programs	580,820	193,092	387,728	241,430
Total expenditures	580,820	193,092	387,728	241,430
Excess (deficiency) of revenues over (under) expenditures	5,000	(104,603)	(109,603)	11,581
Net change in fund balance	5,000	(104,603)	(109,603)	11,581
Fund balance at beginning of year	1,676,652	1,676,652	-	1,665,071
Fund balance at end of year	<u>\$ 1,681,652</u>	<u>\$ 1,572,049</u>	<u>\$ (109,603)</u>	<u>\$ 1,676,652</u>

CITY OF COSTA MESA, CALIFORNIA
 Air Quality Improvement Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 126,809	\$ 272,415	\$ 145,606	\$ 146,894
Investment income (loss)	3,547	(1,404)	(4,951)	14,257
Total revenues	<u>130,356</u>	<u>271,011</u>	<u>140,655</u>	<u>161,151</u>
Expenditures:				
Current:				
Public services	400,086	137,450	262,636	62,209
Total expenditures	<u>400,086</u>	<u>137,450</u>	<u>262,636</u>	<u>62,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,730)</u>	<u>133,561</u>	<u>403,291</u>	<u>98,942</u>
Other financing sources (uses):				
Transfer out	-	-	-	(122,540)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,540)</u>
Net change in fund balance	(269,730)	133,561	403,291	(23,598)
Fund balance at beginning of year	<u>368,768</u>	<u>368,768</u>	<u>-</u>	<u>392,366</u>
Fund balance (deficit) at end of year	<u>\$ 99,038</u>	<u>\$ 502,329</u>	<u>\$ 403,291</u>	<u>\$ 368,768</u>

CITY OF COSTA MESA, CALIFORNIA
Community Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 2,463,107	\$ 1,895,058	\$ (568,049)	\$ 411,358
Investment income	-	-	-	445
Miscellaneous	30,000	-	(30,000)	-
Total revenues	<u>2,493,107</u>	<u>1,895,058</u>	<u>(598,049)</u>	<u>411,803</u>
Expenditures:				
Current:				
Community programs	721,643	1,845,791	(1,124,148)	448,742
Public services	1,971,694	-	1,971,694	-
Total expenditures	<u>2,693,337</u>	<u>1,845,791</u>	<u>847,546</u>	<u>448,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,230)</u>	<u>49,267</u>	<u>249,497</u>	<u>(36,939)</u>
Net change in fund balance	(200,230)	49,267	249,497	(36,939)
Fund balance at beginning of year	<u>37,885</u>	<u>37,885</u>	<u>-</u>	<u>74,824</u>
Fund balance (deficit) at end of year	<u>\$ (162,345)</u>	<u>\$ 87,152</u>	<u>\$ 249,497</u>	<u>\$ 37,885</u>

CITY OF COSTA MESA, CALIFORNIA
 Supplemental Law Enforcement Services Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 258,111	\$ 273,945	\$ 15,834	\$ 273,684
Investment income	-	62	62	248
Total revenues	<u>258,111</u>	<u>274,007</u>	<u>15,896</u>	<u>273,932</u>
Expenditures:				
Current:				
Protection of persons and property	<u>245,013</u>	<u>268,637</u>	<u>(23,624)</u>	<u>259,786</u>
Total expenditures	<u>245,013</u>	<u>268,637</u>	<u>(23,624)</u>	<u>259,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,098</u>	<u>5,370</u>	<u>(7,728)</u>	<u>14,146</u>
Net change in fund balance	13,098	5,370	(7,728)	14,146
Fund balance at beginning of year	<u>11,407</u>	<u>11,407</u>	<u>-</u>	<u>(2,739)</u>
Fund balance at end of year	<u>\$ 24,505</u>	<u>\$ 16,777</u>	<u>\$ (7,728)</u>	<u>\$ 11,407</u>

CITY OF COSTA MESA, CALIFORNIA
Rental Rehabilitation Program Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 1,000	\$ 19	\$ (981)	\$ 10,139
Miscellaneous	-	-	-	40,000
Total revenues	<u>1,000</u>	<u>19</u>	<u>(981)</u>	<u>50,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,000</u>	<u>19</u>	<u>(981)</u>	<u>50,139</u>
Net change in fund balance	1,000	19	(981)	50,139
Fund balance at beginning of year	<u>281,475</u>	<u>281,475</u>	<u>-</u>	<u>231,336</u>
Fund balance at end of year	<u><u>\$ 282,475</u></u>	<u><u>\$ 281,494</u></u>	<u><u>\$ (981)</u></u>	<u><u>\$ 281,475</u></u>

CITY OF COSTA MESA, CALIFORNIA
Narcotics Forfeiture Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Fines and forfeitures	\$ -	\$ 5,460	\$ 5,460	\$ 667,077
Investment income	1,000	415	(585)	57,113
Total revenues	1,000	5,875	4,875	724,190
Expenditures:				
Current:				
Protection of persons and property	150,710	129,039	21,671	45,523
Total expenditures	150,710	129,039	21,671	45,523
Excess (deficiency) of revenues over (under) expenditures	(149,710)	(123,164)	26,546	678,667
Net change in fund balance	(149,710)	(123,164)	26,546	678,667
Fund balance at beginning of year	1,401,082	1,401,082	-	722,415
Fund balance at end of year	<u>\$ 1,251,372</u>	<u>\$ 1,277,918</u>	<u>\$ 26,546</u>	<u>\$ 1,401,082</u>

CITY OF COSTA MESA, CALIFORNIA
 Local Law Enforcement Block Grand Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	\$ 1	\$ 1	\$ 1,297
Total revenues	-	1	1	1,297
Excess (deficiency) of revenues over (under) expenditures	-	1	1	1,297
Net change in fund balance	-	1	1	1,297
Fund balance at beginning of year	34,442	34,442	-	33,145
Fund balance at end of year	<u>\$ 34,442</u>	<u>\$ 34,443</u>	<u>\$ 1</u>	<u>\$ 34,442</u>

CITY OF COSTA MESA, CALIFORNIA
Office of Traffic Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 267,125	\$ 273,383	\$ 6,258	\$ 163,410
Total revenues	<u>267,125</u>	<u>273,383</u>	<u>6,258</u>	<u>163,410</u>
Expenditures:				
Current:				
Protection of persons and property	267,125	270,456	(3,331)	166,550
Total expenditures	<u>267,125</u>	<u>270,456</u>	<u>(3,331)</u>	<u>166,550</u>
Excess (deficiency) of revenues over (under) expenditures	-	2,927	2,927	(3,140)
Fund balance (deficit) at beginning of year	<u>(3,140)</u>	<u>(3,140)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (3,140)</u>	<u>\$ (213)</u>	<u>\$ 2,927</u>	<u>\$ (3,140)</u>

CITY OF COSTA MESA, CALIFORNIA
Housing Authority Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 258,209	\$ 381,141	\$ 122,932	\$ 258,209
Intergovernmental	2,531,464	1,041,662	(1,489,802)	-
Investment income (loss)	38,000	(2,497)	(40,497)	102,263
Rental income	384,000	396,753	12,753	405,379
Miscellaneous	7,000	41,466	34,466	10,401
Total revenues	3,218,673	1,858,525	(1,360,148)	776,252
Expenditures:				
Current:				
Community programs	5,301,666	3,574,792	1,726,874	2,968,016
Total expenditures	5,301,666	3,574,792	1,726,874	2,968,016
Excess (deficiency) of revenues over (under) expenditures	(2,082,993)	(1,716,267)	366,726	(2,191,764)
Other financing sources (uses):				
Transfers in	1,963,180	1,790,836	(172,344)	2,438,346
Total other financing sources (uses)	1,963,180	1,790,836	(172,344)	2,438,346
Net change in fund balance	(119,813)	74,569	194,382	246,582
Fund balance at beginning of year	3,640,616	3,640,616	-	3,394,034
Fund balance at end of year	\$ 3,520,803	\$ 3,715,185	\$ 194,382	\$ 3,640,616

CITY OF COSTA MESA, CALIFORNIA
 Capital Improvements Fund - Major Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 7,456,462	\$ 5,048,416	\$ (2,408,046)	\$ 1,327,189
Investment income (loss)	50,000	(1,744)	(51,744)	304,698
Miscellaneous	50,000	283,801	233,801	1,076,110
Total revenues	7,556,462	5,330,473	(2,225,989)	2,707,997
Expenditures:				
Current:				
General government	-	-	-	53,640
Protection of persons and property	350,278	157,318	192,960	208,371
Community programs	283,563	14,242	269,321	60,175
Public services	20,467,137	7,247,016	13,220,121	5,863,654
Total expenditures	21,100,978	7,418,576	13,682,402	6,185,840
Excess (deficiency) of revenues over (under) expenditures	(13,544,516)	(2,088,103)	11,456,413	(3,477,843)
Other financing sources (uses):				
Transfers in	7,787,926	7,787,926	-	4,402,680
Transfers out	-	-	-	(1,150,000)
Total other financing sources (uses)	7,787,926	7,787,926	-	3,252,680
Net change in fund balance	(5,756,590)	5,699,823	11,456,413	(225,163)
Fund balance at beginning of year	11,487,356	11,487,356	-	11,712,519
Fund balance at end of year	\$ 5,730,766	\$ 17,187,179	\$ 11,456,413	\$ 11,487,356

CITY OF COSTA MESA, CALIFORNIA
Measure "M2" Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 2,352,152	\$ 2,820,336	\$ 468,184	\$ 3,439,446
Investment income	25,000	19,408	(5,592)	194,417
Total revenues	<u>2,377,152</u>	<u>2,839,744</u>	<u>462,592</u>	<u>3,633,863</u>
Expenditures:				
Current:				
Public services	7,986,340	4,862,070	3,124,270	2,524,353
Total expenditures	<u>7,986,340</u>	<u>4,862,070</u>	<u>3,124,270</u>	<u>2,524,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,609,188)</u>	<u>(2,022,326)</u>	<u>3,586,862</u>	<u>1,109,510</u>
Net change in fund balance	(5,609,188)	(2,022,326)	3,586,862	1,109,510
Fund balance at beginning of year	<u>5,293,963</u>	<u>5,293,963</u>	-	<u>4,184,453</u>
Fund balance (deficit) at end of year	<u>\$ (315,225)</u>	<u>\$ 3,271,637</u>	<u>\$ 3,586,862</u>	<u>\$ 5,293,963</u>

CITY OF COSTA MESA, CALIFORNIA
 Parking Districts Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 16,233	\$ 14,230	\$ (2,003)	\$ 16,823
Investment income (loss)	200	(77)	(277)	2,368
Total revenues	<u>16,433</u>	<u>14,153</u>	<u>(2,280)</u>	<u>19,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,433</u>	<u>14,153</u>	<u>(2,280)</u>	<u>19,191</u>
Net change in fund balance	16,433	14,153	(2,280)	19,191
Fund balance at beginning of year	<u>108,443</u>	<u>108,443</u>	-	<u>89,252</u>
Fund balance at end of year	<u>\$ 124,876</u>	<u>\$ 122,596</u>	<u>\$ (2,280)</u>	<u>\$ 108,443</u>

CITY OF COSTA MESA, CALIFORNIA
 Golf Course Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ 1,500	\$ (434)	\$ (1,934)	\$ 10,387
Rental income	100,000	163,716	63,716	108,759
Total revenues	<u>101,500</u>	<u>163,282</u>	<u>61,782</u>	<u>119,146</u>
Expenditures:				
Current:				
Public services	275,000	49,820	225,180	45,143
Total expenditures	<u>275,000</u>	<u>49,820</u>	<u>225,180</u>	<u>45,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,500)</u>	<u>113,462</u>	<u>286,962</u>	<u>74,003</u>
Net change in fund balance	(173,500)	113,462	286,962	74,003
Fund balance at beginning of year	<u>275,521</u>	<u>275,521</u>	-	<u>201,518</u>
Fund balance at end of year	<u>\$ 102,021</u>	<u>\$ 388,983</u>	<u>\$ 286,962</u>	<u>\$ 275,521</u>

CITY OF COSTA MESA, CALIFORNIA
 Park Development Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 672,869	\$ 766,372	\$ 93,503	\$ 1,049,018
Investment income	25,000	8,022	(16,978)	223,901
Miscellaneous	-	106,966	106,966	-
Total revenues	697,869	881,360	183,491	1,272,919
Expenditures:				
Current:				
Community programs	1,210,132	229,921	980,211	304,172
Public services	4,538,499	1,523,234	3,015,265	1,285,782
Total expenditures	5,748,631	1,753,155	3,995,476	1,589,954
Excess (deficiency) of revenues over (under) expenditures	(5,050,762)	(871,795)	4,178,967	(317,035)
Net change in fund balance	(5,050,762)	(871,795)	4,178,967	(317,035)
Fund balance at beginning of year	5,523,251	5,523,251	-	5,840,286
Fund balance (deficit) at end of year	\$ 472,489	\$ 4,651,456	\$ 4,178,967	\$ 5,523,251

CITY OF COSTA MESA, CALIFORNIA
 Drainage Fees Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 721,057	\$ 433,329	\$ (287,728)	\$ 898,498
Investment income	10,000	2,101	(7,899)	78,484
Total revenues	<u>731,057</u>	<u>435,430</u>	<u>(295,627)</u>	<u>976,982</u>
Expenditures:				
Current:				
Public services	2,423,880	593,407	1,830,473	194,126
Total expenditures	<u>2,423,880</u>	<u>593,407</u>	<u>1,830,473</u>	<u>194,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,692,823)</u>	<u>(157,977)</u>	<u>1,534,846</u>	<u>782,856</u>
Net change in fund balance	(1,692,823)	(157,977)	1,534,846	782,856
Fund balance at beginning of year	<u>2,254,369</u>	<u>2,254,369</u>	<u>-</u>	<u>1,471,513</u>
Fund balance at end of year	<u>\$ 561,546</u>	<u>\$ 2,096,392</u>	<u>\$ 1,534,846</u>	<u>\$ 2,254,369</u>

CITY OF COSTA MESA, CALIFORNIA
Traffic Impact Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 50,000	\$ 1,212,500	\$ 1,162,500	\$ 259,298
Investment income (loss)	15,000	(9,495)	(24,495)	174,805
Miscellaneous	-	1,855	1,855	-
 Total revenues	 65,000	 1,204,860	 1,139,860	 434,103
Expenditures:				
Current:				
Public services	2,069,682	404,706	1,664,976	295,541
 Total expenditures	 2,069,682	 404,706	 1,664,976	 295,541
 Excess (deficiency) of revenues over (under) expenditures	 (2,004,682)	 800,154	 2,804,836	 138,562
 Net change in fund balance	 (2,004,682)	 800,154	 2,804,836	 138,562
 Fund balance at beginning of year	 4,690,060	 4,690,060	 -	 4,551,498
 Fund balance at end of year	 \$ 2,685,378	 \$ 5,490,214	 \$ 2,804,836	 \$ 4,690,060

CITY OF COSTA MESA, CALIFORNIA
 Fire System Development Fees Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ 469,333
Investment income	700	44	(656)	25,318
Total revenues	<u>700</u>	<u>44</u>	<u>(656)</u>	<u>494,651</u>
Net change in fund balance	700	44	(656)	494,651
Fund balance at beginning of year	<u>651,497</u>	<u>651,497</u>	-	<u>156,846</u>
Fund balance at end of year	<u>\$ 652,197</u>	<u>\$ 651,541</u>	<u>\$ (656)</u>	<u>\$ 651,497</u>

CITY OF COSTA MESA, CALIFORNIA
 Jack Hammett Sports Complex Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year ended June 30, 2021
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 3,000	\$ 34	\$ (2,966)	\$ 18,998
Rental income	150,750	100,751	(49,999)	150,750
Total revenues	<u>153,750</u>	<u>100,785</u>	<u>(52,965)</u>	<u>169,748</u>
Net change in fund balance	153,750	100,785	(52,965)	169,748
Fund balance at beginning of year	<u>484,139</u>	<u>484,139</u>	-	<u>314,391</u>
Fund balance at end of year	<u>\$ 637,889</u>	<u>\$ 584,924</u>	<u>\$ (52,965)</u>	<u>\$ 484,139</u>

CITY OF COSTA MESA, CALIFORNIA
Lions Park Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	\$ 1,639	\$ 1,639	\$ 27,550
Total revenues	-	1,639	1,639	27,550
Expenditures:				
Current:				
Public services	\$ 1,096,600	-	1,096,600	816,102
Total expenditures	1,096,600	-	1,096,600	816,102
Excess (deficiency) of revenues over (under) expenditures	(1,096,600)	1,639	1,098,239	(788,552)
Net change in fund balance	(1,096,600)	1,639	1,098,239	(788,552)
Fund balance at beginning of year	323,090	323,090	-	1,111,642
Fund balance (deficit) at end of year	\$ (773,510)	\$ 324,729	\$ 1,098,239	\$ 323,090

INTERNAL SERVICE FUNDS

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

Equipment Replacement Fund

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

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

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

Information Technology Replacement Fund

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

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Net Position
June 30, 2021
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2021	2020
<u>Assets:</u>					
Current assets:					
Cash and investments	\$ 4,577,772	\$ 16,753,672	\$ 6,831,640	\$ 28,163,084	\$ 19,634,588
Accounts receivable	-	-	-	-	6,027
Interest receivable	6,030	24,875	11,530	42,435	74,881
Prepaid expenses	1,472,402	183,870	-	1,656,272	-
Inventories	131,594	-	-	131,594	95,982
Total current assets	6,187,798	16,962,417	6,843,170	29,993,385	19,811,478
Capital assets:					
Construction in progress	-	-	693,456	693,456	391,214
Motorized equipment	14,512,571	-	-	14,512,571	14,323,172
Other equipment	3,161,527	-	187,799	3,349,326	2,846,895
Accumulated depreciation	(11,073,538)	-	(67,608)	(11,141,146)	(9,960,252)
Net capital assets	6,600,560	-	813,647	7,414,207	7,601,029
Total assets	12,788,358	16,962,417	7,656,817	37,407,592	27,412,507
<u>Liabilities:</u>					
Current liabilities:					
Accounts payable	459,434	154,527	34,219	648,180	552,729
Accrued liabilities	23,651	5,885	1,881	31,417	12,575
Notes payable	135,493	-	-	135,493	-
Claims payable	-	3,754,328	-	3,754,328	2,299,557
Total current liabilities	618,578	3,914,740	36,100	4,569,418	2,864,861
Long-term liabilities:					
Notes payable	1,336,909	-	-	1,336,909	-
Claims payable	-	13,700,196	-	13,700,196	13,555,439
Total long-term liabilities	1,336,909	13,700,196	-	15,037,105	13,555,439
Total liabilities	1,955,487	17,614,936	36,100	19,606,523	16,420,300
<u>Net Position:</u>					
Investment in capital assets	6,600,560	-	813,647	7,414,207	7,601,029
Unrestricted (deficit)	4,232,311	(652,519)	6,807,070	10,386,862	3,391,178
Total net position (deficit)	\$ 10,832,871	\$ (652,519)	\$ 7,620,717	\$ 17,801,069	\$ 10,992,207

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2021	2020
Operating revenues:					
Charges for services	\$ 2,635,841	\$ 4,889,338	\$ -	\$ 7,525,179	\$ 7,875,941
Total operating revenues	2,635,841	4,889,338	-	7,525,179	7,875,941
Operating expenses:					
Allocated administrative costs	1,057,039	787,763	161,399	2,006,201	1,488,451
Depreciation	1,182,861	-	33,804	1,216,665	1,279,612
Fuel and repair parts	1,015,493	-	-	1,015,493	1,061,932
Materials and supplies	-	-	-	-	30,602
Claims and premiums	-	5,716,404	-	5,716,404	3,550,804
Total operating expenses	3,255,393	6,504,167	195,203	9,954,763	7,411,401
Operating income (loss)	(619,552)	(1,614,829)	(195,203)	(2,429,584)	464,540
Nonoperating revenues (expenses):					
Investment income (loss)	(34,288)	(1,771)	(6,339)	(42,398)	694,080
Intergovernmental	25,670	-	-	25,670	-
Contributions	185,553	685	-	186,238	278,521
Gain (loss) on disposal of equipment	(163,258)	-	-	(163,258)	2,294
Total nonoperating revenues (expenses)	13,677	(1,086)	(6,339)	6,252	974,895
Income (loss) before transfers	(605,875)	(1,615,915)	(201,542)	(2,423,332)	1,439,435
Transfers in	2,862,342	4,004,586	2,365,266	9,232,194	1,125,000
Change in net position	2,256,467	2,388,671	2,163,724	6,808,862	2,564,435
Net position (deficit) at beginning of year	8,576,404	(3,041,190)	5,456,993	10,992,207	8,427,772
Net position (deficit) at end of year	\$ 10,832,871	\$ (652,519)	\$ 7,620,717	\$ 17,801,069	\$ 10,992,207

CITY OF COSTA MESA, CALIFORNIA
Internal Service Funds
Combining Statement of Cash Flows
Year ended June 30, 2021
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2021	2020
Cash flows from operating activities:					
Cash received from customers and user departments	\$ 2,641,868	\$ 4,889,338	\$ -	\$ 7,531,206	\$ 7,880,985
Cash payments to suppliers for goods and services	(752,282)	(4,525,393)	(160,147)	(5,437,822)	(5,252,269)
Cash payments to employees for services	(1,042,609)	(554,515)	-	(1,597,124)	(1,206,551)
Net cash provided by (used for) operating activities	846,977	(190,570)	(160,147)	496,260	1,422,165
Cash flows from noncapital financing activities:					
Cash received from other funds	2,862,342	4,004,586	2,365,266	9,232,194	1,125,000
Cash paid to other funds	-	-	-	-	(56,271)
Intergovernmental revenue received	25,670	685	-	26,355	-
Net cash provided by (used for) noncapital financing activities	2,888,012	4,005,271	2,365,266	9,258,549	1,068,729
Cash flows from capital and related financing activities:					
Cash received from disposal of assets	-	-	-	-	36,198
Acquisition of capital assets	(705,306)	-	(511,055)	(1,216,361)	(347,732)
Net cash provided by (used for) capital and related financing activities	(705,306)	-	(511,055)	(1,216,361)	(311,534)
Cash flows from investing activities:					
Investment income (loss)	(34,284)	22,642	1,690	(9,952)	704,677
Net cash provided by (used for) investing activities	(34,284)	22,642	1,690	(9,952)	704,677
Net increase (decrease) in cash and cash equivalents	2,995,399	3,837,343	1,695,754	8,528,496	2,884,037
Cash and cash equivalents at beginning of year	1,582,373	12,916,329	5,135,886	19,634,588	16,750,551
Cash and cash equivalents at end of year	\$ 4,577,772	\$ 16,753,672	\$ 6,831,640	\$ 28,163,084	\$ 19,634,588
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (619,552)	\$ (1,614,829)	\$ (195,203)	\$ (2,429,584)	\$ 464,540
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,182,861	-	33,804	1,216,665	1,279,612
(Increase) decrease in accounts receivable	6,027	-	-	6,027	5,044
(Increase) decrease in prepaid items	-	(183,870)	-	(183,870)	5,828
(Increase) decrease in inventories	(35,612)	-	-	(35,612)	17,729
Increase (decrease) in accounts payable	298,823	5,441	-	304,264	(143,917)
Increase (decrease) in accrued liabilities	14,430	3,160	1,252	18,842	3,920
Increase (decrease) in claims payable	-	1,599,528	-	1,599,528	(210,591)
Net cash provided by (used for) operating activities	\$ 846,977	\$ (190,570)	\$ (160,147)	\$ 496,260	\$ 1,422,165



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
STATISTICAL SECTION



STATISTICAL SECTION

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

FINANCIAL TRENDS

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

TABLES 1 - 4

REVENUE CAPACITY

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

TABLES 5 - 12

DEBT CAPACITY

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

TABLES 13 - 15

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

TABLES 16 - 17

OPERATING INFORMATION

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

TABLES 18 - 20

TABLE 1

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental Activities										
Net investment in capital assets	\$ 207,954,876	\$ 204,884,524	\$ 211,291,261	\$ 211,133,458	\$ 216,195,466	\$ 219,280,752	\$ 235,177,233	\$ 248,255,931	\$ 248,815,081	\$ 255,443,158
Restricted										
Protection of Persons and Property	2,519,015	2,329,840	1,441,906	552,573	1,022,546	217,303	150,169	872,898	1,628,892	1,329,350
Community programs	10,262,006	8,713,244	9,622,339	8,892,751	12,793,475	9,588,998	3,767,377	6,162,341	5,687,227	6,176,036
Public services	28,568,791	26,485,938	21,642,345	17,660,289	15,495,090	20,253,747	13,625,826	14,845,159	17,051,750	18,047,015
Unrestricted	44,741,840	43,798,620	51,403,839	(170,836,260)	(159,357,224)	(161,805,274)	(224,657,548)	(241,478,263)	(251,417,100)	(243,934,825)
Total governmental activities net position	<u>\$ 294,046,528</u>	<u>\$ 286,212,166</u>	<u>\$ 295,401,690</u>	<u>\$ 67,402,811</u>	<u>\$ 86,149,353</u>	<u>\$ 87,535,526</u>	<u>\$ 28,063,057</u>	<u>\$ 28,658,066</u>	<u>\$ 21,765,850</u>	<u>\$ 37,060,734</u>

Source: Government-Wide Financial Statements

TABLE 2

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

	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental Activities:										
General government	\$ 19,977,655	\$ 22,655,452	\$ 23,396,581	\$ 25,225,607	\$ 24,631,010	\$ 28,474,037	\$ 31,695,402	\$ 34,008,731	\$ 32,124,703	\$ 36,763,868
Protection of persons and property	61,788,930	63,383,715	62,634,432	64,184,047	63,956,413	70,786,483	86,777,544	86,440,751	96,625,585	88,643,852
Community programs	4,310,750	6,519,916	6,784,867	10,189,480	4,639,743	12,069,675	10,126,755	16,363,506	17,285,898	22,007,275
Public services	18,873,545	20,508,217	22,768,197	21,549,681	22,498,495	21,415,061	20,062,183	27,937,004	16,269,612	17,663,842
Redevelopment	911,704	-	-	-	-	-	-	-	-	-
Interest on long-term debt	2,683,598	1,726,008	1,273,152	1,210,723	1,081,605	974,233	1,082,361	1,138,694	1,083,190	986,593
Total primary government expenses	<u>108,546,182</u>	<u>114,793,308</u>	<u>116,857,229</u>	<u>122,359,538</u>	<u>116,807,266</u>	<u>133,719,489</u>	<u>149,744,245</u>	<u>165,888,686</u>	<u>163,388,988</u>	<u>166,065,430</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Protection of persons and property	2,635,880	2,739,881	2,338,910	2,299,476	2,707,819	2,819,809	3,805,473	7,267,233	7,461,872	5,497,350
Community programs	5,268,839	5,856,107	6,229,677	7,498,348	8,232,995	7,577,878	9,536,570	8,207,122	4,816,413	5,243,843
Public services	2,861,971	2,646,611	2,680,625	3,089,801	3,721,366	3,232,506	5,046,984	6,179,653	7,096,062	6,372,272
Operating grants and contributions	8,832,089	8,443,327	8,534,673	8,562,955	4,907,815	4,487,089	7,727,382	9,339,283	10,576,719	32,519,129
Capital grants and contributions	4,555,065	5,140,960	6,148,876	5,143,592	3,370,260	7,114,471	4,755,573	9,142,040	6,251,484	8,267,623
Total primary government revenues	<u>24,153,844</u>	<u>24,826,886</u>	<u>25,932,761</u>	<u>26,594,172</u>	<u>22,940,255</u>	<u>25,231,753</u>	<u>30,871,982</u>	<u>40,135,331</u>	<u>36,202,550</u>	<u>57,900,217</u>
Total primary government net expense	<u>\$ (84,392,338)</u>	<u>\$ (89,966,422)</u>	<u>\$ (90,924,468)</u>	<u>\$ (95,765,366)</u>	<u>\$ (93,867,011)</u>	<u>\$ (108,487,736)</u>	<u>\$ (118,872,263)</u>	<u>\$ (125,753,355)</u>	<u>\$ (127,186,438)</u>	<u>\$ (108,165,213)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	\$ 21,564,340	\$ 23,192,755	\$ 22,984,093	\$ 24,139,297	\$ 26,168,612	\$ 37,925,385	\$ 40,373,351	\$ 43,226,688	\$ 45,548,585	\$ 47,891,698
Sales and use taxes	43,077,849	46,743,795	50,329,310	52,117,128	58,524,162	57,591,889	56,971,636	62,689,811	55,866,831	63,738,411
Transient occupancy tax	6,524,510	7,257,695	7,676,090	7,995,154	8,622,505	8,924,854	8,819,617	8,595,417	6,587,224	4,282,802
Franchise taxes	4,471,326	4,818,972	4,891,465	4,885,925	5,060,402	4,593,631	4,965,515	5,042,551	4,822,964	4,895,574
Business tax	888,967	917,633	916,285	954,408	973,521	918,928	919,450	1,093,154	1,663,100	1,227,843
Other intergovernmental unrestricted	8,594,277	8,814,644	9,229,059	5,660,305	11,209,989	51,340	60,031	55,343	91,674	84,182
Investment income (loss)	1,377,209	640,159	1,772,900	1,692,528	1,871,216	496,650	256,438	4,264,987	4,075,623	(80,831)
Miscellaneous	978,394	181,943	495,154	949,533	913,351	1,333,610	1,903,266	1,380,413	1,638,221	1,420,418
Settlements	-	1,452,623	121,971	-	-	-	-	-	-	-
Extraordinary items:										
Gain on transfer of assets to Successor Agency	9,260,371	-	-	-	-	-	-	-	-	-
(Loss) on advance to Successor Agency	-	(11,888,159)	-	-	-	-	-	-	-	-
Total primary government	<u>96,737,243</u>	<u>82,132,060</u>	<u>98,416,327</u>	<u>98,394,278</u>	<u>113,343,758</u>	<u>111,836,287</u>	<u>114,269,304</u>	<u>126,348,364</u>	<u>120,294,222</u>	<u>123,460,097</u>
Change in Net Position	<u>\$ 12,344,905</u>	<u>\$ (7,834,362)</u>	<u>\$ 7,491,859</u>	<u>\$ 2,628,912</u>	<u>\$ 19,476,747</u>	<u>\$ 3,348,551</u>	<u>\$ (4,602,959)</u>	<u>\$ 595,009</u>	<u>\$ (6,892,216)</u>	<u>\$ 15,294,884</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)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ 13,917,262	\$ 3,137,794	\$ 3,430,104	\$ 4,165,795	\$ 2,486,085	\$ 2,253,843	\$ 2,038,518	\$ 280,195	\$ 362,189	\$ 964,846
Restricted	-	-	-	-	-	-	-	-	-	1,778,220
Committed	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	23,625,000	25,125,000	25,125,000
Assigned	10,347,804	10,131,615	10,016,092	11,325,819	13,820,663	13,819,088	13,730,832	8,940,072	9,151,062	8,195,429
Unassigned	7,419,860	16,252,032	20,629,130	22,199,337	32,040,713	30,867,198	23,329,730	20,451,232	18,825,417	17,428,766
Total general fund	<u>\$ 47,809,926</u>	<u>\$ 45,646,441</u>	<u>\$ 50,200,326</u>	<u>\$ 53,815,951</u>	<u>\$ 64,472,461</u>	<u>\$ 63,065,129</u>	<u>\$ 55,224,080</u>	<u>\$ 53,296,499</u>	<u>\$ 53,463,668</u>	<u>\$ 53,492,261</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	31,441,902	29,302,059	25,097,114	20,914,771	19,309,083	28,056,898	30,108,463	21,753,832	25,676,330	25,200,380
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	7,095,166	9,162,682	11,741,220	19,147,805	23,738,380	27,619,480	25,415,708	24,337,823	25,474,636	31,173,285
Unassigned	(2,572,973)	(2,892,237)	(2,288,538)	(368,083)	(139,064)	(248,979)	(6,353)	(9,453)	(2,312,520)	(451,068)
Total all other governmental funds	<u>\$ 35,964,095</u>	<u>\$ 35,572,504</u>	<u>\$ 34,549,796</u>	<u>\$ 39,694,493</u>	<u>\$ 42,908,399</u>	<u>\$ 55,427,399</u>	<u>\$ 55,517,818</u>	<u>\$ 46,082,202</u>	<u>\$ 48,838,446</u>	<u>\$ 55,922,597</u>

Source: Fund Financial Statements

TABLE 4

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 76,526,993	\$ 82,930,849	\$ 86,797,242	\$ 90,091,915	\$ 99,349,202	\$ 99,464,729	\$ 110,884,896	\$ 123,969,423	\$ 114,463,599	\$ 122,138,588
Licenses and permits	1,903,361	1,997,057	2,085,348	2,313,296	2,983,081	2,933,305	3,837,564	5,104,022	5,496,049	4,368,740
Fines and forfeits	3,508,181	4,483,240	3,614,144	1,367,190	1,609,134	1,352,682	1,612,230	2,468,993	2,067,884	1,061,346
Intergovernmental	19,838,941	19,213,168	21,769,293	22,010,125	17,612,288	23,205,265	10,558,481	16,646,740	15,006,292	39,855,634
Charges for services	4,167,896	4,320,932	4,721,191	6,117,030	6,668,445	5,909,112	9,553,421	9,990,454	9,489,827	7,309,872
Rental	3,054,100	2,987,055	3,021,585	3,113,662	3,336,053	3,289,222	3,404,676	3,479,527	3,566,255	4,773,662
Investment income (loss)	1,189,168	533,469	1,712,058	1,771,527	1,775,765	420,561	244,606	3,616,606	3,394,398	(37,016)
Return on equity	-	2,551,815	-	-	-	-	-	-	-	-
Settlements	-	1,452,623	121,971	-	-	-	-	-	-	-
Miscellaneous	1,376,946	892,970	1,177,245	2,206,428	1,679,917	2,170,215	2,081,739	3,226,941	2,161,633	1,410,996
Total revenues	111,565,586	121,363,178	125,020,077	128,991,173	135,013,885	138,745,091	142,177,613	168,502,706	155,645,937	180,881,822
Expenditures										
General government	20,974,387	21,982,783	23,893,450	24,699,226	25,102,067	26,518,266	29,048,355	29,219,530	30,808,182	31,851,632
Protection of persons and property	59,993,364	60,468,091	64,047,209	61,096,404	64,426,376	66,141,703	70,198,327	78,762,212	82,939,180	84,027,648
Community programs	6,125,337	6,166,791	6,442,241	8,821,298	8,019,356	9,410,168	10,888,393	13,265,742	14,297,137	18,578,311
Public services	13,613,312	16,781,751	22,863,385	21,860,252	19,836,633	21,680,495	42,305,565	50,429,478	20,506,675	27,033,542
Redevelopment	911,704	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	4,525,739	3,872,050	2,450,000	2,540,000	2,650,000	2,755,000	4,070,000	1,795,261	1,815,392	1,890,391
Interest	2,734,050	1,741,101	1,296,111	1,213,671	1,109,037	992,383	1,041,853	1,298,315	1,230,958	1,155,360
Bond issuance costs	-	-	-	-	-	-	344,858	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	2,302,225	-	-	-
Total expenditures	108,877,893	111,012,567	120,992,396	120,230,851	121,143,469	127,498,015	160,199,576	174,770,538	151,597,524	164,536,884
Excess of revenues over (under) expenditures	2,687,693	10,350,611	4,027,681	8,760,322	13,870,416	11,247,076	(18,021,963)	(6,267,832)	4,048,413	16,344,938
Other financing sources (uses):										
Transfers in	5,099,168	6,212,460	8,597,756	14,253,945	12,852,940	16,058,019	12,370,819	15,899,228	10,811,227	26,619,517
Transfers out	(5,099,168)	(6,212,460)	(9,094,260)	(14,253,945)	(12,852,940)	(19,658,019)	(18,063,009)	(21,148,507)	(11,936,227)	(35,851,711)
Extraordinary gain (loss)	5,645,371	(11,888,159)	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	29,735,000	153,914	-	-
Premium on debt issue	-	-	-	-	-	-	3,694,172	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	(14,530,520)	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,645,371	(11,888,159)	(496,504)	-	-	(3,600,000)	13,206,462	(5,095,365)	(1,125,000)	(9,232,194)
Net change in fund balances	\$ 8,333,064	\$ (1,537,548)	\$ 3,531,177	\$ 8,760,322	\$ 13,870,416	\$ 7,647,076	\$ (4,815,501)	\$ (11,363,197)	\$ 2,923,413	\$ 7,112,744
Debt service as a percentage of noncapital expenditures	7.03%	5.40%	3.44%	3.37%	3.38%	3.18%	5.64%	2.21%	2.19%	2.10%

Source: Fund Financial Statements

**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</u>	<u>Proposition 172</u>	<u>Total</u>
2012	42,234,307	21,564,340	6,524,510	4,471,326	888,967	843,542	76,526,993
2013	45,830,107	23,192,755	7,257,695	4,818,972	917,633	913,688	82,930,850
2014	49,264,634	22,984,093	7,676,090	4,891,465	916,285	1,064,676	86,797,243
2015	51,115,064	24,139,297	7,995,154	4,885,926	954,408	1,002,064	90,091,914
2016	57,593,561	26,168,612	8,622,505	5,060,402	973,521	930,601	99,349,202
2017	56,556,867	27,435,427	8,924,854	4,593,631	918,928	1,035,022	99,464,729
2018	54,656,183	40,458,402	8,819,617	4,965,515	919,450	1,065,729	110,884,896
2019	64,902,009	42,873,901	8,595,417	5,042,551	1,093,154	1,126,008	123,633,040
2020	55,866,831	45,548,585	6,587,224	4,822,964	1,663,100	1,102,506	115,591,210
2021	63,738,411	47,891,698	4,282,802	4,895,574	1,227,843	1,151,953	123,188,281

Source: Required Supplementary Information

TABLE 6

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

	Calendar Years									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Apparel stores	\$ 484,036	\$ 604,936	\$ 681,348	\$ 715,097	\$ 727,073	\$ 754,197	\$ 714,478	\$ 814,593	\$ 835,594	\$ 569,776
General merchandise	568,293	591,832	599,163	615,702	618,702	582,500	565,635	534,747	512,500	315,884
Food stores	93,721	94,377	87,225	88,872	103,225	90,941	88,385	90,178	91,470	92,557
Eating and drinking establishments	371,523	387,667	421,830	443,384	469,465	496,041	515,683	535,744	556,504	405,696
Building materials	142,575	150,604	180,198	193,248	205,343	224,225	236,497	242,750	251,846	251,117
Auto dealers and supplies	577,755	613,669	670,976	753,804	858,187	924,641	1,006,804	1,153,396	1,230,062	1,149,598
Service stations	240,892	269,067	263,352	245,432	215,707	190,969	200,170	235,572	232,911	161,495
Other retail stores	924,979	961,488	972,383	1,025,424	1,047,009	1,050,063	1,116,930	1,178,337	1,165,897	943,056
All other outlets	778,329	839,005	914,501	1,015,134	1,112,851	1,206,829	1,157,415	1,269,997	1,402,675	1,447,700
	<u>\$ 4,182,103</u>	<u>\$ 4,512,645</u>	<u>\$ 4,790,976</u>	<u>\$ 5,096,097</u>	<u>\$ 5,357,562</u>	<u>\$ 5,520,406</u>	<u>\$ 5,601,997</u>	<u>\$ 6,055,314</u>	<u>\$ 6,279,459</u>	<u>\$ 5,336,879</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, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

TABLE 7

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

<u>Category</u>	<u>2020</u>			<u>2011</u>		
	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>	<u>Taxable Sales</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Sales</u>
All other outlets	\$ 1,447,700	1	27.13%	\$ 778,329	2	18.61%
Auto dealers and supplies	1,149,598	2	21.54%	\$ 577,755	3	13.81%
Other retail stores	943,056	3	17.67%	\$ 924,979	1	22.12%
Apparel stores	569,776	4	10.68%	\$ 484,036	5	11.57%
Eating and drinking establishment:	405,696	5	7.60%	\$ 371,523	6	8.88%
General merchandise	315,884	6	5.92%	\$ 568,293	4	13.59%
Building materials	251,117	7	4.71%	\$ 142,575	8	3.41%
Service stations	161,495	8	3.03%	\$ 240,892	7	5.76%
Food stores	92,557	9	1.73%	\$ 93,721	9	2.24%

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

TABLE 8

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

<u>Fiscal Years</u>	<u>City Local Rate</u>	<u>Orange County Rate</u>	<u>State of California Rate</u>	<u>Total Sales Tax Rate</u>
2012	1.00	0.50	6.25	7.75
2013	1.00	0.50	6.50	8.00
2014	1.00	0.50	6.50	8.00
2015	1.00	0.50	6.50	8.00
2016	1.00	0.50	6.50	8.00
2017	1.25	0.50	6.00	7.75
2018	1.25	0.50	6.00	7.75
2019	1.25	0.50	6.00	7.75
2020	1.25	0.50	6.00	7.75
2021	1.25	0.50	6.00	7.75

Source: State of California Board of Equalization

TABLE 9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collected for Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2012	20,574,309	19,958,891	97.01%	408,220	20,367,111	98.99%
2013	21,112,082	20,599,679	97.57%	382,281	20,981,960	99.38%
2014	22,178,464	21,732,926	97.99%	285,325	22,018,251	99.28%
2015	23,405,838	22,897,171	97.83%	242,634	23,139,805	98.86%
2016	24,960,369	24,222,713	97.04%	227,104	24,449,817	97.95%
2017	26,330,538	25,640,344	97.38%	216,963	25,857,308	98.20%
2018	27,825,846	27,272,459	98.01%	198,624	27,471,083	98.73%
2019	29,820,941	29,186,740	97.87%	196,710	29,383,450	98.53%
2020	31,300,931	30,714,805	98.13%	214,204	30,929,009	98.81%
2021	32,769,949	32,203,394	98.27%	294,030	32,497,424	99.17%

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

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

Source: Orange County Assessor 2020/2021 Combined Tax Rolls

TABLE 10

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

<u>Fiscal Years</u>	<u>Residential Property</u>	<u>Commerical Property</u>	<u>Industial Property</u>	<u>Miscellaneous 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>
2012	8,557,101,277	3,394,223,104	1,100,996,492	1,065,596,839	14,117,917,712	0.17226%	14,117,917,712	100.00%
2013	8,704,306,093	3,479,681,880	1,122,815,201	1,070,250,329	14,377,053,503	0.17288%	14,377,053,503	100.00%
2014	9,101,889,466	3,566,114,710	1,117,794,289	1,140,508,581	14,926,307,046	0.15040%	14,926,307,046	100.00%
2015	9,745,389,688	3,633,678,888	1,126,437,386	1,206,217,946	15,711,723,908	0.15035%	15,711,723,908	100.00%
2016	10,456,976,124	3,766,616,981	1,190,970,066	1,118,171,362	16,532,734,533	0.15038%	16,532,734,533	100.00%
2017	11,033,602,522	3,918,807,590	1,336,961,702	1,180,683,099	17,470,054,913	0.15014%	17,470,054,913	100.00%
2018	11,685,011,850	4,096,390,455	1,500,236,782	1,222,877,713	18,504,516,800	0.15009%	18,504,516,800	100.00%
2019	12,557,043,739	4,473,583,090	1,646,413,988	1,223,132,784	19,900,173,601	0.15002%	19,900,173,601	100.00%
2020	13,389,240,208	4,687,990,535	1,744,806,502	1,290,509,110	21,112,546,355	0.14848%	21,112,546,355	100.00%
2021	14,143,690,438	4,858,631,950	1,822,103,130	1,295,199,231	22,119,624,749	0.14856%	22,119,624,749	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 vaule of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Therefore, the estimated actual taxable value equals the total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor 2011/2012- 2020/2021 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	Redevelopment Debt Service ⁽²⁾	Redevelopment Program	Total Direct Rate ⁽¹⁾	County of Orange Debt	School District Debt	Special Districts Debt
2012	0.14879	0.00370	1.00000	0.17226	0.36649	0.48300	0.00535
2013	0.14879	-	-	0.17288	0.36649	0.48300	0.00535
2014	0.14879	-	-	0.15040	0.36649	0.48300	0.00535
2015	0.14879	-	-	0.15035	0.36649	0.48300	0.00515
2016	0.14879	-	-	0.15038	0.36649	0.48300	0.00515
2017	0.14879	-	-	0.15014	0.36649	0.48300	0.00515
2018	0.14879	-	-	0.15009	0.36649	0.48300	0.00515
2019	0.14879	-	-	0.15002	0.36649	0.48300	0.00515
2020	0.14879	-	-	0.14848	0.36649	0.48300	0.00515
2021	0.14879	-	-	0.14856	0.36649	0.48300	0.00515

(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 2011/2012 - 2020/2021 Combined Tax Rolls.

TABLE 12

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

<u>Taxpayer</u>	<u>2020-2021</u>			<u>2011-2012</u>		
	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>	<u>Property Tax Revenue</u>	<u>Rank</u>	<u>Percentage of Total City Property Tax Revenue</u>
The Irvine Company LLC	\$ 723,793	1	1.99%	\$ 390,145		1.61%
Trust Costa Mesa Courtyards LLC	568,259	2	1.56%	378,322		1.56%
Triangle Center LLC	556,282	3	1.53%	373,056		1.54%
Behringer Harvard Pacifica Project	524,677	4	1.44%	316,261		1.31%
South Coast Plaza	511,230	5	1.40%	308,005		1.27%
1901 Newport LLC Royal Street	420,106	6	1.15%	255,674		1.06%
PR II MCC South Coast Property Owner	393,506	7	1.08%	238,639		0.99%
United Dominion Realty LP	312,593	8	0.86%	212,834		0.88%
Automobile CLUB of Southern CA	222,962	9	0.61%	192,764		0.80%
Advanced Group	245,987	10	0.68%	191,320		0.79%
Total	<u>\$ 4,479,395</u>		<u>12.30%</u>	<u>\$ 2,857,020</u>		<u>11.81%</u>

Source: HdL Coren & Cone, Orange County Assessor 2020/2021 & 2011/2012 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General bonded debt outstanding										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment bonds (1)	3,615,000	-	-	-	-	-	-	-	-	-
Total	<u>\$ 3,615,000</u>	<u>\$ -</u>								
Percentage of taxable assessed value	0.0256%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Per capita	\$ 8.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amounts set aside to repay general debt	704,300	-	-	-	-	-	-	-	-	-
Total net debt applicable to debt limit	2,910,700	-	-	-	-	-	-	-	-	-
Legal debt limit (3.75% of Assessed Value)	575,152,015	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407
Legal debt margin	572,241,315	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407
Legal debt margin as a percentage of the debt limit	99.49%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Source: City of Costa Mesa Finance Department and Orange County Assessor 2020/2021 combined tax rolls

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			Other Governmental Activities Debt						
	Redevelopment Bond ⁽¹⁾	Percentage of Total Taxable Assessed Value	Per Capita	Revenue Bonds ⁽²⁾	Certificates of Participation	Loan Payable	Lease Purchase Financing	Total Primary Government	Percentage of Personal Income	Per Capita
2012	3,615,000	0.0256%	8.43	10,490,000	25,140,000	-	1,057,907	40,302,907	1.11%	1,224.86
2013	-	0.0000%	-	8,140,000	23,875,000	-	611,729	32,626,729	0.89%	999.53
2014	-	0.0000%	-	7,005,000	22,560,000	-	415,395	29,980,395	0.79%	886.84
2015	-	0.0000%	-	5,830,000	21,195,000	-	-	27,025,000	0.73%	832.10
2016	-	0.0000%	-	4,600,000	19,775,000	-	-	24,375,000	0.64%	732.66
2017	-	0.0000%	-	3,325,000	18,295,000	-	-	21,620,000	0.57%	649.85
2018	-	0.0000%	-	34,103,345	-	-	-	34,103,345	0.77%	991.21
2019	-	0.0000%	-	32,170,580	-	143,653	-	32,314,233	0.78%	906.39
2020	-	0.0000%	-	30,222,813	-	128,261	-	30,351,074	0.69%	788.54
2021	-	0.0000%	-	28,200,046	-	112,870	1,472,402	29,785,318	0.64%	721.65

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

⁽²⁾ Amount includes the unamortized Bond Premium.

Source: City of Costa Mesa Finance Department

CITY OF COSTA MESA, CALIFORNIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt			
Newport Mesa Unified School District	\$ 240,672,640	26.472%	\$ 63,710,765
Coast Community College District	936,924,018	13.372%	125,285,480
Santa Ana Unified School District	351,580,064	3.352%	11,784,085
Rancho Santiago Community College District	215,876,120	1.465%	3,163,146
Rancho Santiago Community College District SFID No. 1	167,375,000	2.730%	4,570,040
Metropolitan Water District	5,385,044	3.373%	181,639
Total Overlapping Debt	1,917,812,886		208,695,155
City Direct Debt			
Costa Mesa Public Financing Authority 2006 Revenue Refunding Bonds/ Costa Mesa Community Facilities District No. 91-1	\$ 21,000	100%	\$ 21,000
City of Costa Mesa General Fund Obligations ⁽¹⁾	27,990,046	100%	27,990,046
Loan Payable	112,870	100%	112,870
Total Direct Debt	28,123,916		28,123,916
Total Direct and Overlapping Debt			\$ 236,819,071

(1) See Note 7 in Finance Statement for more information about the City's direct debt. The amount included the unamortized Bond Premium \$3,140,046

(2) Overlapping governments are those that coincide with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor and Auditor Combined 2020/21 Lien Data Tax Rolls.

TABLE 16

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

Year	Population ⁽²⁾	Personal Income (thousands of dollars)	Per Capita Personal Income ⁽¹⁾	Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Orange County Unemployment Rate ⁽⁴⁾
2012	110,757	3,644,348	32,904	33	21,619	7.90%
2013	111,358	3,711,117	33,326	33	21,944	6.10%
2014	111,846	3,650,877	32,642	34	21,683	5.20%
2015	111,835	3,780,694	33,806	34	21,540	4.30%
2016	114,603	3,722,083	32,478	34	21,392	4.40%
2017	114,044	3,794,132	33,269	34	20,801	3.80%
2018	115,296	3,966,839	34,406	35	20,853	3.30%
2019	115,830	4,129,505	35,651	35	20,316	3.00%
2020	114,778	4,417,883	38,490	35	20,008	13.60%
2021	112,780	4,654,963	41,274	35	20,173	6.50%

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

TABLE 17

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

<u>Employer</u>	<u>2020-2021</u>			<u>2011-2012</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 Solutions, Inc.	3,700	1	5.74%	3,700		5.74%
Coast Community College District	2,900	2	4.50%	2,900		4.50%
Orange Coast College	1,900	3	2.95%	1,900		2.95%
Auto Club Enterprises	1,376	4	2.14%			0.00%
Contech Engnered Solutions LLC	1,288	5	2.00%			0.00%
Westar Capital Assoc II LLC	1,184	6	1.84%			0.00%
Western Medical Center	1,052	7	1.63%			0.00%
Gary D. Nelson Assoc., Inc	935	8	1.45%			0.00%
Deloitte Consulting LLC	800	9	1.24%			0.00%
Dynamic Cooking	700	10	1.09%			0.00%

Source: City of Costa Mesa department of Economic Development, 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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
Number of residents served via public services programs	2,023	1,500	1,000	1,500	785	750	700	700	700	700
Accounts payable checks issued	9,634	9,561	9,506	9,764	9,182	9,031	8,734	8,857	8,604	7,269
Total printshop photocopies produced	2,746,559	1,554,927	1,691,606	1,806,965	1,619,784	1,749,460	1,996,486	1,699,007	1,116,892	1,250,000
Protection of persons and property										
Police protection										
Emergency calls	1,128	1,160	1,180	1,330	N/A	1,000	1,029	882	876	847
Calls responded to within 5 minutes	76%	80%	82%	77%	N/A	66%	72%	75%	72%	76%
Assigned theft cases	1,951	1,900	1,000	400	900	1,200	N/A	N/A	N/A	N/A
Percentage of theft cases cleared	34%	25%	40%	40%	40%	60%	74%	64%	52%	31%
Assigned burglary cases	1,452	1,460	800	350	400	200	N/A	N/A	N/A	N/A
Percentage of burglary cases cleared	21%	25%	40%	40%	40%	70%	69%	64%	50%	38%
Case and arrest reports processed	15,324	21,921	18,133	15,128	14,584	19,310	19,319	18,382	19,079	18,794
Fire protection										
Number of calls for service	9,800	10,000	11,300	11,100	12,955	12,721	12,936	10,572	10,637	10,073
Fire related responses	110	200	218	214	238	271	218	261	245	246
Emergency medical aid responses	6,400	7,000	7,818	7,250	9,366	9,374	9,603	9,639	9,454	8,960
Community Programs										
Number of program participants at the Downtown Recreation Center	32,404	42,411	31,018	31,521	33,446	34,939	38,247	42,000	28,000	21,150
Over-the-counter plan checks reviewed within five working days	319	338	337	225	240	240	522	630	630	630
Inspection requests with 24 hours	14,345	14,345	17,460	22,560	29,100	31,040	29,585	29,100	18,966	28,012
Complaint response within two working days	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Public services										
Number of trees trimmed annually	7,206	7,882	8,140	7,700	7,750	6,250	6,250	6,250	8,750	5,291
Number of catch basins cleaned annually	1,165	1,165	1,165	1,165	1,165	1,115	1,100	1,100	1,165	1,165

Source: City of Costa Mesa Finance Department

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

<u>Function/Program</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2015 (2)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Government										
City council	5.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	10.5	10.5
City Manager's office	15.75	22.00	29.75	38.41	33.30	37.59	39.74	41.60	36.48	37.00
Financial services	17.75	27.21	27.21	20.21	21.71	21.50	22.25	22.50	22.00	23.00
Information technology	-	-	-	10.50	12.50	12.94	13.16	12.16	13.70	15.50
Administrative services	96.47	-	-	-	-	-	-	-	-	-
Development services	26.50	27.59	27.00	37.25	43.50	46.23	45.95	44.80	48.79	51.64
Park and community services	-	-	-	53.43	70.70	74.00	80.54	87.23	96.71	95.67
Protection of persons and property										
Police protection	220.68	235.60	237.68	236.41	232.63	234.46	235.60	233.76	235.17	235.86
Fire protection	96.44	95.44	95.75	84.75	87.25	87.50	94.00	94.00	95.00	96.25
Public services	79.25	114.99	124.43	83.37	81.77	84.82	77.47	72.05	76.70	76.50
	<u>557.84</u>	<u>528.83</u>	<u>547.82</u>	<u>570.33</u>	<u>589.36</u>	<u>605.04</u>	<u>614.71</u>	<u>616.10</u>	<u>635.05</u>	<u>641.92</u>

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

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

Source: City of Costa Mesa Finance Department

TABLE 20

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

Function/Program	Fiscal Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	529.0	529.0	529.0	529.0	535.6	535.6	535.6	540.0
Streetlights	6,674	6,674	6,674	6,674	6,674	6,674	6,674	6,881	6,869	6,869
Traffic signals	124	123	123	124	124	124	125	126	127	128
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	1,957	2,067	2,067
Park sites	30	30	30	31	31	31	31	31	32	32
Baseball/softball diamonds	6	5	5	6	6	6	6	6	6	6
Soccer/football fields	8	10	10	10	10	10	10	10	6	6
Community centers	3	3	3	4	4	3	3	3	4	4
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	64.7

Source: City of Costa Mesa Finance Department



