

CITY OF FULLERTON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY THE FINANCE DEPARTMENT

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CITY OF FULLERTON

City Manager's Office

December 14, 2016

Honorable Mayor and Members of City Council
Fullerton, California

We are pleased to present the 2015-16 Comprehensive Annual Financial Report (CAFR) to the City Council. This report is intended to update the City Council and the citizens of Fullerton on the status of the City's financial position and results of operations for the past fiscal year and has been prepared in compliance with all requirements of the Governmental Accounting Standards Board (GASB).

The City of Fullerton's financial statements have been audited by Lance, Soll, & Lunghard, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fullerton for the fiscal year ended June 30, 2016 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 of Fullerton's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Fullerton 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 of Fullerton's separately issued single audit report.

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

ECONOMIC CONDITION AND OUTLOOK

Fullerton is located in northwestern Orange County, approximately 25 miles southeast of downtown Los Angeles. The City is ideally located for transportation, bounded by 3 major highways and located 15 miles northwest of John Wayne Airport. On an average workday Fullerton's Transportation Center serves an average of 3,000 commuters on the Metrolink and Amtrak trains. Encompassing 22.2 square miles, the City has a population of 140,042, ranking it the 41st largest in the State and the 7th largest in Orange County.

THE EDUCATION COMMUNITY

303 West Commonwealth Avenue, Fullerton, California 92832-1775
(714) 738-6310 • Fax (714) 738-6758 • citymanager@ci.fullerton.ca.us • www.ci.fullerton.ca.us



Founded in 1887 and incorporated in 1904, Fullerton operates as a general law city governed by a non-partisan, five-member City Council elected at large to serve staggered four-year terms. Effective 2018, City Council members will be elected by district. Services provided by the City include police and fire protection, community development, water and sanitation services, construction and maintenance of streets and infrastructure, recreational and cultural services and an airport.

The City maintains a strong economic outlook with a diversified tax base consisting of residential, commercial and industrial properties. Tax revenues comprise 82.6% of General Fund revenues and increased an average of 7.5% this fiscal year.

Property tax is the largest revenue source at \$37.8 million, or 47% of total General Fund revenue. The City receives \$0.1564 of every property tax dollar. Fullerton's median household income is \$70,157 and the median home price is \$600,600. The total assessed valuation in 2015 was \$18.9 billion. Of its 34,533 parcels, 31,300 (91%) are residential and 1,400 (4%) are commercial/industrial.

Sales tax revenue is the second highest source at \$23 million, or 28.5% of total General Fund revenue. The tax base is evenly distributed between the major categories of general consumer goods (both in-store and online), business and industry, food establishments and car dealerships. This variety prevents the City from taking a significant hit in revenue if one or a few businesses close.

The County's unemployment rate of 4.6% continues to rank below the State and National average. Major employers in Fullerton include California State University -Fullerton, Fullerton Community College, St. Jude Hospital, Raytheon Systems Company, and Alcoa Fastening Systems. In addition to a diverse manufacturing and industrial base, and a stable retail sales base, the City is a major center of higher education in Orange County. California State University, Fullerton and Fullerton Community College are located within the City, as well as three private colleges/universities for a total enrollment of over 55,000 students.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse, and for compiling sufficient reliable information for the preparation of the City of Fullerton's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Fullerton's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Budgetary Controls: The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, debt service funds, capital projects funds, and all the proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing

budgetary control. Encumbrances generally are re-appropriated as part of the following year's budget.

Financial Policies: To ensure that adequate funds be reserved for potential contingencies such as economic uncertainties or emergencies that might threaten the health, safety and welfare of the community, the City Council established a policy requiring a minimum of ten percent (10%) of General Fund expenditures to be set aside as committed reserves. As of June 30, 2016, the City's General Fund reserve totaled \$14.9 million, representing 17% of total expenditures. Of that amount, \$8.7 million, or 10%, was committed to the contingency reserve.

Further, the City has a long-standing practice of recognizing and reserving for known and anticipated liabilities. An irrevocable trust for other post-employment benefits (also known as retiree medical) was established this fiscal year while the City continues to fund normal costs annually.

Long-Term Financial Planning: On June 16, 2015, the City Council adopted the 2015-2017 budget. To assist in development and monitoring of the financial plan, staff maintains a five-year forecast which is used as a decision-making tool. As costs increase and funding sources fluctuate, this model helps to reprioritize goals and objectives. Additionally, as a companion to approving the budget plan, the City maintains a five-year Capital Improvement Plan. The five-year plan links anticipated expenditures for infrastructure development with community needs and desires, and provides a citywide perspective of recommended projects and proposed funding sources. The Capital Improvement Plan was finalized in June 2015, and totaled \$183.6 million for the five-year fiscal period ending June 30, 2020. It is City Management's belief that these two plans give City Council members an expanded opportunity to set policy and provide direction for implementation, resulting in improved management efficiency and improved financial results.

MAJOR INITIATIVES

Labor Contracts: During this fiscal year the City's management entered into negotiations with its seven (7) represented labor groups, all of which had contracts that had expired on or before June 30, 2015. The City Council recognized that the employees had not received an increase since 2008 and approved multi-year contracts to all groups except Fire Management, which is still in negotiations as of this date. With the exception of the Fire Safety employees, the contracts will expire on June 30, 2019. The police safety employees will receive a salary increase totaling 13.5% over the contract period, while non-safety miscellaneous employees will receive increases totaling 10% for the same period. The non-management Fire employees received a 9% increase over two years, with their contract expiring on June 30, 2017.

Public Safety: The Police and Fire Departments participate in the Countywide 800 MHz radio communications system, one of the nation's largest fully interoperable communication networks. After 20 years of operation the system has reached its useful life and is in the process of upgrading to the next generation. The City invested \$2.5 million this year to upgrade all radios and components, with another \$1.2 million to be spent in the next two years for the City's portion of the "backbone" (cell site) costs. The Countywide upgrade will be complete in 2018.

Development: The City continues to address its affordable housing needs with the completion this year of the Ventana, a 95-unit senior housing project near the downtown area. Other affordable housing projects approved this year include a 36-unit project on Orangethorpe Avenue and a 55-unit development on Santa Fe Avenue near the transportation center.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fullerton, California, for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the City's accounting staff, led by Accounting Supervisor Sylvina Kho. We also wish to extend our appreciation to Mayor Fitzgerald and the City Council for their leadership and support in providing sound financial guidance to the Fullerton Community.

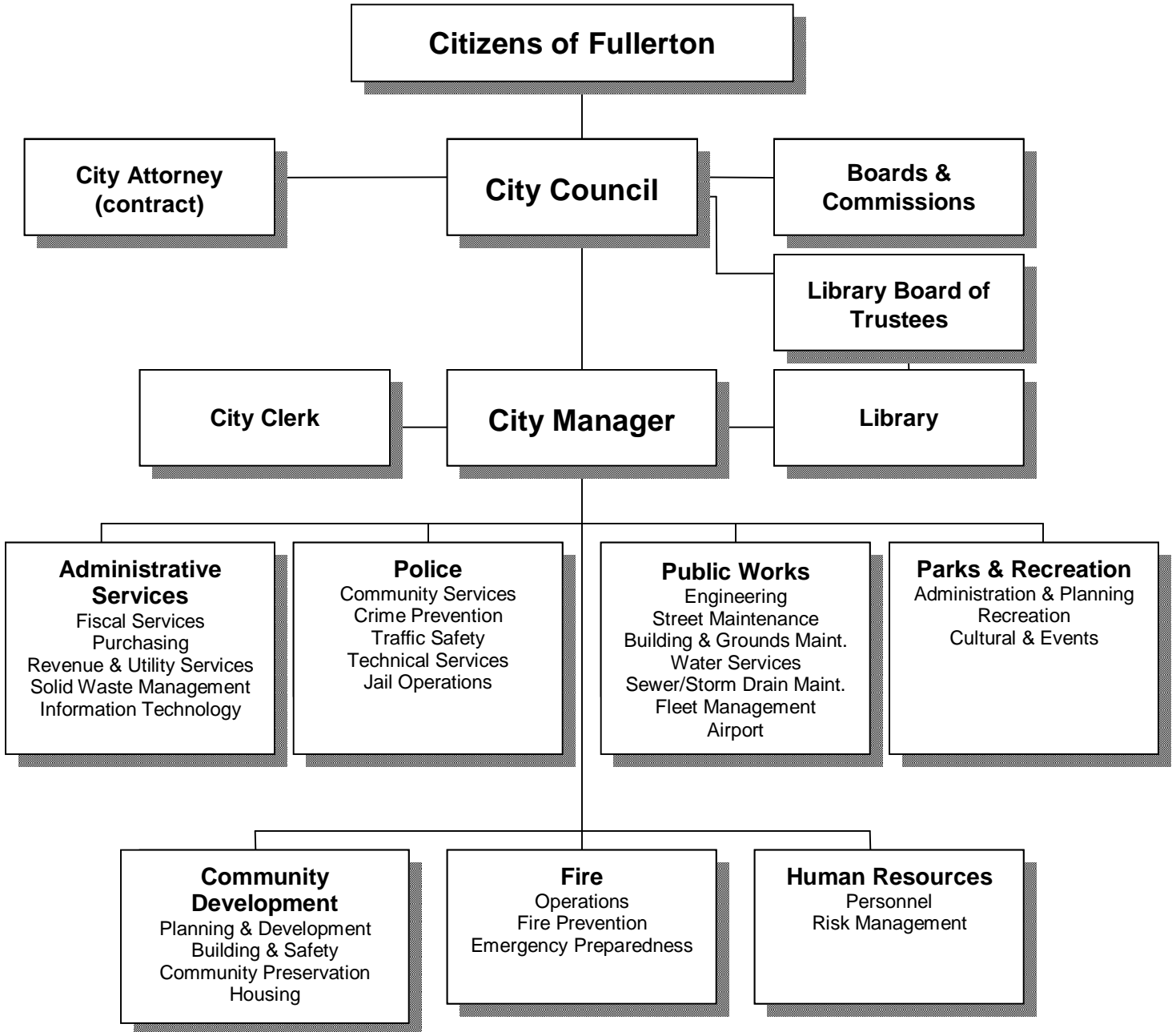
Respectfully submitted,



Gretchen Beatty
Acting City Manager



Julia James
Director of Administrative Services



CITY OF FULLERTON CALIFORNIA

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016



Bruce Whitaker, Mayor

Douglas B Chaffee, Mayor Pro Tem

Jennifer Fitzgerald, Council Member

Jesus Silva, Council Member

Greg Sebourn, Council Member

Joe Felz, City Manager

Julia James

Director of Administrative Services

Don Hoppe

Director of Public Works

Gretchen Beatty

Director of Human Resources

Karen Haluza

Director of Community Development

Wolfgang Knabe

Fire Chief

David Hinig

Interim Chief of Police

Judy Booth

Acting Library Director

Hugo Curiel

Parks & Recreation Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fullerton
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Fullerton, California

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fullerton, California (the City) as of and for the year ended June 30, 2016, and the related notes to the 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 auditor considers internal control relevant to the entity'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 entity'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.



To the Honorable Mayor and Members of the City Council
City of Fullerton, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fullerton, California, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the General Fund, Park Dwelling Fund, Grands Administration Fund, and the Housing Fund; schedule of changes in net pension liability and related ratios, the schedule of plan contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 required supplementary information 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 nonmajor fund financial statements, 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of Fullerton, California

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 9, 2016 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 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.

Lance, Solt & Lughard, LLP

Brea, California
December 9, 2016

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CITY OF FULLERTON Management's Discussion and Analysis

The City of Fullerton offers readers of its financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The City encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal found on page i of this report.

Financial Highlights

- The City's net position totaled \$392.9 million at June 30, 2016, representing an increase of \$50.7 million over the previous fiscal year due to an increase of \$40 million in capital assets resulting from a transfer from the Successor Agency, the State College and Raymond Avenue grade separation projects and the Commonwealth Avenue reconstruction project. In addition, there was an increase of \$10 million in other accrued revenue related to sales tax and triple flip clean up and grants related to the State College grade separation project. Of the total net position, \$477.5 million is invested in capital assets (net of related debt), while \$26.7 million is restricted for specific governmental operations, leaving -\$111.4 million as unrestricted.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58 million, a decrease of \$7.9 million in comparison with the prior year. This is due to the delay in receiving grant reimbursements for expenditures related to the State College grade separation project. The General Fund reflected a committed fund balance of \$8.7 million and an unassigned fund balance of \$6.1 million for a combined total of \$14.9 million, representing a decrease of \$2.4 million over the previous fiscal year.
- Long-term debt increased by \$10.5 million in fiscal year 2015-16 due to additional net pension liability.
- Capital assets increased by \$44.3 million due to an \$11.8 million transfer of assets from the Successor Agency and construction in progress for the State College and Raymond Avenue grade separation projects and the Commonwealth Avenue reconstruction project.

Overview of the Financial Statements

This annual report consists of four parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) required supplementary information, and (4) an optional section that presents combining statements for other government funds.

The management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The annual report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two 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 of the City's assets and liabilities, with the difference between the two 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 showing 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). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, human and leisure services, and refuse collection. The business-type activities of the City include the water utility, sewer enterprise operations, airport, parking facilities, Brea Dam recreational facilities, and CNG station.

The government-wide financial statements include the City, Fullerton Public Financing Authority, and Housing Authority. Although these entities are legally separate, they function for all practical purposes as part of the City and, therefore, have been included as blended component units as an integral part of the primary government.

Fund financial statements. The statements focus on current available resources and are organized on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds of the City are 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, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund; the Grants Administration Special Revenue Fund; the Housing Special Revenue Fund and the City Capital Projects Fund, all of which are considered major funds. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts a biannual appropriated budget for its General Fund. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City of Fullerton maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, airport, sewer enterprise, parking facilities, Brea Dam recreational facility operations, and CNG station. Internal Service funds are used to report any activities that provide goods or services to other funds or departments on a cost-reimbursement basis. The City uses internal service funds to account for its liability insurance, equipment replacement, workers' compensation insurance, group insurance, equipment maintenance, information technology, building maintenance services and facility capital repair.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, the airport operation and sewer enterprise, all of which are considered major funds of the City. Individual fund data for the other enterprise funds is provided in the form of combining statements elsewhere in 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 government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary comparison schedules for the General Fund and each major special revenue fund.

The combining statements referred to earlier in connection with other governmental funds and enterprise funds are presented immediately following the notes to the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fullerton, assets and deferred outflows exceeded liabilities and deferred inflows by \$396.9 million at the close of the most recent fiscal year. The City's net position increased by \$50.7 million from the previous year due to the increase in capital assets and other accrued revenue previously discussed.

Net Position

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
	Current and other assets	\$143,163	\$139,412	\$29,955	\$31,056	\$173,118
Capital assets	386,765	347,206	104,549	99,805	491,314	447,011
Total assets	529,928	486,618	134,504	130,861	664,432	617,479
Deferred Outflows	13,033	11,276	1,057	911	14,090	12,187
Long-term liabilities	217,100	206,388	22,519	22,696	239,619	229,085
Other liabilities	21,495	15,675	6,455	7,098	27,950	22,773
Total liabilities	238,595	222,063	28,974	29,794	267,569	251,857
Deferred Inflows	16,385	32,139	1,681	3,253	18,066	35,392
Net position:						
Net investment in capital assets	384,032	343,504	93,508	87,660	477,540	431,164
Restricted	26,427	28,620	279	329	26,706	28,949
Unrestricted	(122,478)	(128,432)	11,120	10,736	(111,359)	(117,696)
Total net position	\$287,981	\$243,692	\$104,907	\$98,725	\$392,887	\$342,417

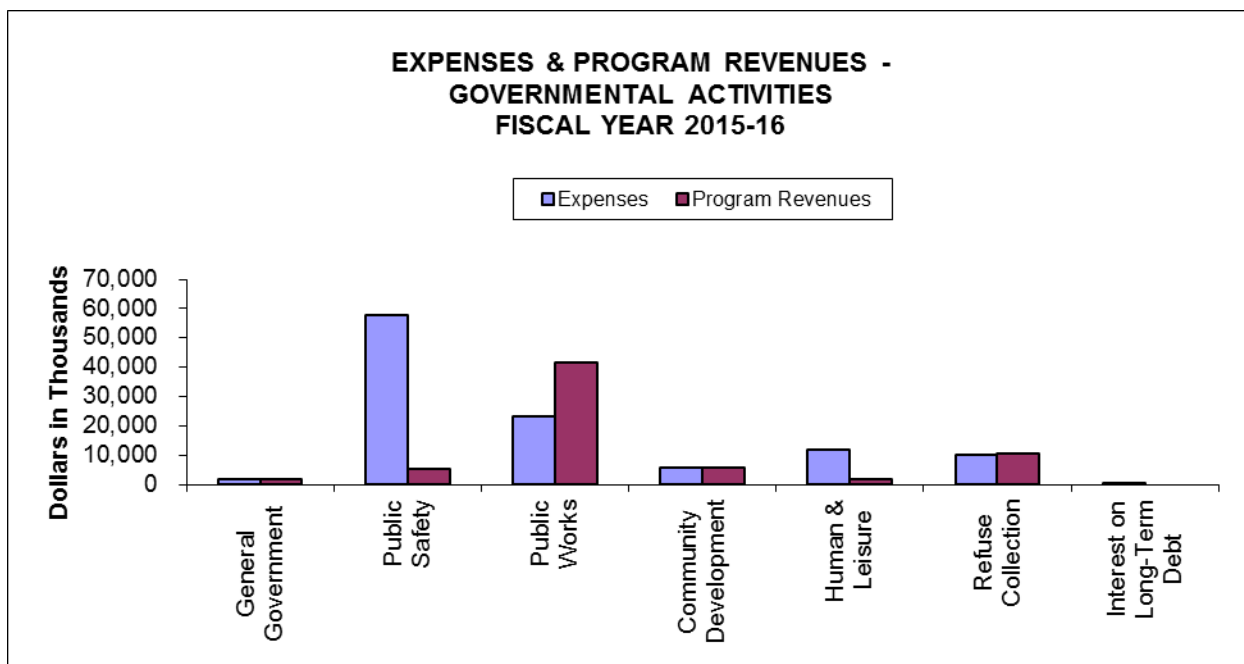
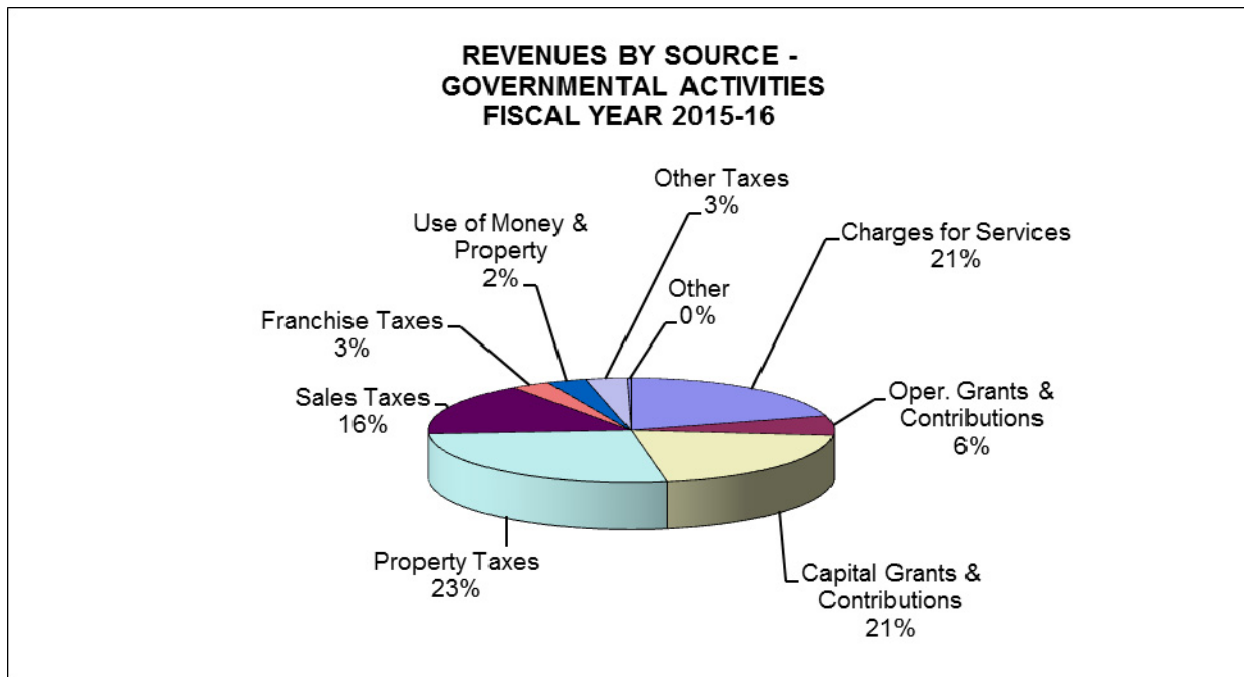
Changes in Net Position

(\$ in thousands)	Governmental <u>activities</u>		Business-type <u>activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$29,081	\$37,244	\$38,257	\$40,252	\$67,338	\$77,496
Operating grants and contributions	8,472	8,820			8,472	8,820
Capital grants and contributions	29,053	39,543	420	456	29,443	39,999
General revenues:						
Property taxes	37,840	35,723	103	105	37,943	35,828
Sales taxes	23,000	20,643			23,000	20,643
Franchise taxes	4,383	4,392			4,383	4,392
Other taxes	4,435	4,191			4,435	4,191
Use of Money & Property	4,614	3,858	41	39	4,655	3,897
Extraordinary gain/(loss)	13,667				13,667	
Other	446	564	132	366	578	930
Total revenues	154,991	154,978	38,953	41,218	193,914	196,196
Expenses:						
General government	1,798	4,983			1,768	4,983
Public safety	57,569	55,089			57,569	55,089
Public works	23,129	18,598			23,159	18,598
Community development	5,539	8,583			5,509	8,583
Human and leisure	11,741	11,110			11,741	11,110
Refuse collection	10,181	10,076			10,181	10,076
Interest on long-term debt	432	554			432	554
Water utility			24,990	26,929	24,990	26,929
Airport			1,492	1,445	1,492	1,445
Parking facilities			28	29	28	29
Brea Dam recreational facilities			2,764	2,745	2,764	2,745
Sewer enterprises			3,076	3,375	3,076	3,375
CNG			458	522	458	522
Total expenses	110,389	108,994	32,808	35,045	143,167	144,039
Change in net position before transfers	44,602	45,984	6,145	6,173	50,747	52,157
Transfers	(36)	(36)	36	36		
Change in net position	44,566	45,948	6,181	6,209	50,747	52,157
Net position - beginning	243,692	370,594	98,725	105,613	342,417	476,206
Restatement of net position	(277)	(172,850)		(13,097)	(277)	(185,947)
Net position - ending	\$287,981	\$243,692	\$104,906	\$98,725	\$392,887	\$342,417

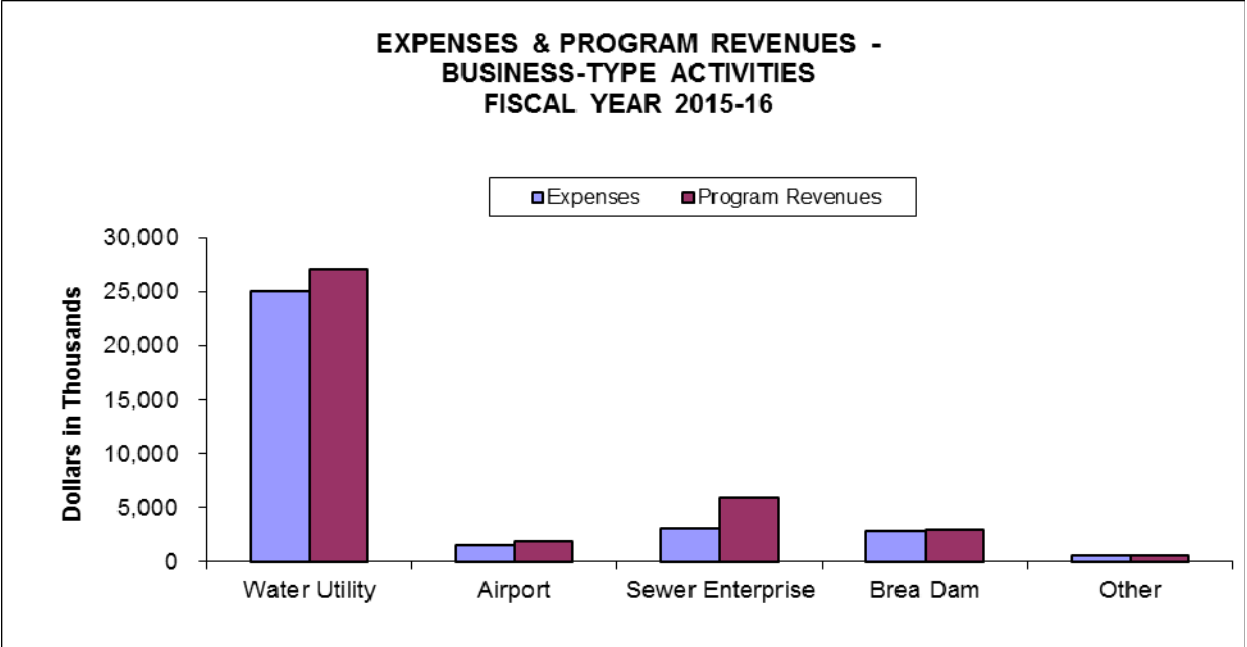
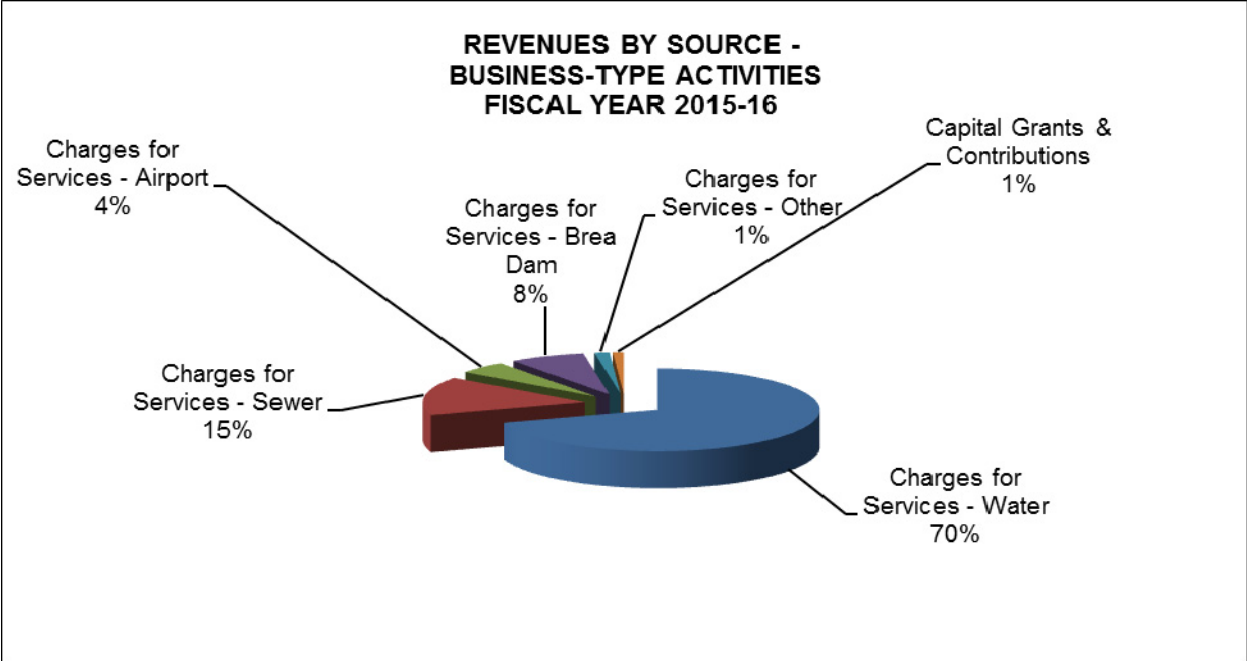
Governmental activities. The net position for governmental activities increased by \$44.6 million over the prior year.

Total revenues remained the same from the prior year; however, this year's total includes an extraordinary gain in the amount \$13.7 million (see Note 18) resulting from the transfer of assets back to the City from the Successor Agency. Charges for services decreased by \$8.1 million primarily attributed to a decrease of \$6.8 million in Park Dwelling Fees collected in the prior year. Capital grants and contributions decreased \$10.5 million due to a delay in receiving grant reimbursements for capital expenditures. Property and Sales taxes saw a combined increase of \$4.5 million over the previous year as the economy continues to improve.

Total expenses increased by \$1.4 million from the prior year representing increases in employee salaries due to new labor contracts.



Business-type activities. The Business-type activities reported an increase in net position of \$6.2 million for 2016. Although revenues were down in the Water and Sewer funds due to the reduction in water consumption and related charges, expenditures were also reduced as the City and California struggle with the continuing drought.



Financial Analysis of the City's Funds

As noted earlier, the City of Fullerton uses fund accounting to ensure and demonstrate compliance with 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 the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As mentioned previously in this discussion, the City's governmental funds reported combined ending fund balances of \$58 million, a decrease of \$7.9 million in comparison with the prior year. Of that total, \$11,560 is nonspendable because it represents inventory and prepaid costs; \$26.4 million represents monies legally restricted by external agencies for debt service and specific programs or projects, and \$29.7 million represents funds committed by the City Council for specific programs or projects. The remaining \$1.9 million is unassigned, meaning it is available for spending at the City's discretion but within legal requirements.

The City reports five major governmental funds:

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, this fund balance totaled \$14.9 million. Of that amount, \$8.7 million was committed to a contingency reserve as required by the City Council's policy to maintain a reserve equal to 10% of total General Fund expenditures each year. Another \$6.1 million is unassigned. Revenues totaled \$85 million, while expenditures totaled \$87.4 million, resulting in a deficiency of revenues over expenditures of \$2.4 million. This deficit reflects the City Council's approval to use a portion of reserves to fund employee salary increases.

The Park Dwelling Fund accounts for park in-lieu fees generated by development. At June 30, 2016, this fund reported a fund balance of \$10.7 million with all funds committed to parks projects.

The Grants Administration Fund reflected a deficit fund balance of -\$39,236 due to unbilled receivables as of June 30, 2016. This total represents an increase of \$57,867 from the previous fiscal year.

The Housing Fund accounts for the activities of the City's Housing Authority, formed upon the dissolution of the Redevelopment Agency. The fund balance of \$17.8 million remains consistent with the prior year.

The Capital Projects fund balance reported a deficit balance of -\$4.2 million; a decrease of \$2.7 million from the prior year. The purpose of the fund is for the construction, acquisition, and/or improvements of the City's capital assets. Funding for many of the projects comes from grants that operate on a reimbursement basis that may take longer than the current fiscal year to receive.

Another nine non-major governmental funds are combined for reporting purposes in the government-wide statements and include the Gas Tax; Drainage Capital Outlay; Traffic Safety; Asset Seizure; Refuse Collection; Air Quality Improvement; Sanitation; Measure M2 and Debt Service Reserve Funds.

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's proprietary funds contain six enterprise funds: water utility, airport, sewer, parking facilities, CNG station and Brea Dam recreational facilities.

Unrestricted net position of the enterprise funds totaled \$11.1 million at the end of the year: \$5.5 million for the Water Utility Fund, \$687,568 for the Airport Fund, \$5 million for the Sewer Fund, -\$161,818 for the Brea Dam Fund, and a combined \$38,766 for the parking facilities and CNG funds. The total increase in net position for these funds was \$6.2 million from the prior fiscal year.

Fiduciary funds. The City reports four fiduciary funds consisting of three agency funds and one trust fund. The agency funds include the Deposits Fund, which accounts for deposits and other funds held in trust by the City and the Community Facilities District and the Assessment District Funds which account for transactions associated with those Districts. These agency funds have a total of \$1.1 million in assets and liabilities. The Successor Agency Trust Fund accounts for all transactions associated with the Successor Agency to the Redevelopment Agency. The total net position at June 30, 2016 was -\$21 million.

General Fund Budgetary Highlights

The General Fund ended the fiscal year with a fund balance of \$14.9 million, reflecting a decrease of \$2.4 million from the prior year. Total revenues increased \$4 million, reflecting growth in property and sales taxes and investment income. Expenditures increased \$7.8 million over the prior year due to increases in salaries, employee benefits and normal operating costs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2016 totaled \$491 million (net of accumulated depreciation), an increase of \$44.3 million due to the State College and Raymond Avenue grade separation projects and the transfer of assets from the Successor Agency. Additional information on the City's capital assets can be found in Note 8 of the Notes to the Financial Statements.

Capital Assets (net of depreciation)

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
	Land	\$52,737	\$40,870	\$9,128	\$9,128	\$61,865
Buildings	74,865	76,500	6,620	6,127	81,484	86,627
Improvements other than buildings	30,854	31,309	47,628	44,700	78,482	76,009
Machinery and equipment	13,453	11,570	1,659	2,094	15,112	13,664
Leasehold improvements			35	46	35	46
Infrastructure	93,291	96,250	35,641	31,873	128,932	128,123
Construction in progress	121,565	90,706	3,838	5,837	125,403	96,543
Total	\$386,765	\$347,206	\$104,549	\$99,805	\$491,313	\$447,011

Long-term debt. At the end of the current fiscal year, the City has total long-term debt outstanding of \$240 million, an increase of \$10.5 million due to additional net pension liability. Additional information on the City's capital assets can be found in Note 9 of the Notes to the Financial Statements.

Long-term Debt

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds			\$8,485	\$8,940	\$8,485	\$8,940
Judgment obligation bonds	6,455	6,725			6,455	6,725
Capital leases	2,733	3,702	2,059	2,523	4,792	6,225
Loans	2,000	2,500			2,000	2,500
Compensated absences	3,007	2,956	453	433	3,460	3,389
Net pension liability	159,340	149,293	10,876	10,118	170,216	159,411
Net OPEB obligation	18,450	16,170			18,450	16,170
Claims and judgments	25,163	25,093			25,163	25,093
Other	(48)	(51)	646	682	598	631
Total	\$217,100	\$206,388	\$22,519	\$22,696	\$239,619	\$229,084

Economic Factors and Next Year's Budget

Although Fullerton continues to experience moderate economic growth in revenues, the City is committed to a conservative financial plan focused on fiscal sustainability while continuing to provide quality services to our residents. We remain conservative in forecasting revenues and holding operating costs to current levels with the exception of negotiated salary increases and employee benefit costs outside the City's control.

The FY 2016-17 budget will be the second year of a two-year budget cycle. Revenues estimates were increased by almost \$6.8 million, of which \$4 million is one-time revenue from the Ketchum University property sale and contract revisions with Cal State Fullerton. Budgeted appropriations were increased \$5.9 million, with a \$716,400 increase to capital improvements and the remainder attributed to negotiated salary increases, employee benefit costs, and the addition of five new police officer positions previously approved by City Council.

Requests for Information

This financial report is designed to provide a general overview of the City of Fullerton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Director of Administrative Services, 303 W. Commonwealth Avenue, Fullerton, CA 92832.

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CITY OF FULLERTON

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 83,330,053	\$ 23,489,307	\$ 106,819,360
Receivables:			
Accounts	6,840,160	1,572,206	8,412,366
Taxes	195,494	-	195,494
Notes and loans	19,421,452	-	19,421,452
Other accrued revenue	21,692,753	4,577,212	26,269,965
Advance to other agencies	2,500	-	2,500
Prepaid costs	45,510	2,074	47,584
Inventories	200,093	35,561	235,654
Land held for resale	11,375,970	-	11,375,970
Restricted assets:			
Cash with fiscal agent	58,697	278,907	337,604
Capital assets not being depreciated	174,301,775	12,966,890	187,268,665
Capital assets, net of depreciation	212,463,489	91,581,765	304,045,254
Total Assets	529,927,946	134,503,922	664,431,868
Deferred Outflows of Resources:			
Deferred charge on refunding	-	148,941	148,941
Deferred pension related items	13,032,943	908,566	13,941,509
Total Deferred Outflows of Resources	13,032,943	1,057,507	14,090,450
Liabilities:			
Accounts payable	10,540,159	4,391,518	14,931,677
Accrued liabilities	2,984,240	209,006	3,193,246
Accrued interest	100,682	142,373	243,055
Unearned revenue	3,282,917	6,879	3,289,796
Deposits payable	4,527,872	1,705,638	6,233,510
Due to other governments	58,689	-	58,689
Noncurrent liabilities:			
Net pension liability	159,339,511	10,875,505	170,215,016
Net OPEB obligation	18,450,084	-	18,450,084
Due within one year	7,701,335	1,316,463	9,017,798
Due in more than one year	31,609,238	10,326,797	41,936,035
Total Liabilities	238,594,727	28,974,179	267,568,906
Deferred Inflows of Resources:			
Deferred pension related items	16,385,263	1,680,785	18,066,048
Total Deferred Inflows of Resources	16,385,263	1,680,785	18,066,048
Net Position:			
Net investment in capital assets	384,032,252	93,507,792	477,540,044
Restricted for:			
Community development projects	359,359	-	359,359
Public safety	121,438	-	121,438
Public works	7,952,508	-	7,952,508
Debt service	224,917	278,903	503,820
Housing	17,768,601	-	17,768,601
Unrestricted	(122,478,176)	11,119,770	(111,358,406)
Total Net Position	\$ 287,980,899	\$ 104,906,465	\$ 392,887,364

CITY OF FULLERTON

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 1,798,472	\$ 820,007	\$ 873,716	\$ -
Public safety	57,569,250	5,034,998	428,811	-
Community development	5,539,019	3,809,990	1,818,198	30,000
Human and leisure	11,741,176	1,547,121	319	-
Public works	23,129,412	7,299,671	5,351,458	29,022,926
Refuse collection	10,180,761	10,569,218	-	-
Interest on long-term debt	431,253	-	-	-
Total Governmental Activities	110,389,343	29,081,005	8,472,502	29,052,926
Business-Type Activities:				
Airport	1,492,212	1,884,536	-	279,589
Brea Dam Facilities Recreational	2,764,016	2,918,373	-	-
Water Utility	24,990,417	27,041,166	-	140,025
Parking Facilities	27,555	16,678	-	-
Sewer Enterprise	3,076,009	5,844,530	-	-
Compressed Natural Gas Facility	458,398	552,217	-	-
Total Business-Type Activities	32,808,607	38,257,500	-	419,614
Total Primary Government	\$ 143,197,950	\$ 67,338,505	\$ 8,472,502	\$ 29,472,540

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Extraordinary gain - (Note 18)

Transfers

**Total General Revenues, Extraordinary Gain,
and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (104,749)	\$ -	\$ (104,749)
(52,105,441)	-	(52,105,441)
119,169	-	119,169
(10,193,736)	-	(10,193,736)
18,544,643	-	18,544,643
388,457	-	388,457
(431,253)	-	(431,253)
(43,782,910)	-	(43,782,910)
-	671,913	671,913
-	154,357	154,357
-	2,190,774	2,190,774
-	(10,877)	(10,877)
-	2,768,521	2,768,521
-	93,819	93,819
-	5,868,507	5,868,507
(43,782,910)	5,868,507	(37,914,403)
37,839,891	103,652	37,943,543
23,000,246	-	23,000,246
4,382,731	-	4,382,731
4,434,954	-	4,434,954
56,908	-	56,908
4,614,523	40,991	4,655,514
389,509	131,985	521,494
13,666,728	-	13,666,728
(36,460)	36,460	-
88,349,030	313,088	88,662,118
44,566,120	6,181,595	50,747,715
243,692,285	98,724,870	342,417,155
(277,506)	-	(277,506)
\$ 287,980,899	\$ 104,906,465	\$ 392,887,364

CITY OF FULLERTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Special Revenue Funds</u>			
	<u>General</u>	<u>Park Dwelling</u>	<u>Grants Administration</u>	<u>Housing</u>
Assets:				
Pooled cash and investments	\$ 13,707,269	\$ 10,680,669	\$ 71,051	\$ 308,895
Receivables:				
Accounts	1,211,628	-	41,313	3,509
Taxes	195,494	-	-	-
Notes and loans	-	-	13,332,008	6,089,444
Other accrued revenue	9,262,769	-	467,661	515
Prepaid costs	4,523	-	-	-
Advance to other agencies	-	-	-	-
Due from other funds	139,048	-	-	-
Inventories	7,037	-	-	-
Land held for resale	-	-	-	11,375,970
Restricted assets:				
Cash and investments with fiscal agents	-	-	58,689	-
Total Assets	<u>\$ 24,527,768</u>	<u>\$ 10,680,669</u>	<u>\$ 13,970,722</u>	<u>\$ 17,778,333</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,873,279	\$ -	\$ 74,068	\$ 2,926
Accrued liabilities	2,726,314	-	18,891	4,706
Unearned revenues	527,000	-	493,269	-
Deposits payable	4,507,732	-	-	2,100
Due to other governments	-	-	58,689	-
Due to other funds	-	-	-	-
Total Liabilities	<u>9,634,325</u>	<u>-</u>	<u>644,917</u>	<u>9,732</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	13,365,041	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>13,365,041</u>	<u>-</u>
Fund Balances:				
Nonspendable	11,560	-	-	-
Restricted	-	-	-	17,768,601
Committed	8,743,178	10,680,669	-	-
Unassigned	6,138,705	-	(39,236)	-
Total Fund Balances	<u>14,893,443</u>	<u>10,680,669</u>	<u>(39,236)</u>	<u>17,768,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,527,768</u>	<u>\$ 10,680,669</u>	<u>\$ 13,970,722</u>	<u>\$ 17,778,333</u>

CITY OF FULLERTON

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Capital Projects Funds		
	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 1,542,916	\$ 16,456,320	\$ 42,767,120
Receivables:			
Accounts	4,465,864	1,078,761	6,801,075
Taxes	-	-	195,494
Notes and loans	-	-	19,421,452
Other accrued revenue	9,216,776	2,685,278	21,632,999
Prepaid costs	-	-	4,523
Advance to other agencies	-	2,500	2,500
Due from other funds	-	-	139,048
Inventories	-	-	7,037
Land held for resale	-	-	11,375,970
Restricted assets:			
Cash and investments with fiscal agents	-	-	58,689
Total Assets	\$ 15,225,556	\$ 20,222,859	\$ 102,405,907
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 7,042,800	\$ 997,251	\$ 9,990,324
Accrued liabilities	26,584	117,411	2,893,906
Unearned revenues	2,256,418	6,230	3,282,917
Deposits payable	18,040	-	4,527,872
Due to other governments	-	-	58,689
Due to other funds	-	139,048	139,048
Total Liabilities	9,343,842	1,259,940	20,892,756
Deferred Inflows of Resources:			
Unavailable revenues	10,068,552	77,665	23,511,258
Total Deferred Inflows of Resources	10,068,552	77,665	23,511,258
Fund Balances:			
Nonspendable	-	-	11,560
Restricted	-	8,658,222	26,426,823
Committed	-	10,227,032	29,650,879
Unassigned	(4,186,838)	-	1,912,631
Total Fund Balances	(4,186,838)	18,885,254	58,001,893
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,225,556	\$ 20,222,859	\$ 102,405,907

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CITY OF FULLERTON

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balances of governmental funds	\$	58,001,893
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		378,217,496
Governmental funds report all pension contributions as expenditures. However, the net pension liability has a measurement date of June 30, 2015, and pension contributions subsequent to the measurement date are reclassified as deferred pension contributions.		12,674,450
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Capital leases	\$	(240,716)
HUD Section 108 loans		(2,000,000)
Compensated Absences		(3,007,376)
Claims payable		(260,343)
		<u>(5,508,435)</u>
Governmental funds report all OPEB contributions as expenditures, however, in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability.		(18,450,084)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(10,374)
Governmental funds report all pension contributions as expenditures, however, in the statement of net position, the excess of the total pension liability over the plan fiduciary net position is reported as a net pension liability.		(155,095,217)
Deferred inflows of resources reported for the pension plan for government-wide statements:		
Differences between expected and actual experiences		(3,969,501)
Change in assumptions		(7,436,549)
Net difference between projected and actual earnings on pension plan investments		(4,395,586)
		<u>(15,801,636)</u>
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		23,511,258
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>10,441,548</u>
Net position of governmental activities	\$	<u>287,980,899</u>

CITY OF FULLERTON

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds			
	General	Park Dwelling	Grants Administration	Housing
Revenues:				
Taxes	\$ 65,275,091	\$ -	\$ -	\$ -
Franchise taxes	4,382,731	-	-	-
Licenses and permits	1,877,394	-	-	-
Intergovernmental	550,330	-	2,666,452	-
Charges for services	7,060,923	195,599	-	-
Investment income	3,954,389	-	-	100,229
Fines and forfeitures	1,255,516	-	-	-
Miscellaneous	683,747	-	85,519	-
Total Revenues	85,040,121	195,599	2,751,971	100,229
Expenditures:				
Current:				
General government	5,115,499	-	-	-
Public safety	60,659,229	-	604,601	-
Community development	4,584,961	-	973,659	113,075
Human and leisure	9,365,817	-	529,150	-
Public works	7,230,230	-	-	-
Refuse collection	-	-	-	-
Capital outlay	476,034	44,709	-	-
Debt service:				
Principal retirement	-	-	500,000	-
Interest and fiscal charges	-	-	86,694	-
Total Expenditures	87,431,770	44,709	2,694,104	113,075
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,391,649)	150,890	57,867	(12,846)
Other Financing Sources (Uses):				
Transfers in	580,065	-	-	-
Transfers out	(606,195)	(1,679,763)	-	(200,794)
Proceeds from sale of capital asset	12,866	-	-	39,513
Total Other Financing Sources (Uses)	(13,264)	(1,679,763)	-	(161,281)
Net Change in Fund Balances	(2,404,913)	(1,528,873)	57,867	(174,127)
Fund Balances, Beginning of Year, as previously reported	17,211,216	12,209,542	(97,103)	17,942,728
Restatements	87,140	-	-	-
Fund Balances, Beginning of Year, as restated	17,298,356	12,209,542	(97,103)	17,942,728
Fund Balances, End of Year	\$ 14,893,443	\$ 10,680,669	\$ (39,236)	\$ 17,768,601

CITY OF FULLERTON

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ -	\$ -	\$ 65,275,091
Franchise taxes	-	-	4,382,731
Licenses and permits	-	-	1,877,394
Intergovernmental	25,701,261	5,697,908	34,615,951
Charges for services	120,672	17,071,925	24,449,119
Investment income	-	101,473	4,156,091
Fines and forfeitures	-	372,571	1,628,087
Miscellaneous	178,402	-	947,668
Total Revenues	<u>26,000,335</u>	<u>23,243,877</u>	<u>137,332,132</u>
Expenditures:			
Current:			
General government	-	81,386	5,196,885
Public safety	-	366,783	61,630,613
Community development	-	74,514	5,746,209
Human and leisure	-	152,380	10,047,347
Public works	-	7,107,061	14,337,291
Refuse collection	-	10,182,640	10,182,640
Capital outlay	36,735,487	81,922	37,338,152
Debt service:			
Principal retirement	-	211,929	711,929
Interest and fiscal charges	-	16,213	102,907
Total Expenditures	<u>36,735,487</u>	<u>18,274,828</u>	<u>145,293,973</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,735,152)</u>	<u>4,969,049</u>	<u>(7,961,841)</u>
Other Financing Sources (Uses):			
Transfers in	8,078,402	333,786	8,992,253
Transfers out	(2,212)	(6,249,778)	(8,738,742)
Proceeds from sale of capital asset	-	-	52,379
Total Other Financing Sources (Uses)	<u>8,076,190</u>	<u>(5,915,992)</u>	<u>305,890</u>
Net Change in Fund Balances	<u>(2,658,962)</u>	<u>(946,943)</u>	<u>(7,655,951)</u>
Fund Balances, Beginning of Year, as previously reported	(1,527,876)	20,196,843	65,935,350
Restatements	-	(364,646)	(277,506)
Fund Balances, Beginning of Year, as restated	<u>(1,527,876)</u>	<u>19,832,197</u>	<u>65,657,844</u>
Fund Balances, End of Year	<u>\$ (4,186,838)</u>	<u>\$ 18,885,254</u>	<u>\$ 58,001,893</u>

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CITY OF FULLERTON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ (7,655,951)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 37,065,941	
Disposal	(1,766,159)	
Depreciation	<u>(10,989,931)</u>	24,309,851

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	711,929	
Claims expense	<u>25,542</u>	737,471

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

47,116

Compensated absences 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.

(51,023)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.

(2,279,865)

Pension obligation 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.

7,046,662

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

3,531,627

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

5,213,504

Extraordinary gains and losses relating to capital assets transferred to the City from the Successor Agency, which were reported in the statement of activities, did not require the use of current financial resources and, therefore, are not reported in the governmental funds.

13,666,728

Change in net position of governmental activities

\$ 44,566,120

CITY OF FULLERTON

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Airport</u>	<u>Water Utility</u>	<u>Sewer Enterprise</u>	<u>Other Enterprise Funds</u>
Assets and Deferred Outflows:				
Assets:				
Current:				
Cash and investments	\$ 1,257,712	\$ 14,779,179	\$ 7,089,421	\$ 362,995
Receivables:				
Accounts receivable	145,966	1,008,561	383,011	34,668
Prepaid items	2,074	-	-	-
Inventory	-	-	-	35,561
Other accrued revenue receivable	185,542	3,615,779	749,325	26,566
Restricted:				
Cash with fiscal agent	-	1	-	278,906
Total Current Assets	1,591,294	19,403,520	8,221,757	738,696
Noncurrent:				
Capital assets - net of accumulated depreciation	15,724,921	47,922,414	37,262,415	3,638,905
Total Noncurrent Assets	15,724,921	47,922,414	37,262,415	3,638,905
Total Assets	17,316,215	67,325,934	45,484,172	4,377,601
Deferred Outflows of Resources:				
Deferred charge on refunding	-	148,941	-	-
Deferred pension related items	58,943	607,400	223,944	18,279
Total Deferred Outflows of Resources	58,943	756,341	223,944	18,279
Total Assets & Deferred Outflows of Resources	\$ 17,375,158	\$ 68,082,275	\$ 45,708,116	\$ 4,395,880
Liabilities, Deferred Inflows and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 20,587	\$ 3,905,693	\$ 152,643	\$ 312,595
Accrued liabilities	11,558	142,158	44,367	10,923
Accrued interest	27,151	88,255	-	26,967
Unearned revenues	-	-	-	6,879
Deposits payable	51,304	1,654,334	-	-
Accrued compensated absences	29,635	281,980	47,994	3,152
Claims payable	-	-	-	-
Bonds, notes, and capital leases	483,702	360,000	-	110,000
Total Current Liabilities	623,937	6,432,420	245,004	470,516
Noncurrent:				
Accrued compensated absences	7,409	70,495	11,999	788
Net Pension Liability	705,709	7,253,146	2,702,592	214,058
Claims payable	-	-	-	-
Bonds, notes, and capital leases	1,574,914	6,597,196	-	2,063,996
Total Noncurrent Liabilities	2,288,032	13,920,837	2,714,591	2,278,842
Total Liabilities	2,911,969	20,353,257	2,959,595	2,749,358
Deferred Inflows of Resources:				
Deferred pension related items	109,316	1,094,087	451,623	25,759
Total Deferred Inflows of Resources	109,316	1,094,087	451,623	25,759
Net Position:				
Net investment in capital assets	13,666,305	41,114,159	37,262,415	1,464,913
Restricted for debt service	-	1	-	278,902
Unrestricted	687,568	5,520,771	5,034,483	(123,052)
Total Net Position	14,353,873	46,634,931	42,296,898	1,620,763
Total Liabilities, Deferred Inflows of Resources, and Net Pension	\$ 17,375,158	\$ 68,082,275	\$ 45,708,116	\$ 4,395,880

CITY OF FULLERTON

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Totals	
Assets and Deferred Outflows:		
Assets:		
Current:		
Cash and investments	\$ 23,489,307	\$ 40,562,933
Receivables:		
Accounts receivable	1,572,206	39,085
Prepaid items	2,074	40,987
Inventory	35,561	193,056
Other accrued revenue receivable	4,577,212	59,754
Restricted:		
Cash with fiscal agent	278,907	8
Total Current Assets	29,955,267	40,895,823
Noncurrent:		
Capital assets - net of accumulated depreciation	104,548,655	8,547,768
Total Noncurrent Assets	104,548,655	8,547,768
Total Assets	134,503,922	49,443,591
Deferred Outflows of Resources:		
Deferred charge on refunding	148,941	-
Deferred pension related items	908,566	358,493
Total Deferred Outflows of Resources	1,057,507	358,493
Total Assets & Deferred Outflows of Resources	\$ 135,561,429	\$ 49,802,084
Liabilities, Deferred Inflows and Net Position:		
Liabilities:		
Current:		
Accounts payable	\$ 4,391,518	\$ 549,835
Accrued liabilities	209,006	90,334
Accrued interest	142,373	90,308
Unearned revenues	6,879	-
Deposits payable	1,705,638	-
Accrued compensated absences	362,761	-
Claims payable	-	3,495,768
Bonds, notes, and capital leases	953,702	1,050,774
Total Current Liabilities	7,771,877	5,277,019
Noncurrent:		
Accrued compensated absences	90,691	-
Net Pension Liability	10,875,505	4,244,294
Claims payable	-	21,407,232
Bonds, notes, and capital leases	10,236,106	7,848,364
Total Noncurrent Liabilities	21,202,302	33,499,890
Total Liabilities	28,974,179	38,776,909
Deferred Inflows of Resources:		
Deferred pension related items	1,680,785	583,627
Total Deferred Inflows of Resources	1,680,785	583,627
Net Position:		
Net investment in capital assets	93,507,792	6,055,472
Restricted for debt service	278,903	-
Unrestricted	11,119,770	4,386,076
Total Net Position	104,906,465	10,441,548
Total Liabilities, Deferred Inflows of Resources, and Net Pension	\$ 135,561,429	\$ 49,802,084

CITY OF FULLERTON

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Airport	Water Utility	Sewer Enterprise	Other Enterprise Funds
Operating Revenues:				
Sales and service charges	\$ 1,884,536	\$ 27,041,166	\$ 5,844,530	\$ 3,487,268
Internal service fund charges	-	-	-	-
Miscellaneous	3,653	97,486	-	-
Total Operating Revenues	1,888,189	27,138,652	5,844,530	3,487,268
Operating Expenses:				
Maintenance, operations, and administration	1,005,565	9,242,391	2,519,863	3,058,340
Cost of water	-	13,770,307	-	-
Depreciation expense	387,975	1,699,118	556,146	90,265
Miscellaneous	-	-	-	-
Total Operating Expenses	1,393,540	24,711,816	3,076,009	3,148,605
Operating Income (Loss)	494,649	2,426,836	2,768,521	338,663
Nonoperating Revenues (Expenses):				
Taxes	103,652	-	-	-
Interest revenue	-	38,619	-	2,372
Interest expense	(98,672)	(278,601)	-	(101,364)
Gain (loss) on disposal of capital assets	-	30,846	-	-
Total Nonoperating Revenues (Expenses)	4,980	(209,136)	-	(98,992)
Income (Loss) Before Transfers and Contributions	499,629	2,217,700	2,768,521	239,671
Capital grants and contributions	279,589	140,025	-	-
Transfers in	-	190,000	-	-
Transfers out	(13,210)	(64,210)	(76,120)	-
Changes in Net Position	766,008	2,483,515	2,692,401	239,671
Net Position:				
Beginning of Year	13,587,865	44,151,416	39,604,497	1,381,092
End of Fiscal Year	\$ 14,353,873	\$ 46,634,931	\$ 42,296,898	\$ 1,620,763

CITY OF FULLERTON

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Totals</u>	
Operating Revenues:		
Sales and service charges	\$ 38,257,500	\$ -
Internal service fund charges	-	6,162,325
Miscellaneous	101,139	385,589
Total Operating Revenues	38,358,639	6,547,914
Operating Expenses:		
Maintenance, operations, and administration	15,826,159	30,000
Cost of water	13,770,307	-
Depreciation expense	2,733,504	1,048,014
Miscellaneous	-	20
Total Operating Expenses	32,329,970	1,078,034
Operating Income (Loss)	6,028,669	5,469,880
Nonoperating Revenues (Expenses):		
Taxes	103,652	-
Interest revenue	40,991	458,432
Interest expense	(478,637)	(375,462)
Gain (loss) on disposal of capital assets	30,846	(79,375)
Total Nonoperating Revenues (Expenses)	(303,148)	3,595
Income (Loss) Before Transfers and Contributions	5,725,521	5,473,475
Capital grants and contributions	419,614	30,000
Transfers in	190,000	1,050,000
Transfers out	(153,540)	(1,339,971)
Changes in Net Position	6,181,595	5,213,504
Net Position:		
Beginning of Year	98,724,870	5,228,044
End of Fiscal Year	\$ 104,906,465	\$ 10,441,548

CITY OF FULLERTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	<u>Airport</u>	<u>Water Utility</u>	<u>Sewer Enterprise</u>	<u>Other Enterprise Funds</u>
Cash Flows from Operating Activities:				
Cash received from customers	\$ 1,890,249	\$ 27,163,349	\$ 5,897,248	\$ 3,474,157
Cash received from interfund services provided	-	-	-	-
Cash paid to suppliers	(589,941)	(14,082,701)	(602,686)	-
Cash received from suppliers	-	-	-	133,851
Cash paid to employees services	(486,538)	(9,833,632)	(2,736,691)	(3,080,502)
Cash paid to insurance claims	-	-	-	-
Cash recovered from insurance claims	-	-	-	-
Net Cash Provided (Used) by Operating Activities	813,770	3,247,016	2,557,871	527,506
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	-	190,000	-	-
Cash transfers out	(13,210)	(64,210)	(76,120)	-
Repayment made from other funds	-	-	-	(51,826)
Taxes received	103,652	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	90,442	125,790	(76,120)	(51,826)
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	-	-	-	-
Acquisition and construction of capital assets	(293,098)	(3,753,466)	(3,396,343)	(25,175)
Principal paid on capital debt	(464,428)	(350,000)	-	(102,517)
Interest paid on capital debt	(104,707)	(273,663)	-	(102,477)
Proceeds on disposal of capital assets	279,589	42,771	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(582,644)	(4,334,358)	(3,396,343)	(230,169)
Cash Flows from Investing Activities:				
Interest received	-	4	-	2,372
Net Cash Provided (Used) by Investing Activities	-	4	-	2,372
Net Increase (Decrease) in Cash and Cash Equivalents	321,568	(961,548)	(914,592)	247,883
Cash and Cash Equivalents at Beginning of Year	936,144	15,740,728	8,004,013	394,018
Cash and Cash Equivalents at End of Year	\$ 1,257,712	\$ 14,779,180	\$ 7,089,421	\$ 641,901

CITY OF FULLERTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Business-Type Activities - Enterprise Funds			
	<u>Airport</u>	<u>Water Utility</u>	<u>Sewer Enterprise</u>	<u>Other Enterprise Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 494,649	\$ 2,426,836	\$ 2,768,521	\$ 338,663
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	387,975	1,699,118	556,146	90,265
(Increase) decrease in accounts receivable	(23,641)	521,705	52,718	(15,712)
(Increase) decrease in other accrued revenue receivable	23,801	(594,508)	-	2,601
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid expense	(2,074)	-	-	-
Increase (decrease) in accounts payable	(8,132)	(312,394)	(602,686)	126,972
Increase (decrease) in accrued liabilities	1,942	44,248	6,729	5,536
Increase (decrease) in unearned revenue	-	-	-	6,879
Increase (decrease) in deposits payable	1,900	97,500	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	169	25,879	(608)	(4,690)
Increase (decrease) in net pension liability	(62,819)	(661,368)	(222,949)	(23,008)
Total Adjustments	319,121	820,180	(210,650)	188,843
Net Cash Provided (Used) by Operating Activities	\$ 813,770	\$ 3,247,016	\$ 2,557,871	\$ 527,506
Non-Cash Investing, Capital, and Financing Activities:				
Capital contributions	\$ -	\$ 140,025	\$ -	\$ -
Amortization of bond premiums/(discounts)	-	38,615	-	(2,483)
Gain/(Loss) on capital assets	-	30,846	-	-
Deferred charges	-	(8,391)	-	-

CITY OF FULLERTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Totals	
Cash Flows from Operating Activities:		
Cash received from customers	\$ 38,425,003	\$ -
Cash received from interfund services provided	-	6,519,795
Cash paid to suppliers	(15,275,328)	(666,210)
Cash received from suppliers	133,851	192,833
Cash paid to employees services	(16,137,363)	(385,336)
Cash paid to insurance claims	-	(448,000)
Cash recovered from insurance claims	-	544,000
Net Cash Provided (Used) by Operating Activities	7,146,163	5,757,082
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	190,000	1,050,000
Cash transfers out	(153,540)	(1,339,971)
Repayment made from other funds	(51,826)	-
Taxes received	103,652	-
Net Cash Provided (Used) by Non-Capital Financing Activities	88,286	(289,971)
Cash Flows from Capital and Related Financing Activities:		
Capital grants and contributions	-	30,000
Acquisition and construction of capital assets	(7,468,082)	(2,408,042)
Principal paid on capital debt	(916,945)	(1,329,145)
Interest paid on capital debt	(480,847)	(376,158)
Proceeds on disposal of capital assets	322,360	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,543,514)	(4,083,345)
Cash Flows from Investing Activities:		
Interest received	2,376	432,018
Net Cash Provided (Used) by Investing Activities	2,376	432,018
Net Increase (Decrease) in Cash and Cash Equivalents	(1,306,689)	1,815,784
Cash and Cash Equivalents at Beginning of Year	25,074,903	38,747,157
Cash and Cash Equivalents at End of Year	\$ 23,768,214	\$ 40,562,941

CITY OF FULLERTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Totals	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 6,028,669	\$ 5,469,880
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	2,733,504	1,048,014
(Increase) decrease in accounts receivable	535,070	(30,951)
(Increase) decrease in other accrued revenue receivable	(568,106)	-
(Increase) decrease in inventory	-	(612)
(Increase) decrease in prepaid expense	(2,074)	27,425
Increase (decrease) in accounts payable	(796,240)	(470,170)
Increase (decrease) in accrued liabilities	58,455	34,742
Increase (decrease) in unearned revenue	6,879	-
Increase (decrease) in deposits payable	99,400	-
Increase (decrease) in claims and judgments	-	96,000
Increase (decrease) in compensated absences	20,750	-
Increase (decrease) in net pension liability	(970,144)	(417,246)
Total Adjustments	1,117,494	287,202
Net Cash Provided (Used) by Operating Activities	\$ 7,146,163	\$ 5,757,082
Non-Cash Investing, Capital, and Financing Activities:		
Capital contributions	\$ 140,025	\$ -
Amortization of bond premiums/(discounts)	36,132	2,833
Gain/(Loss) on capital assets	30,846	(79,375)
Deferred charges	(8,391)	-

CITY OF FULLERTON

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Pooled cash and investments	\$ 1,071,785	\$ 11,143,926
Receivables:		
Accounts	-	1,444
Notes and loans	-	18,196,467
Other accrued revenue	7	8,320
Land held for resale	-	2,900,768
Restricted assets:		
Cash and investments	-	6,236,025
Cash and investments with fiscal agents	37,762	21,352,341
Capital assets:		
Capital assets, not being depreciated	-	8,635,236
Capital assets, net of accumulated depreciation	-	6,887,959
Total Assets	<u>\$ 1,109,554</u>	<u>75,362,486</u>
Deferred Outflows of Resources:		
Deferred charges		875,312
Deferred pension related items		48,860
Total Deferred Outflows of Resources		<u>924,172</u>
Liabilities:		
Accounts payable	\$ 36,955	1,166,544
Accrued liabilities	-	8,662
Accrued interest	-	1,764,833
Deposits payable	1,072,599	23,142
Long-term liabilities:		
Due in one year	-	5,785,000
Due in more than one year	-	87,955,579
Net pension liability	-	572,207
Total Liabilities	<u>\$ 1,109,554</u>	<u>97,275,967</u>
Deferred Inflows of Resources:		
Deferred pension related items		68,915
Total Deferred Inflows of Resources		<u>68,915</u>
Net Position:		
Held in trust for other purposes		(21,058,224)
Total Net Position		<u>\$ (21,058,224)</u>

CITY OF FULLERTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Private-Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Taxes	\$ 11,846,870
Interest and change in fair value of investments	572,123
Miscellaneous	<u>2,000</u>
Total Additions	<u>12,420,993</u>
Deductions:	
Administrative expenses	440,486
Contractual services	525,597
Interest expense	4,937,754
Depreciation expense	<u>321,278</u>
Total Deductions	<u>6,225,115</u>
Extraordinary loss - (Note 18)	<u>(13,666,728)</u>
Changes in Net Position	(7,470,850)
Net Position - Beginning of the Year	<u>(13,587,374)</u>
Net Position - End of the Year	<u>\$ (21,058,224)</u>

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Financial Reporting Entity

The City of Fullerton is a general law city governed by an elected five-member city council. As required by generally accepted accounting principles, these financial statements present the City of Fullerton (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Fullerton elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting City consists of: (1) the City, (2) organizations for which the City is financially accountable, and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units' balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Units

CITY OF FULLERTON PUBLIC FINANCING AUTHORITY

The Authority was created on June 2, 1998, through a joint exercise of powers agreement between the City of Fullerton and the former Fullerton Redevelopment Agency for the purposes of (1) financing the acquisition and construction of various public capital improvements relating to the three Redevelopment Project Areas, and (2) refinancing various outstanding obligations of the former Fullerton Redevelopment Agency. The City's Council Members serve as the board of directors for the Authority. The Authority's financial data and transactions have been blended into the City's CAFR in the government-wide governmental activities and funds of the City as applicable.

CITY OF FULLERTON HOUSING AUTHORITY

The City of Fullerton Housing Authority was established on February 15, 2011. The Housing Authority was activated pursuant to State law Section 34290 of the California Health and Safety Code, which allows for every City to establish a housing authority. The Housing Authority is designed to help protect local housing funds and programs, provide new revenue opportunities for affordable housing programs, serve the public interest, promote public safety and welfare, and ensure decent, safe, sanitary and affordable housing accommodations to persons of low income. The Fullerton City Council serves as the Housing Authority's Commissioners. The City of Fullerton has operational responsibility for the Housing Authority. The Authority's financial data and transactions are included with the City under the Housing Special Revenue Fund.

Note 1: Summary of Significant Accounting Policies (Continued)

Separate financial statements are not prepared for the Public Financing Authority and the Housing Authority.

b. Basic Financial Statements - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units as a whole. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments where the amounts are reasonably equivalent in value to the interfund services provided between the government's water, airport, parking facilities, recreational facilities and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The interfund activities and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs for administrative overhead are allocated among the functions and are included in the program expenses. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds.

Fiduciary statements, even though excluded from the government-wide financial statements include financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Note 1: Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The City's fiduciary funds consists of agency funds and a private-purpose trust fund. The agency funds have no measurement focus. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available expendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is unavailable until they become current receivables. Noncurrent portions of other long-term receivables are offset by nonspendable fund balance. Governmental fund revenues are recognized when they become measurable and available as net current assets. The primary revenue sources susceptible to accrual are taxpayer assessed taxes, grant revenues, investment income and capital project financing sources. Revenues are recognized when they are measurable at the end of the year and available within 60 days after the end of the fiscal year. Grant revenues have been recorded according to the provisions of GASB Statement 33, whereby grant funds earned but not received are recorded as a receivable, and grants received or receivable before the related revenue recognition criteria have been met are reported as deferred revenues. Primary revenue sources not susceptible to accrual are court fines, and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Park Dwelling Fund accounts for park dwelling taxes on construction permits to be used solely for maintenance and improvements of City parks.

Note 1: Summary of Significant Accounting Policies (Continued)

- The Grants Administration Special Revenue Fund accounts for receipts and expenditures of Community Development Block Grant (CDBG), HOME Federal Grant, Older American Act Grant and Supplemental Law Enforcement Services Grant.
- The Housing Special Revenue Fund accounts for the administration and monitoring of affordable housing agreements and loans including annual inspections of housing units, and the preparation of annual reports required by State and Federal agencies. In addition, this fund accounts for the housing assets and functions of the former redevelopment agency for the low and moderate housing fund.
- The Capital Projects Fund accounts for financial resources segregated for the acquisition or construction of major capital facilities and equipment, and the maintenance and construction of City's major infrastructure.

The City reports the following major enterprise funds:

- The Airport Fund accounts for the operation and maintenance of the City's airport.
- The Water Utility Fund accounts for the operation and maintenance of the City's water production, transmission, and distribution system.
- The Sewer Enterprise Fund accounts for the operation and maintenance of the City's sewer system.

Additionally, the City reports the following fund types:

- Agency Funds account for the collections and refunds of construction deposits, engineering deposits, community service deposits and other special deposits.
- Internal Service Funds account for the activity that provides goods and services to other funds or departments on a cost-reimbursement basis, such as, liability insurance, equipment replacement, workers' compensation, group insurance, equipment maintenance, information technology, building maintenance services and facility capital repair.
- The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.
- Debt Service Fund accounts for the principal and interest payments of long-term liabilities for the city.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or

Note 1: Summary of Significant Accounting Policies (Continued)

recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: (1) any activity that has issued debt backed solely by the fees and charges of the activity, (2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Water Utility Fund, the Airport Fund, the Sewer Fund, the Parking Facilities Fund, and the Brea Dam Recreation Facilities Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Cash and Investments

The City pools all available cash from all funds for the purpose of increasing income through investment activities. The City's cash and cash equivalents for the proprietary funds represents cash and investments, cash and investments with fiscal agents, and customer deposits with original maturities of three months or less held by the funds at fiscal year-end.

All investments are reported at fair value (the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale), except for investments which have a remaining maturity of less than one year when purchased, which are stated at amortized cost. Those investments are short-term, highly liquid debt instruments including commercial paper, certificates of deposit, and agency obligations.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments, and for External Investment Pools", the City's investments are stated at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Note 1: Summary of Significant Accounting Policies (Continued)

Advances to other funds are offset by a fund balance nonspendable or restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

3. Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1
Levy date	July 1 to June 30
Due date	November 1, 1st Installment and March 1, 2nd installment
Collection date	December 10, 1st installment and April 10, 2nd installment

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas prescribed by state statutes. Accordingly, the City accrues only those taxes which are received from the county within 60 days after year-end.

4. Inventory, Prepaid Items, and Land Held for Resale

The City uses the consumption method to account for automotive parts and fuels inventory. Inventory is capitalized when purchased, and is thereafter recorded as expenditure at the time the inventory item is consumed. Inventory costs are offset by a reserve of fund balance. The City used the purchases method for miscellaneous materials, supplies, utility department meters, pipe, valves and fittings.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balances are nonspendable or restricted in amounts equal to the carrying value of the land held for resale because such assets are not available to finance the City's current operations.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$5,000 (\$25,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, equipment, and the infrastructure is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Water system lines and mains	50
Vehicles, furniture, and equipment	3-20
Public domain infrastructure:	
Streets, highways, and alleys	30-50
Bridges	50
Storm drains	30-50
Sewers	75
Traffic signals	20

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-Wide Statement of Net Position and the Statement of Fiduciary Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City has the following items on the Government Wide Statement of Net Position and Fiduciary Statement of Net Position that it considers deferred outflows of resources related to pension items; contributions made subsequent to the measurement date of the net pension liability are deferred and recognized against the net pension liability in the following year.

In addition to liabilities, the balance sheet or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as: property taxes and grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has the following items on the Statement of Net Position and Fiduciary Statement of Net Position that it considers deferred inflows of resources related to pension items; the net difference between projected and actual earnings on pension plan investments is deferred and will be recognized as a portion of pension expense in future years over a five year amortization period, changes in assumptions, and differences between expected and actual experiences, both of which are deferred and amortized over the expected average remaining service life.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

7. 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 the Internal Service Funds that account for the City's self-insurance activities. It is the City's policy that all insurance claims outstanding at June 30, 2016, will be liquidated from expendable available financial resources at June 30, 2016.

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation and sick pay are accrued in the government-wide and proprietary fund financial statements. Only the current portion of the unused sick pay is recorded in the governmental fund statements. The current portion of the unpaid sick pay is the accumulation, as described below, for those employees that have reached retirement age.

Employees may accumulate sick leave without limitation as to the number of hours of accumulation. However, the maximum accumulation of vacation leave is limited to the total number of hours accruable during two years. Employees are paid 100 percent of their accumulated vacation pay when they terminate their employment for any reason. Accumulated sick pay is paid to eligible safety employees and non-safety employees, who were hired before June 30, 1984, and August 31, 1983, respectively, only under the following conditions: (1) 50 percent or 55 percent (depending on employee's classification) of the total accumulation is paid upon retirement or death; (2) 50 percent of the accumulation in excess of 120 days is paid for full-time employees terminated for any other reason after ten full years of continuous service. Only 50 percent or 55 percent of unpaid sick pay for eligible employees was recorded as a City liability. The portion for those eligible employees who reached their retirement ages at the end of the fiscal year was recorded as the current portion of unpaid sick pay. The remaining portion was recorded as a long-term liability. The amount of the accrued sick and vacation pay is as follows:

	Current Portion	Long-Term Portion	Total
Governmental activities	\$ 2,405,900	\$ 601,476	\$ 3,007,376
Business-type activities	362,761	90,691	453,452
	<u>\$ 2,768,661</u>	<u>\$ 692,167</u>	<u>\$ 3,460,828</u>

9. Net Pension Liability

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 as they are reported by the CalPERS Financial Office. For this 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Valuation Date (VD) June 30, 2014

Measurement Date (MD) June 30, 2015

Measurement Period (MP) July 1, 2014 to June 30, 2015

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The City first implemented GASB Statement No. 34 for the fiscal year ended June 30, 2003. Bond premiums and discounts are deferred and amortized over the life of the bonds for all the bonds issued after June 30, 2002.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

- Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by the adoption of a resolution.
- Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Director of Administrative Services is authorized to assign amounts to a specific purpose, which was established by the governing body in resolution.

Note 1: Summary of Significant Accounting Policies (Continued)

- Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only City fund that is able to report a positive unassigned fund balance.

12. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

13. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). 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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of 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.

14. Effect of New Accounting Standards

During the fiscal year ended June 30, 2016, the City implemented the following Governmental Accounting Standards Board (GASB) standards:

GASB Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement for reporting periods beginning after June 15, 2015.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

Deficit Fund Balances or Net Position

At June 30, 2016, the following funds had deficit fund balance amounts of:

Governmental Funds

Grants Administration	\$	(39,236)
Capital Projects		(4,186,838)

At June 30, 2016, the following funds had deficit net position amounts of:

Internal Service Funds

Liability Insurance	\$	(1,702,919)
Group Insurance		(86,190)
Information Technology		(269,404)
Building Maintenance		(692,827)

Fiduciary Funds

Successor Agency of the former RDA	\$	(21,058,224)
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III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

Cash and investments at June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$	106,819,360
Restricted cash and investments		337,604

Fiduciary funds:

Cash and investments		12,215,711
Restricted cash and investments		27,626,128

Total cash and investments	\$	<u>146,998,803</u>
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Cash and investments as of June 30, 2016, consist of the following:

Demand accounts and cash on hand		
Investments	\$	6,330,772
Investments		134,432,006
Escrow Accounts		6,236,025
Total cash and investments	\$	<u>146,998,803</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3: Cash and Investments (Continued)

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	40%
U.S. Federal instrumentalities	5 years	None	40%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	25%	20%
Medium-Term Notes	5 years	30%	5%
Orange County Investment Pool	N/A	0%	0%
Asset Back Securities	5 years	20%	5%
Municipal Bonds	5 years	20%	5%
Supranational Debt	5 years	30%	5%
Money Market Funds	5 years	20%	10%
Local Agency Investment Fund (LAIF)	N/A	60%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restriction.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is 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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3: Cash and Investments (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	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. The City monitors the interest rate inherent in its portfolio by measuring the weighted average maturity of its portfolio. The investment maturities of the City's portfolio as of June 30, 2016 are on the next page:

	<u>Remaining Investment Maturities</u>			<u>Fair Value</u>
	<u>12 months or less</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	
Investments:				
Local Agency Investment Fund	\$ 28,152,294	\$ -	\$ -	\$ 28,152,294
Certificates of Deposit	2,233,838	1,980,056	256,235	4,470,129
Corporate Notes	-	15,634,650	253,120	15,887,770
U.S. Government Treasury Bonds	12,076,655	17,675,291	4,087,791	33,839,737
Federal agency securities				
FFCB	3,000,030	4,507,110	-	7,507,140
FHLB	4,508,475	8,676,985	-	13,185,460
FHLMC	-	3,674,520	-	3,674,520
FNMA	-	2,791,065	1,023,620	3,814,685
Asset Backed Securites	-	2,001,339	-	2,001,339
Money Market	171,224	-	-	171,224
Total Cash Investments	50,142,516	56,941,016	5,620,766	112,704,298
Investments with Fiscal Agents:				
Money Market Mutual Funds	905,975	-	-	905,975
U.S. Government Treasury Notes	978,025	1,830,930	1,721,548	4,530,503
Federal agency securities				
FHLB	351,438	5,920,386	3,800,383	10,072,207
FNMA	190,758	434,746	3,475,030	4,100,534
FHLMC	879,989	1,099,468	-	1,979,457
FFCB	-	-	139,032	139,032
Total Investments with Fiscal Agent	3,306,185	9,285,530	9,135,993	21,727,708
Total Investments	\$ 53,448,701	\$ 66,226,546	\$ 14,756,759	\$ 134,432,006

CITY OF FULLERTON

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**

Note 3: Cash and Investments (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments that are 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 fulfil 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 as required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year-end for each investment type:

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Minimum Rating				Not Required to be Rated
			AAA	AA+	AA	AA-	
Local Agency Investment Fund	\$ 28,152,294	N/A	\$ -	\$ -	\$ -	\$ -	\$ 28,152,294
Certificates of Deposit	4,470,129	N/A	-	-	-	-	4,470,129
Corporate Notes	15,887,770	AA	2,174,610	2,775,730	2,011,360	8,926,070	-
U.S. Treasury Bonds	38,370,239	N/A	-	38,370,239	-	-	-
Federal agency securities	44,473,035	N/A	-	44,473,035	-	-	-
Asset Backed Securities	2,001,339	AAA	2,001,339	-	-	-	-
Held by bond trustee:							
Money Market Fund	1,077,200	N/A	-	-	-	-	1,077,200
Total	\$ 134,432,006		\$ 4,175,949	\$ 85,619,004	\$ 2,011,360	\$ 8,926,070	\$ 33,699,623

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$7,646,172
Federal Home Loan Bank	Federal agency securities	23,257,667
Fannie Mae	Federal agency securities	7,915,213

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

Note 3: Cash and Investments (Continued)

risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by 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.

As of June 30, 2016, none of the City's deposits or investments were exposed to custodial credit risk. As of June 30, 2016, \$21,727,708 in investments are purchased and held by the bond trustee.

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 withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Allocation of interest income among funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated on a monthly basis based on the weighted average cash balances in each fund receiving interest. Interest income from cash and investments with fiscal agent is credited directly to the related fund.

Restricted cash and investments

The restricted cash and investments account includes various cash amounts retained in debt service reserves required by the revenue bond covenants, customer deposits held by utility, bond current debt service account and bond future debt service reserve account. Cash and investments for CDBG loan program accounts are also included in the restricted cash and investments since their use is restricted by legal requirements.

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 3: Cash and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Totals	Level		
		1	2	3
Local Agency Investment Fund (LAIF)	\$ 28,152,294	\$ -	\$ 28,152,294	\$ -
Certificates of Deposit	4,470,129	-	4,470,129	-
Corporate Notes	15,887,770	-	15,887,770	-
U.S. Treasury Bonds	38,370,239	-	38,370,239	-
Federal agency securities	44,473,035	-	44,473,035	-
Asset Backed Securities	2,001,339	-	2,001,339	-
Held by Bond Trustee:				
Money Market Mutual Funds	1,077,200	-	1,077,200	-
Total Investments	\$ 134,432,006	\$ -	\$ 134,432,006	\$ -

Note 4: Other Accrued Revenue Receivable

The other accrued revenue receivable as of June 30, 2016, for the City's major and other funds are as follows:

	Grants		City Capital Projects	Other	
	General	Administration Fund		Housing	Governmental Funds
Governmental Funds:					
Receivables:					
Rental revenue	\$ 255,773	\$ -	\$ -	\$ -	\$ 255,773
Unbilled reimbursable cost	507,096	-	-	557,744	1,064,840
Interest revenue	91,005	-	515	14,043	105,563
Transient occupancy tax	426,345	-	-	-	426,345
Unbilled grants and entitlements	7,737,494	467,661	-	9,216,776	17,421,931
Unbilled water and refuse collection franchise tax	164,626	-	-	-	164,626
Unbilled paramedic revenue	80,430	-	-	-	80,430
Unbilled sewer and drainage	-	-	-	256,203	256,203
Unbilled refuse collection revenue	-	-	-	1,216,737	1,216,737
Unbilled sanitation revenue	-	-	-	640,551	640,551
Total receivables	\$ 9,262,769	\$ 467,661	\$ 515	\$ 2,685,278	\$ 21,632,999

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4: Other Accrued Revenue Receivable (Continued)

Proprietary Funds:	Airport	Water Utility	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Receivables:						
Unbilled water revenue	\$ -	\$ 3,615,779	\$ -	\$ -	\$ 3,615,779	\$ -
Rental revenue	-	-	-	-	-	-
Unbilled sewer revenue	-	-	749,325	-	749,325	-
Unbilled other revenue	185,542	-	-	26,566	212,108	552
Interest revenue	-	-	-	-	-	59,202
Total receivables	\$ 185,542	\$ 3,615,779	\$ 749,325	\$ 26,566	\$ 4,577,212	\$ 59,754

Note 5: Notes and Loans Receivable

Housing Fund

a. Affordable Housing Loan Program

The former Redevelopment Agency Low and Moderate Housing fund offered low interest loans to owners and developers providing affordable housing to low and moderate income tenants. The loans have various interest rates and terms of repayment. These activities have been transferred to the City and are accounted for in the Housing Fund. The outstanding balance at June 30, 2016, is \$4,268,865.

b. DAP – Down Payment Assistance Program

The loans are given in amounts not to exceed \$45,000 per applicant. The loans are payable after 15 years' interest free. The balance outstanding at June 30, 2016, is \$1,820,579.

The Housing Fund notes and loans receivable total \$6,089,444.

Grants Administration Fund

CDBG Loans:

c. Housing and Community Development Loan program

The City uses Community Development Block Grant (CDBG) funding to provide loans to eligible applicants. Two types of loans are available: below market interest rate loans and deferred loans.

Below market interest rate loans are offered to low and moderate-income owner/occupants and to owner/investors whose tenants have low and moderate income. Opus Bank acts as the lender for this program, with the City providing interest subsidies. The maximum term of the loans is fifteen years.

Interest-free deferred loans are offered to low and moderate-income owner/occupants. The City lends CDBG funding directly to eligible households through this program. Deferred loans are payable upon the sale or transfer of the property.

Note 5: Notes and Loans Receivable (Continued)

The rehabilitation loans are recorded in Grants Administration Fund as Notes Receivable and Deferred Revenue. All HUD cash held for rehabilitation loans is reflected in an Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as liabilities. The outstanding balance at June 30, 2016, is \$1,250,924.

HOME Fund - Notes Receivable:

d. Civic Center Barrio Housing

On July 19, 1994, an Owner Participation Agreement was issued for the acquisition and rehabilitation of affordable rental housing projects located at Garnet Lane Apartments at a simple interest rate of 3%. These loans are due in 30 years commencing July 19, 2024. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$844,944 with accrued interest of \$546,712, totaling \$1,391,656 at June 30, 2016.

On December 14, 2000, a 30-year loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnerships Program for the project located at 436 & 442 W. Valencia Drive. Original amount loaned was \$444,281 at a simple interest rate of 3%. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$444,281 with accrued interest of \$196,954, totaling \$641,235 at June 30, 2016.

On February 22, 2001, a 30-year loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnerships Program for the project located at 461 West Avenue for \$314,477 at a simple interest rate of 3%. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$308,065 with accrued interest of \$137,661, totaling \$445,726 at June 30, 2016.

e. Fullerton Interfaith Housing

On October 28, 1994, the disposition and development agreement/Home program participation agreement was entered into between Interfaith Housing Development Corporation and the City. A 30-year loan was granted for acquisition and rehabilitation of the East Fullerton Villas up to \$165,000 at a compounded interest rate of 6.25%.

Note 5: Notes and Loans Receivable (Continued)

Repayments are due in installments every August 1, starting August 1, 1998. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$165,000 with accrued interest of \$375,575, totaling \$540,575 at June 30, 2016.

f. Neighborhood Services

On November 5, 1996, an Owner Participation and HOME Program Participation Agreement was entered into between the City and La Habra Neighborhood Housing Services, Inc., in which a loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnership Program for the project located at Garnet Lane Apartments "B" up to \$565,000 at a simple interest rate of 3%. Repayments are due in installments every August 1, starting August 1, 1998. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The note matures on November 27, 2026 at which time the loan will become due in full. The outstanding principal balance is \$565,000 with accrued interest of \$332,105, totaling \$897,105 at June 30, 2016.

g. Richman Court, LP

On November 23, 2010, the City agreed to loan \$1,750,000 as a purchase assistance loan for the Roberta Apartments, which was later amended to an additional \$250,000 for a rehabilitation loan. The loan matures over 55 years at a simple interest of 1.5%. Annual payments equal to 50% of project cash flow will begin on November 23, 2030. The outstanding principal balance is \$2,019,560 with accrued interest of \$162,108, totaling \$2,181,668 at June 30, 2016.

On August 16, 2010, the City agreed to loan \$1,985,000 as a purchase assistance loan for the Home Apartments. An additional construction loan was granted on April 30, 2012 for \$176,416. The loan matures over 45 years at a simple interest rate of 3%. The loan will begin to receive loan reductions of \$48,032 annually starting one year after the Release of the Construction Covenants which occurred April 11, 2012. The outstanding principal balance is \$1,969,290 with accrued interest of \$357,499, totaling \$2,326,789 at June 30, 2016.

h. Neighborhood Housing Services

On February 17, 2004, the City agreed to loan \$550,000 as a purchase assistance loan for the 3810 and 3830 Franklin Avenue Apartments. An additional loan was granted for \$953,337 on July 31, 2006. The loan matures over 30 years with a simple interest rate of 3% annually. The loan began loan reductions as forgiveness starting September 19, 2007 of \$55,000 annually. Any unpaid portion will be payable on the Maturity Date. The outstanding principal is \$1,017,504 with accrued interest of \$422,784, totaling \$1,440,288 at June 30, 2016.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 5: Notes and Loans Receivable (Continued)

On November 5, 2004, the City agreed to loan \$146,663 as a development assistance loan for 3810 and 3830 Franklin Avenue Apartments. \$50,000 was issued on November 5, 2004, and \$96,663 was issued on September 14, 2007. The loan matures over 30 years with a simple interest rate of 3% annually. The outstanding principal is \$146,663 with accrued interest of \$42,995, totaling \$189,658 at June 30, 2016.

On July 23, 2014, the City agreed to loan \$185,136 as a purchase assistance loan for the 2007 Oxford Avenue Apartments. The loan matures over 15 years with no interest. The loan is subject to loan reductions should the borrower be in compliance with various Affordable Housing requirements. The outstanding principal and loan balance is \$185,136 at June 30, 2016.

Notes Receivable totaled \$10,239,836 at June 30, 2016.

HOME Rehabilitation program:

The City uses HOME Grant funding to offer interest free deferred loans to low and moderate income owner/occupants. Deferred loans are payable upon the sale or transfer of the property and are reviewed every fifteen years to ensure that income qualifications are met. The outstanding balance at June 30, 2016, is \$1,010,794.

DAP – Down Payment Assistance Program:

The down payment assistance program is funded by HOME Grants. The loans are given in amounts not to exceed \$45,000 per applicant. The loans are payable after 15 years interest free. The balance outstanding at June 30, 2016, is \$624,380.

NSP – Neighborhood Stabilization Program:

The neighborhood stabilization program is funded by HOME Grants. The loans are issued for the acquisition and rehabilitation of property. No interest shall accrue on the loans. Repayment of the loan will concurrently occur upon the transfer of the Property to an eligible homebuyer following the completion of the rehabilitation project and in compliance with the NSP Agreement. The amount paid shall be equal to the resale price of the property. Any outstanding balance, if any, shall be forgiven. The balance outstanding at June 30, 2016, was \$206,074.

The Grants Administration Fund notes and loans receivable total \$13,332,008.

Note 6: Deposits Payable

The deposits consist of the following current liabilities for enterprise funds:

Customer Deposits Held By:	
Airport	\$ 51,304
Water Utility	1,654,334
	<hr/>
Total Deposits payable	\$ 1,705,638
	<hr/> <hr/>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 7: Interfund Transactions

The composition of interfund balances as of June 30, 2016, is as follows:

a. Due To and Due From Funds

	Due to Other Funds:
	Nonmajor Governmental Funds
Due From Other Funds:	
General Fund	\$ 139,048

The above amounts resulted from temporary reclassifications made at June 30, 2016, to cover cash shortfalls.

b. Transfers to and From Other Funds

Transfers In:	Governmental Funds:					Proprietary Funds:				Total
	General Fund	Park Dwelling Fund	Housing Fund	Capital Projects Fund	Nonmajor Governmental Funds	Airport Fund	Water Utility Fund	Sewer Enterprise Fund	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 197,964	\$ -	\$ 382,101	\$ -	\$ -	\$ -	\$ -	\$ 580,065
Capital Projects Fund	477,485	1,669,903	-	-	5,641,043	-	-	-	289,971	8,078,402
Nonmajor Governmental Funds	128,710	9,860	2,830	2,212	36,634	13,210	64,210	76,120	-	333,786
Water Utility Fund	-	-	-	-	190,000	-	-	-	-	190,000
Internal Service Funds	-	-	-	-	-	-	-	-	1,050,000	1,050,000
Total	\$ 606,195	\$ 1,679,763	\$ 200,794	\$ 2,212	\$ 6,249,778	\$ 13,210	\$ 64,210	\$ 76,120	\$ 1,339,971	\$ 10,232,253

In the fund financial statements, the interfund transfers generally are made for the purpose of debt service payments made from a debt service fund but funded from an operating fund, capital improvement projects expenditures paid by a capital projects fund but funded from other funds, or subsidy transfers. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Capital Assets

a. The following is summary of capital assets for governmental activities:

	Beginning Balance	Transfers of CIP	Transfers from Successor Agency	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:						
Land	\$ 40,869,856	\$ -	\$ 11,867,045	\$ -	\$ -	\$ 52,736,901
Construction in progress	90,706,198	(1,137,966)	-	33,694,264	(1,697,622)	121,564,874
Total capital assets, not being depreciated	131,576,054	(1,137,966)	11,867,045	33,694,264	(1,697,622)	174,301,775
Capital assets, being depreciated:						
Buildings	92,342,112	2,718	-	190,014	(1,422,945)	91,111,899
Improvements other than buildings	48,786,842	-	3,785,917	110,664	(64,594)	52,618,829
Machinery and equipment	35,942,329	113,120	-	4,080,273	(949,613)	39,186,109
Leasehold improvements	1,290,945	-	-	-	-	1,290,945
Infrastructure	268,006,290	1,022,128	38,621	1,700,472	(1,487,278)	269,280,233
Total capital assets, being depreciated	446,368,518	1,137,966	3,824,538	6,081,423	(3,924,430)	453,488,015
Less accumulated depreciation for:						
Buildings	(15,841,629)	-	-	(1,803,436)	1,398,514	(16,246,551)
Improvements other than buildings	(17,477,500)	-	(1,986,234)	(2,338,343)	36,847	(21,765,230)
Machinery and equipment	(24,372,032)	-	(38,621)	(2,192,396)	870,240	(25,732,809)
Leasehold improvements	(1,290,945)	-	-	-	-	(1,290,945)
Infrastructure	(171,756,138)	-	-	(5,703,770)	1,470,917	(175,988,991)
Total accumulated depreciation	(230,738,244)	-	(2,024,855)	(12,037,945)	3,776,518	(241,024,526)
Total capital assets being depreciated, net	215,630,274	1,137,966	1,799,683	(5,956,522)	(147,912)	212,463,489
Governmental activities capital assets, net	\$ 347,206,328	\$ -	\$ 13,666,728	\$ 27,737,742	\$ (1,845,534)	\$ 386,765,264

Governmental activities depreciation expense for capital assets for the year ended June 30, 2016, is as follows:

General government	\$ 133,207
Public Safety	760,430
Public Works	7,800,833
Community development	208,009
Human and Leisure	2,087,452
Equipment replacement	808,665
Equipment maintenance	28,723
Information technology	192,037
Building maintenance	7,706
Facility capital repair	10,883
Total depreciation expense - governmental activities	<u>\$ 12,037,945</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8: Capital Assets (Continued)

b. The following is summary of capital assets for business-type activities:

	Beginning Balance	Transfers of CIP	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 9,128,423	\$ -	\$ -	\$ -	\$ 9,128,423
Construction in progress	5,837,364	(5,493,608)	3,577,285	(82,574)	3,838,467
Total capital assets, not being depreciated	14,965,787	(5,493,608)	3,577,285	(82,574)	12,966,890
Capital assets, being depreciated:					
Buildings	7,915,802	573,217	109,440	(3,774)	8,594,685
Improvements other than buildings	73,807,514	2,531,622	1,821,496	(15,342)	78,145,290
Machinery and equipment	13,220,240	-	110,385	-	13,330,625
Leasehold improvements	468,140	-	-	-	468,140
Infrastructure	34,021,293	2,388,769	1,941,114	-	38,351,176
Total capital assets, being depreciated	129,432,989	5,493,608	3,982,435	(19,116)	138,889,916
Less accumulated depreciation for:					
Buildings	(1,789,452)	-	(189,674)	3,774	(1,975,352)
Improvements other than buildings	(29,108,489)	-	(1,423,775)	15,342	(30,516,922)
Machinery and equipment	(11,125,688)	-	(546,093)	-	(11,671,781)
Leasehold improvements	(422,463)	-	(11,134)	-	(433,597)
Infrastructure	(2,147,671)	-	(562,828)	-	(2,710,499)
Total accumulated depreciation	(44,593,763)	-	(2,733,504)	19,116	(47,308,151)
Total capital assets being depreciated, net	84,839,226	5,493,608	1,248,931	-	91,581,765
Business-type activities capital assets, net	\$ 99,805,013	\$ -	\$ 4,826,216	\$ (82,574)	\$ 104,548,655

Business-type activities depreciation expense for capital assets for the year ended June 30, 2016, is as follows:

Airport	\$ 387,975
Brea Dam Facilities Recreational	90,265
Water Utility	1,699,118
Sewer Enterprise	556,146
Total depreciation expense - business-type activities	<u>\$ 2,733,504</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt

a. Governmental Activities Long-Term Debt

The following is a summary of governmental activities long-term debt for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
2013 Taxable Judgment					
Obligation Bonds	\$ 6,725,000	\$ -	\$ (270,000)	\$ 6,455,000	\$ 275,000
Capital leases:					
Governmental Funds	452,645	-	(211,929)	240,716	221,776
Internal Service Funds	3,249,736	301,705	(1,059,145)	2,492,296	775,774
HUD Section 108 loans	2,500,000	-	(500,000)	2,000,000	500,000
Compensated absences	2,956,353	2,701,320	(2,650,297)	3,007,376	2,405,900
Net pension liability	149,292,613	21,340,821	(11,293,923)	159,339,511	-
Net OPEB obligation	16,170,219	2,279,865	-	18,450,084	-
Claims and judgments:					
Governmental Funds	285,885	-	(25,542)	260,343	27,117
Internal Service Funds	24,807,000	3,587,136	(3,491,136)	24,903,000	3,495,768
Total	<u>\$ 206,439,451</u>	<u>\$ 30,210,847</u>	<u>\$ (19,501,972)</u>	<u>\$ 217,148,326</u>	<u>\$ 7,701,335</u>
Unamortized Bond Discount	\$ (50,990)	\$ -	\$ (2,832)	\$ (48,158)	
	<u>\$ 206,388,461</u>	<u>\$ 30,210,847</u>	<u>\$ (19,504,804)</u>	<u>\$ 217,100,168</u>	

Taxable Obligation Bonds

2013 Taxable Judgment Obligation Bonds (Debt Serviced by the Liability Insurance Fund)

On August 23, 2013, the City of Fullerton issued the 2013 Taxable Judgment Obligation Bonds in the amount of \$7,250,000. In 2013, the City settled two large legal cases for a combined payout of \$7 million. The first case was an inverse condemnation lawsuit involving a slope failure, which was settled for \$6 million. The second was a settlement totaling \$1 million for a case involving a police incident. These payments were made from the Liability Insurance Fund, depleting its reserves. The issuance of these bonds will replenish the Liability Insurance Fund reserves.

Bond repayment commenced on April 1, 2014, with interest rates ranging from 1.00% to 6.10%. The final maturity date is April 1, 2033. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the outstanding balance was \$6,455,000.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 275,000	\$ 314,725	\$ 589,725
2018	280,000	308,813	588,813
2019	285,000	301,533	586,533
2020	295,000	293,125	588,125
2021	305,000	282,948	587,948
2022-2026	1,725,000	1,213,560	2,938,560
2027-2031	2,210,000	725,775	2,935,775
2032-2033	1,080,000	98,100	1,178,100
Total	<u>\$ 6,455,000</u>	<u>\$ 3,538,579</u>	<u>\$ 9,993,579</u>

Capital Leases

As of June 30, 2016, total future minimum lease obligations and the net present value of these minimum lease payments, are summarized as follows:

Year Ending June 30,	Total
2017	\$ 1,049,443
2018	840,312
2019	494,555
2020	120,853
2021	120,853
2022-2023	241,707
Total minimum lease payments	2,867,723
Less: amounts representing interest	(134,711)
Present value of minimum lease payments	<u>\$ 2,733,012</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 7,960,581
Less: accumulated depreciation	(4,416,713)
Total	<u>\$ 3,543,868</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

In July 2007, the City entered into a lease agreement with Suntrust Equipment Finance Corporation for an enterprise resource planning system at a cost of \$3,500,000. The lease meets the capitalization policy and the system has been recorded as an asset of the Governmental Funds. The interest rate on the lease is 4.55%. The term of the lease is ten years. Payments are due monthly under the terms of the lease agreement. At June 30, 2016, the outstanding balance was \$240,716.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 221,776	\$ 6,366	\$ 228,142
2018	18,940	72	19,012
Total	<u>\$ 240,716</u>	<u>\$ 6,438</u>	<u>\$ 247,154</u>

In October 2005, the City entered into a lease agreement with Suntrust Equipment Finance Corporation for the acquisition of a fire truck and battalion chief vehicle at a cost of \$550,000. The lease meets the capitalization policy and the vehicles have been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 5.77%. The term of the lease is ten years. Payments are due annually under the terms of the lease agreement. At June 30, 2016, the lease was paid in full.

In May 2011, the City entered into a lease agreement with Pinnacle Public Finance for the acquisition of two street sweepers at a cost of \$516,745. The lease meets the capitalization policy and the vehicles have been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 3.91%. The term of the lease is five years. Payments are due quarterly under the terms of the lease agreement. At June 30, 2016, the lease was paid in full.

In December 2013, the City entered into a lease agreement with Oshkosh Capital for the acquisition of two fire pumpers at a cost of \$949,810. The lease meets the capitalization policy and the assets have been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 2.7%. The term of the lease is nine years. Payments are due annually under the terms of the lease agreement with the first payment due on December 19, 2014. At June 30, 2016, the outstanding balance was \$758,655.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 99,610	\$ 21,242	\$ 120,852
2018	102,399	18,453	120,852
2019	105,267	15,586	120,853
2020	108,214	12,639	120,853
2021	111,244	9,609	120,853
2022-2023	231,921	9,786	241,707
Total	<u>\$ 758,655</u>	<u>\$ 87,315</u>	<u>\$ 845,970</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

In March 2014, the City entered into a lease agreement with Suntrust Equipment Finance & Leasing Corporation for the acquisition of various computer network and phone system upgrade at a cost of \$3,000,000. The lease meets the capitalization policy and the equipment has been recorded as assets of the Information Technology Internal Services Fund. The interest rate on the lease is 1.47%. The term of the lease is five years. Payments are due monthly under the terms of the lease agreement with the first payment due on March 27, 2014. At June 30, 2016, the outstanding balance was \$1,510,459.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 603,779	\$ 18,147	\$ 621,926
2018	612,715	9,211	621,926
2019	293,965	1,213	295,178
Total	<u>\$ 1,510,459</u>	<u>\$ 28,571</u>	<u>\$ 1,539,030</u>

In February 2016, the City entered into a lease agreement with TYMCO, Inc. for the acquisition a street sweeper at a cost of \$301,705. The lease meets the capitalization policy and the equipment has been recorded as an asset of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 2.75%. The term of the lease is four years. Payments are due annually under the terms of the lease agreement. At June 30, 2016, the outstanding balance was \$223,182.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 72,385	\$ 6,138	\$ 78,523
2018	74,376	4,147	78,523
2019	76,421	2,102	78,523
Total	<u>\$ 223,182</u>	<u>\$ 12,387</u>	<u>\$ 235,569</u>

Other Long-Term Obligations

HUD Section 108 Loans - Richman Park Area Capital Improvements Project (Debt Serviced by the Community Development Block Grant Fund included in the Grants Administration Fund)

On June 30, 2004, the City entered into an agreement with the Secretary of Housing and Urban Development to receive a loan in the amount of \$7,500,000 under Section 108 of the Housing and Community Development Act for the Richman Park Area Capital Improvements project. The term of the loan is fifteen years. Loan repayment commenced February 2006, with an interest rate of 4.65%. Interest and principal are payable semiannually and annually, respectively, under terms of the loan agreement. As of June 30, 2016, the amount outstanding is \$2,000,000.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

Loan debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 500,000	\$ 22,775	\$ 522,775
2018	500,000	18,375	518,375
2019	500,000	12,725	512,725
2020	500,000	4,700	504,700
Total	<u>\$ 2,000,000</u>	<u>\$ 58,575</u>	<u>\$ 2,058,575</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. For the governmental activities, the liability will be paid in future years by the General Fund.

Net Pension Liability

See Note 12 detailing the net pension liability. The total liability at June 30, 2016 was \$159,339,511.

Net OPEB Obligation

The City's policies relating to other post-employment benefits are described in Note 13 of the Notes to Financial Statements. The liability will be paid in future years by the General Fund.

Claims and Judgments

The City's liability regarding the Internal Service Funds self-insurance is described in Note 14 of the Notes to Financial Statements. The liability will be paid in future year from the Liability Insurance Fund and the Workers' Compensation Fund.

Public Liability Claim Payable (Debt Serviced by the General Fund)

On May 13, 1993 the City entered into an agreement with a claimant for the settlement of an injury claim involving the Water Department. The annual interest rate on the lease is 6.00%. The term of the settlement is thirty-one years. Payments are due monthly under the terms of the settlement agreement. At June 30, 2016, the outstanding balance was \$260,343. Settlement debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 27,117	\$ 14,883	\$ 42,000
2018	29,290	13,210	42,500
2019	36,764	11,235	48,000
2020	39,031	8,969	48,000
2021	41,439	6,561	48,000
2022-2023	86,702	5,298	92,000
Total	<u>\$ 260,343</u>	<u>\$ 60,156</u>	<u>\$ 320,500</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

b. Business-Type Activities Long-Term Debt

The following is a summary of business-type activities long-term debt for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities:</u>					
Revenue Bonds					
2014 Water Revenue					
Refunding Bonds	\$ 6,625,000	\$ -	\$ (350,000)	\$ 6,275,000	\$ 360,000
2010 Lease Revenue					
Bonds, Series A	2,315,000	-	(105,000)	2,210,000	110,000
Capital Leases					
Hangar Lease	2,523,044	-	(464,428)	2,058,616	483,702
Net pension liability	10,118,447	1,485,544	(728,486)	10,875,505	-
Compensated Absences	432,702	300,967	(280,217)	453,452	362,761
Total	<u>\$ 22,014,193</u>	<u>\$ 1,786,511</u>	<u>\$ (1,928,131)</u>	<u>\$ 21,872,573</u>	<u>\$ 1,316,463</u>
Unamortized bond premium	\$ 720,811	\$ -	\$ (38,615)	\$ 682,196	
Unamortized bond discount	(38,487)	-	2,483	(36,004)	
Total Long-Term Debt	<u>\$ 22,696,517</u>	<u>\$ 1,786,511</u>	<u>\$ (1,964,263)</u>	<u>\$ 22,518,765</u>	

Revenue Bond

2010 Lease Revenue Bond, Series A (Debt Serviced by the Brea Dam Facilities Recreational Fund)

On December 22, 2010, the City of Fullerton issued 2010 Lease Revenue Bonds, Series A in the amount of \$2,705,000. The bonds were issued as "Taxable Recovery Zone Economic Development Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on or about each interest payment date. The subsidy payment is pledged under the indenture to payment of interest. Issuance of the debt was for the purpose of financing the acquisition and construction of certain capital improvements for the City of Fullerton and refinancing certain outstanding obligations of the City. Bond repayment commenced on May 1, 2011, with interest rates ranging from 6.50% to 7.75%. The final maturity date is May 1, 2031. Interest and principal payments are due semiannually and annually, respectively, under terms on the bond agreement. At June 30, 2016, the outstanding balance was \$2,210,000.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 110,000	\$ 165,400	\$ 275,400
2018	115,000	158,250	273,250
2019	120,000	150,775	270,775
2020	125,000	142,975	267,975
2021	125,000	134,850	259,850
2022-2026	725,000	517,313	1,242,313
2027-2031	890,000	212,738	1,102,738
Total	<u>\$ 2,210,000</u>	<u>\$ 1,482,301</u>	<u>\$ 3,692,301</u>

2014 Water Revenue Refunding Bonds (Debt Serviced by the Brea Dam Facilities Recreational Fund)

On February 26, 2014, the City of Fullerton issued the 2014 Water Revenue Refunding Bonds in the amount of \$6,810,000. The bonds were issued by the City to, together with other available funds of the City, prepay the 2004 Water Revenue Certificates of Participation and the City's obligation with the Orange County Water District.

The proceeds of \$6,702,821 plus an additional \$565,000 of the 2004 Water Revenue Certificates of Participation Reserve Fund were deposited to the Escrow Agent to provide for all future debt service payments on the 2004 Water Revenue Certificates of Participation until September 1, 2014. As a result, the 2004 Water Revenue Certificates of Participation are considered to be defeased. The net economic gain due to this refunding is \$814,943 and positive cash flow is \$1,809,553.

The 2014 Water Revenue Refunding Bonds are secured by a pledge of net revenues of the City's water system. Bond repayment will commence on September 1, 2014, with interest rates ranging from 3.00% to 5.00%. The final maturity date is September 1, 2033. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the outstanding balance was \$6,275,000.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

The certificates of participation debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 360,000	\$ 263,013	\$ 623,013
2018	370,000	252,063	622,063
2019	380,000	240,813	620,813
2020	390,000	231,213	621,213
2021	250,000	222,313	472,313
2022-2026	1,425,000	943,794	2,368,794
2027-2031	1,790,000	560,000	2,350,000
2032-2033	1,310,000	100,500	1,410,500
Total	<u>\$ 6,275,000</u>	<u>\$ 2,813,709</u>	<u>\$ 9,088,709</u>

Capital Leases

As of June 30, 2016, total future minimum lease obligations and the net present value of these minimum lease payments, are summarized as follows:

Year Ending June 30,	Business-Type Activities
2017	\$ 569,135
2018	569,135
2019	569,134
2020	569,134
Total minimum lease payments	2,276,538
Less: amounts representing interest	(217,922)
Present value of minimum lease payments	<u>\$ 2,058,616</u>

The assets acquired through capital leases are as follows:

Asset:	Business-Type Activities
Machinery and equipment	\$ 5,862,900
Less: accumulated depreciation	(1,568,338)
Total	<u>\$ 4,294,562</u>

On December 3, 2004, the City entered into a lease agreement with Citizens Business Bank for the acquisition and construction of eighteen tee-hangars and forty-three executive and airport wash hangars at a cost of \$6,262,000. The lease meets the capitalization policy and the hangars have been recorded as assets of the Enterprise Funds. The interest rate on the lease is 4.15%. The term of the lease is fifteen years. Payments are due annually under the terms of the lease agreement. At June 30, 2016, the outstanding balance was \$2,058,616.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9: Long-Term Debt (Continued)

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 483,702	\$ 85,433	\$ 569,135
2018	503,776	65,359	569,135
2019	524,682	44,452	569,134
2020	546,456	22,678	569,134
Total	<u>\$ 2,058,616</u>	<u>\$ 217,922</u>	<u>\$ 2,276,538</u>

Net Pension Liability

See Note 12 detailing the net pension liability. The total liability at June 30, 2016 was \$10,875,505.

Note 10: Special Assessment Debt with No City Commitment

The City issued special tax and assessment bonds on behalf of the property owners, pursuant to the Municipal Improvement Bond Acts of 1911, 1913, and 1915 and the Mello-Roos Community Facilities Act of 1982, to finance the acquisition and construction of certain infrastructure improvements within the assessment districts and community facilities districts.

The City acts solely as an agent for those paying special tax and assessments and remits the amounts collected to the bondholders of these Municipal Improvement Bond Acts and Mello-Roos Community Facilities Act issues. The City is acting as an agent and is in no way liable for the Special Assessment debt.

The bonds are not general obligations of the City but are limited obligations, payable solely from special tax and assessments. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from the bond proceeds, the City has no duty to pay the delinquency out of the available funds of the City. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof is pledged to the payment of these bonds.

At June 30, 2016, non-committal debt amounts issued and outstanding are as follows:

Non-committal Debt Issues:	Amount of Issue	Outstanding June 30, 2016
95-01 Assessment District	\$ 6,310,000	\$ -
CFD No. 1 2012 Special Tax Refunding Bonds	19,040,000	17,315,000
CFD No. 2 2014 Special Tax Bonds	<u>7,570,000</u>	<u>7,550,000</u>
Total Non-committal Debt Issues:	<u>\$ 32,920,000</u>	<u>\$ 24,865,000</u>

The 95-01 Assessment District bonds were paid in full in the current year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 11: Operating Lease

Pursuant to a third party independent study, it was determined that several facilities currently being used by the Water Department, which is reported as an Enterprise fund, were constructed and financed by the City and are considered to be part of the Capital Assets of the Governmental Activities (Note 8). As a result, the Water Fund entered into an agreement with the General Fund on May 7, 2013, approved by City Council through Resolution No. 2013-24, to make property lease payments for the use of these facilities. At June 30, 2016, the lease payment to the General Fund totaled \$1,157,700. These rates were established as part of the study and are based on the space occupied by the Water Department and the going rate per square foot for comparable locations.

Based on the study, the annual property rent forecast for the next five years is as follows:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Base Rent Payment	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000
Rent Increase*	137,400	137,400	137,400	137,400	151,140
Total Annual Rent Payment	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>	<u>\$ 1,525,140</u>

*Inflation on property rent set at rate of 10% every five years.

Note 12: City Employees' Retirement Plans

a. Defined Benefit Pension Plan – Miscellaneous and Safety Plan

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City of Fullerton's Miscellaneous and Safety Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (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 Local Government 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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 12: City Employees' Retirement Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013*	On or after January 1, 2013
Hire date		
benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	16.548%	16.298%

	Safety Plan	
	Prior to January 1, 2013*	On or after January 1, 2013
Hire date		
benefit formula	3% @ 50	3% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9.252%	12.250%
Required employer contribution rates	41.853%	41.853%

* Closed to new entrants

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms of the Plans:

Inactive employees or beneficiaries currently receiving benefits	972
Inactive employees entitled to but not yet receiving benefits	-
Active employees	616
Total	<u>1,588</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 12: City Employees' Retirement Plans (Continued)

For the year ended June 30, 2016, the contributions that were recognized as a reduction to the net pension liability were \$3,340,087 and \$8,728,482 for the Miscellaneous and Safety Plans, respectively.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return*	7.50%
Mortality Rate Table**	Derived using CalPERS' Membership Data for all Funds

* Net of pension plan investment and administrative expenses, including inflation.

** The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Change of Assumptions

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12: City Employees' Retirement Plans (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	-0.55	-1.05

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 12: City Employees' Retirement Plans (Continued)

Changes in the Net Pension Liability

The following table includes changes in net pension liability:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
Balance at: 6/30/2015 (Valuation Date of 6/30/14)	\$ 255,083,670	\$ 210,253,715	\$ 44,829,955
Changes recognized for the Measurement Period:			
Service Cost	3,434,664	-	3,434,664
Interest on the Total Pension Liability	18,544,020	-	18,544,020
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(3,523,723)	-	(3,523,723)
Changes of Assumptions	(4,406,198)	-	(4,406,198)
Plan to Plan Resource Movement		(715)	715
Contribution from the Employer	-	3,340,087	(3,340,087)
Contributions from Employees	-	2,852,024	(2,852,024)
Net Investment Income	-	4,617,716	(4,617,716)
Benefit Payments including Refunds of Employee Contributions	(12,931,194)	(12,931,194)	-
Administrative expense	-	(231,434)	231,434
Net changes during 2014-15	1,117,569	(2,353,516)	3,471,085
Balance at: 6/30/2016 (Measurement Date of 6/30/15)	\$ 256,201,239	\$ 207,900,199	\$ 48,301,040
Safety Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Assets)
Balance at: 6/30/2015 (Valuation Date of 6/30/14)	\$ 421,031,146	\$ 305,925,809	\$ 115,105,337
Changes recognized for the Measurement Period:			
Service Cost	6,159,575	-	6,159,575
Interest on the Total Pension Liability	30,783,877	-	30,783,877
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(3,274,488)	-	(3,274,488)
Changes of Assumptions	(7,450,669)	-	(7,450,669)
Contribution from the Employer	-	8,728,482	(8,728,482)
Contributions from Employees	-	3,711,794	(3,711,794)
Net Investment Income	-	6,738,820	(6,738,820)
Benefit Payments including Refunds of Employee Contributions	(21,964,313)	(21,964,313)	-
Administrative expense	-	(341,647)	341,647
Net changes during 2014-15	4,253,982	(3,126,864)	7,380,846
Balance at: 6/30/2016 (Measurement Date of 6/30/15)	\$ 425,285,128	\$ 302,798,945	\$ 122,486,183

- (1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.
- (2) Net of administrative expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 12: City Employees' Retirement Plans (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of each Plan, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.65%) or 1% point higher (8.65%) than the current rate:

	Miscellaneous		Safety	
1% Decrease		6.65%		6.65%
Net Pension Liability	\$	83,706,982	\$	181,635,711
Current Discount Rate		7.65%		7.65%
Net Pension Liability	\$	48,301,040	\$	122,486,183
1% Increase		8.65%		8.65%
Net Pension Liability	\$	23,220,054	\$	79,326,563

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

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

For the year ended June 30, 2016, the City recognized pension expense of \$(398,768) and \$5,893,620 for the Miscellaneous and Safety Plans, respectively. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 4,049,309	\$ -	\$ 9,941,060	\$ -
Difference between expected and actual experience	-	(2,308,646)	-	(2,412,781)
Change in Assumptions	-	(2,886,819)	-	(5,489,967)
Net difference between projected and actual earnings on pension plan investments	-	(2,008,412)	-	(3,028,338)
Total	\$ 4,049,309	\$ (7,203,877)	\$ 9,941,060	\$ (10,931,086)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016
Note 12: City Employees' Retirement Plans (Continued)

\$4,049,309 and \$9,941,060 was reported as deferred outflows of resources related to contributions subsequent to the measurement date for the Miscellaneous and Safety Plans, respectively, and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Miscellaneous	Safety
	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
2017	\$ (4,137,422)	\$ (4,901,168)
2018	(3,863,975)	(4,901,168)
2019	(1,402,967)	(4,336,691)
2020	2,200,487	3,207,941
2021	-	-
Thereafter	-	-
	<u>\$ (7,203,877)</u>	<u>\$ (10,931,086)</u>

b. Defined Contribution Pension Plan

The City provides pension benefits for all of its non-regular employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. All non-regular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.50% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2016, the City's payroll covered by the plan was \$126,090. The City made employer contributions of \$63,045 (3.75% of current covered payroll), and employees contributed \$63,045 (3.75% of current covered payroll). These amounts are now held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 13: Post-Employment Healthcare Plan**Plan Description**

The City administers a single-employer defined benefit healthcare plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 10 years of service (5 years for Executive, Management and Confidential employees), and are eligible for a PERS pension. As of June 30, 2016, there were 378 retired employees receiving these healthcare benefits. The City reports the financial activity of the plan as part of the General Fund, and no separate report is prepared.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13: Post-Employment Healthcare Plan (Continued)**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. The required contribution is based on projected pay-as-you-go premiums. The City pays 100 percent of the amount provided to active employees (single party) of the premium for the retirees employed by the City for 20 years and 25 percent for Management employees employed by the City more than five years but less than 10 years. The City's obligation under the resolution will be discontinued at the earlier of the retiree reaching the age of 65 or receipt of health insurance coverage from another employer.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) of \$3,855,756 is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed thirty years. The City's net OPEB obligation is typically liquidated from all funds with the majority being liquidated from the General Fund. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	June 30, 2016
Annual required contribution	\$ 4,139,262
Interest on net OPEB obligation	565,958
Adjustment to annual required contribution	<u>(849,464)</u>
Annual OPEB cost (expense)	3,855,756
Contributions made	<u>1,575,891</u>
Increase in net OPEB obligation	2,279,865
Net OPEB obligation - beginning of year	<u>16,170,219</u>
Net OPEB obligation - end of year	<u>\$ 18,450,084</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2014	\$ 3,928,937	36.00%	\$ 13,887,776
2015	3,884,845	41.20%	16,170,219
2016	3,855,756	40.90%	18,450,084

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 13: Post-Employment Healthcare Plan (Continued)**Funded Status and Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This is the latest information available.

Schedule of Funding Progress for OPEB
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2011	\$ -	\$ 37,778	\$ (37,778)	- %	\$ 45,200	83.6 %
1/1/2013	-	36,703	(36,703)	- %	45,200	81.2 %
1/1/2015	-	37,111	(37,111)	- %	45,200	82.1 %

Actuarial Cost Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 3.50 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend that conforms to the Getzen Model, with an expectation of the final medical component to be 4.00 percent to be used in projecting the minimum required contribution the City contributes on behalf of retirees enrolled in CalPERS sponsored medical plans. Both rates included a 4.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. The remaining amortization period at June 30, 2016, was twenty-three years.

IV. OTHER INFORMATION

Note 14: Self-Insurance Program

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions, injuries to employees and members of the public; and natural disasters for which the City carries commercial insurance.

On September 3, 1991, the City Council approved the City's membership in the Independent Cities Risk Management Authority (ICRMA). As members of ICRMA, the City purchases commercial liability insurance of \$25,000,000 in excess of a \$2,000,000 per claim self-insured retention level and a separate commercially insured layer of coverage for losses in the range of \$2,000,000 to \$5,000,000. Losses above the \$30,000,000 limit of insurance are also self-insured.

Additionally, the City purchases commercial workers' compensation insurance with limits equal to statutory limits in excess of \$750,000 for non-safety personnel and \$1,000,000 for safety personnel per claim self-insured retention level.

The City utilizes the services of a contract claims administrator for administration of the workers' compensation program. However, the liability program is currently administered in-house along with the risk management program.

On February 15, 1978, the City initiated a program of self-insurance for unemployment liability claims. By this action the City will pay all claims based on the individual reimbursement account method as provided by the State of California. Expenditures are recognized when reimbursements are made to the State of California.

The total insurance claims liability as of June 30, 2016, is \$24,903,000 as established by the City's contract insurance administrator, and the City's Risk Manager. An estimate for incurred but not reported (IBNR) claims has been recorded as a liability as of June 30, 2016.

Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Public Liability	Workers' Compensation	Total
Unpaid claims, June 30, 2014	\$ 9,130,000	\$ 14,467,000	\$ 23,597,000
Incurred claims (including IBNRs)	1,429,487	2,843,405	4,272,892
Claim payments	<u>(858,487)</u>	<u>(2,204,405)</u>	<u>(3,062,892)</u>
Unpaid claims, June 30, 2015	9,701,000	15,106,000	24,807,000
Incurred claims (including IBNRs)	1,025,253	2,561,883	3,587,136
Claim payments	<u>(1,473,253)</u>	<u>(2,017,883)</u>	<u>(3,491,136)</u>
Unpaid claims, June 30, 2016	<u>\$ 9,253,000</u>	<u>\$ 15,650,000</u>	<u>\$ 24,903,000</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 15: Commitments and Contingencies

As of June 30, 2016, the City is a party to various lawsuits involving eminent domain and inverse condemnation proceedings. In the opinion of counsel, the anticipated ultimate liability for the acquisition of these properties will not exceed the City's appraisals. There are certain personal injury lawsuits, which have been denied by the City Council. The outcome and eventual liability to the City, if any, in these cases are not known at this time. After reviewing these lawsuits with legal counsel, management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

The following material construction commitments existed at June 30, 2016:

Project Name	Contract Amount	Expenditures to date as of June 30, 2016	Remaining Commitments
State College Grade Separation	\$ 39,167,946	\$ 22,248,589	\$ 16,919,357
Raymond Avenue Grade Separation	46,921,226	29,822,141	17,099,085
Transportation Center Pedestrian Ocerpass Elevators	2,713,000	148,200	2,564,800
Muckenthaler Area Sewer Replacement	860,497	-	860,497

Note 16: Fund Balance Classifications

The fund balances of the City's governmental funds as of June 30, 2016 are presented below:

	General	Park Dwelling	Grants Administration	Housing	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable							
Inventories and prepayments	\$ 11,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,560
Restricted							
Street improvement projects	-	-	-	-	-	7,952,508	7,952,508
Traffic safety program	-	-	-	-	-	27,769	27,769
Police narcotics	-	-	-	-	-	93,669	93,669
Housing	-	-	-	17,768,601	-	-	17,768,601
AQMD activities	-	-	-	-	-	359,359	359,359
Debt Service	-	-	-	-	-	224,917	224,917
Committed							
Storm drain system projects	-	-	-	-	-	3,664,576	3,664,576
Refuse collection	-	-	-	-	-	961,193	961,193
Street maintenance	-	-	-	-	-	5,601,263	5,601,263
Contingency reserve	8,743,178	-	-	-	-	-	8,743,178
Park projects	-	10,680,669	-	-	-	-	10,680,669
Assigned							
Unassigned	6,138,705	-	(39,236)	-	(4,186,838)	-	1,912,631
Total Fund Balances	\$ 14,893,443	\$ 10,680,669	\$ (39,236)	\$ 17,768,601	\$ (4,186,838)	\$ 18,885,254	\$ 58,001,893

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 17: Fund Balance and Net Position Restatements

Due to a transfer of funds that should have occurred in the prior year to fund a capital project, the General Fund's beginning fund balance was restated in the amount of \$87,140. The State Gas Tax Fund's beginning fund balance was restated in the amount of \$(364,646) due to an accrual in the prior year for Highway Users Tax.

Beginning net position in the government-wide statements was also restated in the amount of \$(277,506) due to the reasons noted above.

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency

The California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Fullerton that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government would agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-04.

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

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

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

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 11,143,926
Restricted cash and investments	6,236,025
Cash and investments with fiscal agent	21,352,341
	<hr/>
	\$ 38,732,292
	<hr/>

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

b. Loans Receivable

Rehabilitation Loan:

On October 19, 2004 the former Redevelopment Agency entered into a developer disposition agreement with the Fullerton Historic Theatre Foundation to renovate the FOX Theatre and adjacent condominium units. The agreement was later amended on September 19, 2006. The original amount loaned of \$2,665,722 was increased in prior fiscal years by \$3,078,278 totaling \$5,744,000. Based on the 2nd Amendment dated August 3, 2009 the maximum loan amount could not exceed \$6,000,000. A repayment account will be established in the Successor Agency's name for the repayment of the loan once tenants begin paying rent. Deposits shall be made into the repayment account by the allocation and deposit from the aggregate monthly rental payments from all tenants in the Firestone Building Condominium Unit and/or Tea Room Building. The allocation and deposits shall include subleases rental payments pursuant to any master lease agreements. Following the completion of the Fox Theatre two dollars per ticket surcharge, per ticket sold for an event shall be deposited one month after the event occurred. Payments to the Successor Agency from the repayment account shall commence on the sufficient fund date. The outstanding balance at June 30, 2016, is \$5,738,589.

The former Redevelopment Agency issued additional various rehabilitation loans from \$5,000 - \$180,000 to assist in the acquisition and rehabilitation within the redevelopment project areas. The loans were issued at no interest. At June 30, 2016, the outstanding balances are \$1,049,028.

Seismic Loans:

The former Redevelopment Agency issued 10 year loans for \$25,000 - \$50,000 for the purpose of seismically retrofitting historic buildings in the downtown area. There is no interest accrued on these loans. The deferred loans are payable upon sale or transfer of property. The balance due at June 30, 2016, is \$916,484.

School Expansion Loans:

The Fullerton School District (Maple) was issued a 25-year loan for \$440,442 for the purpose of assisting in the expansion cost of the school. This loan is a non interest bearing loan. The balance due at June 30, 2016, is \$314,601.

Tenant Rehab Loans:

The former Redevelopment Agency entered into various Owner Participation Agreements for the purpose of providing loan assistance to participants of the Tenant Improvement Loan Program. This program assists the tenants for the construction of certain property. These loans are a non-interest bearing loan. The loan shall be repaid in 10 equal annual payments beginning 18 months after the effective date or 1 year after the recording of the Notice of Completion for the improvements. The outstanding balance at June 30, 2016, is \$58,750.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Fullerton Interfaith Housing Services (dba Pathways of Hope):

On May 20, 2013, the Successor Agency agreed to loan \$630,000 from the \$28.9M 2010 Tax Allocation Housing Bonds for assistance in the development of eight (8) very-low income units located at 504 West Amerige Avenue and 117 North Richman Avenue. According to the Promissory Note the loan matures over 55 years at a simple interest rate of 3% annually. If the borrower does not default per the Affordable Housing Agreement by and between the City of Fullerton and Fullerton Interfaith Emergency Services, then upon the expiration of the 55-year term the loan and all interest accrued shall be forgiven and the Note shall automatically be cancelled. The outstanding principal balance is \$630,000 with accrued interest of \$44,898, totaling \$674,898 at June 30, 2016.

TRG Fullerton Affordable LLC:

On December 19, 2013, the Successor Agency agreed to loan \$8,972,000 for the acquisition of real property located at 345 East Commonwealth Avenue and the construction of affordable apartment units. According to the Promissory Note the Term of the loan shall terminate on the fifty-eighth (58th) anniversary of the first date on which at least 75% of the units restricted for rental to and occupancy by eligible tenants have been leased to and are occupied by eligible tenants. Interest and principal payments are payable annually on April 1 of each year during the Term at a simple interest rate of 3% annually. Since the project is still under construction as of June 30, 2016, only a portion of the \$8,972,000 in assistance has been disbursed. The outstanding principal balance is \$8,972,000 with accrued interest of \$472,117, totaling \$9,444,117 at June 30, 2016.

Total Loans Receivable is \$18,196,467.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

c. Capital Assets

A description of capital assets of the Successor Agency as of June 30, 2016 is as follows:

	Beginning Balance	Transfers of CIP	Transfers to the City	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:						
Land	\$ 12,624,620	\$ -	\$ (11,867,045)	\$ -	\$ -	\$ 757,575
Construction-in-progress	4,478,732	(34,662)	-	3,477,661	(44,070)	7,877,661
Total capital assets not being depreciated	17,103,352	(34,662)	(11,867,045)	3,477,661	(44,070)	8,635,236
Capital assets, being depreciated:						
Buildings	136,203	34,662	-	90,339	-	261,204
Improvements other than Buildings	7,700,813	-	(3,785,917)	-	-	3,914,896
Machinery and equipment	730,214	-	(38,621)	-	(83,026)	608,567
Leasehold Improvements	546,500	-	-	-	-	546,500
Infrastructure	4,174,000	-	-	269,302	-	4,443,302
Total capital assets being depreciated	13,287,730	34,662	(3,824,538)	359,641	(83,026)	9,774,469
Less accumulated depreciation						
Buildings	(83,344)	-	-	(6,810)	-	(90,154)
Improvements other than Buildings	(3,696,966)	-	1,986,234	(64,675)	-	(1,775,407)
Machinery and equipment	(643,031)	-	38,621	(83,335)	79,179	(608,566)
Leasehold Improvements	(245,925)	-	-	(27,325)	-	(273,250)
Infrastructure	-	-	-	(139,133)	-	(139,133)
Total accumulated depreciation	(4,669,266)	-	2,024,855	(321,278)	79,179	(2,886,510)
Total capital assets being depreciated, net	8,618,464	34,662	(1,799,683)	38,363	(3,847)	6,887,959
Successor Agency capital assets, net	\$ 25,721,816	\$ -	\$ (13,666,728)	\$ 3,516,024	\$ (47,917)	\$ 15,523,195

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Fiduciary Activities:</u>					
Revenue Bonds					
2006 CRA/ERAF					
Revenue Bond	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Tax Allocation Bonds					
2005 Tax Allocation					
Revenue Bond	59,960,000	-	(3,245,000)	56,715,000	3,210,000
2010 Tax Allocation					
Housing Bond	23,510,000	-	(1,485,000)	22,025,000	1,545,000
2015 Tax Allocation					
Refunding Bond	11,975,000	-	-	11,975,000	1,030,000
Total	<u>\$ 95,595,000</u>	<u>\$ -</u>	<u>\$ (4,880,000)</u>	<u>\$ 90,715,000</u>	<u>\$ 5,785,000</u>
Unamortized bond premium	\$ 3,428,402	\$ -	\$ (318,371)	\$ 3,110,031	
Unamortized bond discount	(92,759)	-	8,307	(84,452)	
Total Long-Term Debt	<u>\$ 98,930,643</u>	<u>\$ -</u>	<u>\$ (5,190,064)</u>	<u>\$ 93,740,579</u>	

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$125,678,583 with annual debt service requirements as indicated on the following pages. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$11,846,870 and the debt service obligation on the bonds was \$10,119,848.

Revenue Bonds

2006 CRA/ERAF Revenue Bond (Debt Serviced by the Successor Agency Funds)

On April 1, 2006, the former Redevelopment Agency borrowed \$1.160 million to fund the payment due to the County of Orange Auditor/Controller for the Education Revenue Augmentation Fund due May 10, 2006, in accordance with Section 33681.12 of the California Health and Safety Code. Bond repayment commenced on November 1, 2006 with interest rates ranging from 5.28% to 5.67%. The final maturity date is March 1, 2016. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the bond was paid in full.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**Tax Allocation Bonds**2005 Tax Allocation Revenue Bond (Debt Serviced by the Successor Agency Funds)

On December 1, 2005, the City of Fullerton Public Financing Authority issued 2005 Tax Allocation Revenue Bonds in the amount of \$74,600,000. Issuance of the debt was for the purpose of financing certain capital improvements in the Orangefair Project Area, Central Fullerton Project Area and East Fullerton Project Area. The 2005 Tax Allocation Revenue Bonds are secured by the tax revenues to be derived from each project area. Bond repayment commenced on March 1, 2006, with interest rates ranging from 3.75% to 5.00%. The final maturity date is September 1, 2027. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the outstanding balance was \$56,715,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 3,210,000	\$ 3,209,063	\$ 6,419,063
2018	3,285,000	3,046,688	6,331,688
2019	3,415,000	2,878,488	6,293,488
2020	3,765,000	2,698,953	6,463,953
2021	4,575,000	2,489,648	7,064,648
2022-2026	24,605,000	8,758,714	33,363,714
2027-2028	13,860,000	1,127,145	14,987,145
Total	<u>\$ 56,715,000</u>	<u>\$ 24,208,699</u>	<u>\$ 80,923,699</u>

2010 Tax Allocation Housing Bond (Debt Serviced by the Successor Agency Funds)

On October 21, 2010, the former Fullerton Redevelopment Agency issued 2010 Tax Allocation Housing Bonds in the amount of \$28,980,000. Issuance of the debt was for the purpose of financing certain improvements to the supply of low and moderate income housing in the City of Fullerton. The 2010 Tax Allocation Housing Bonds are secured by the tax increment revenues. Bond repayment commenced on March 1, 2011, with interest rates ranging from 3.00% to 6.63%. The final maturity date is September 1, 2026. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the outstanding balance was \$22,025,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,545,000	\$ 1,245,324	\$ 2,790,324
2018	1,615,000	1,170,453	2,785,453
2019	1,695,000	1,086,554	2,781,554
2020	1,780,000	994,045	2,774,045
2021	1,880,000	891,051	2,771,051
2022-2026	11,180,000	2,603,101	13,783,101
2027	2,330,000	77,181	2,407,181
Total	<u>\$ 22,025,000</u>	<u>\$ 8,067,709</u>	<u>\$ 30,092,709</u>

2015 Tax Allocation Refunding Bonds (Debt Serviced by the Successor Agency Funds)

On January 28, 2015, the former Fullerton Redevelopment Agency issued 2015 Tax Allocation Refunding Bonds in the amount of \$11,975,000. Issuance of the debt was for the purpose of prepaying a financing agreement entered into by the former Fullerton Redevelopment Agency (the "1998 Financing Agreement") and to refund on a current basis certain outstanding bonds issued by the City of Fullerton Public Financing Authority, which bonds are secured by the 1998 Financing Agreement, to purchase municipal bond debt service reserve insurance policy for the bonds, and to provide for the costs of issuing the Bonds. The 2015 Tax Allocation Refunding Bonds are secured by the tax increment revenues. Bond repayment will commence on March 1, 2016, with interest rates ranging from 3.00% to 5.00%. The final maturity date is March 1, 2025. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2016, the outstanding balance was \$11,975,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,030,000	\$ 502,750	\$ 1,532,750
2018	1,435,000	465,775	1,900,775
2019	1,515,000	413,950	1,928,950
2020	1,610,000	351,450	1,961,450
2021	970,000	295,000	1,265,000
2022-2025	5,415,000	658,250	6,073,250
Total	<u>\$ 11,975,000</u>	<u>\$ 2,687,175</u>	<u>\$ 14,662,175</u>

e. Insurance

The Successor Agency is covered under the City of Fullerton's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 14.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 18: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

f. Extraordinary Gain/Loss

During the fiscal year, pursuant to Health and Safety Code (HSC) section 34191.5 (b), the Successor Agency of the Former Redevelopment Agency (Agency) submitted a revised Long-Range Property Management Plan (LRPMP) to the California Department of Finance on December 3, 2015. Based on review and application of the law, the California Department of Finance approved the Agency's use or disposition of all the properties listed on the LRPMP. During the fiscal year, City Council approved the transfer to the City from the Agency. The transfer totaled \$13,666,728, net of accumulated depreciation. This is shown as an extraordinary loss to the Successor Agency and a gain to the City as of June 30, 2016.

Note 19: Subsequent Events

On June 17, 2016, the City entered into a lease agreement with Motorola Solutions, Inc. related to 800 MHz Radio Equipment, for the total amount of \$2,755,215. The commencement date of the lease was July 1, 2016, the final payment will occur on July 1, 2026, and the product was not delivered to be put in use until July, 2016.

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CITY OF FULLERTON

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Note 1: Budgetary Comparison Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The City prepares a biannual budget presented by fund, program, and department and includes proposed appropriations and the means to finance them. The City Council approves the budget prior to July 1 by resolution and amends the budget throughout the year.

The City Manager is authorized to transfer budgeted amounts within departments, within funds. Transfers of appropriations between departments and between funds may be made only by authority of the City Council. Total fund and department expenditures in excess of the total budgeted amounts are prohibited. Expenditures may not legally exceed budgeted appropriations at the department level. Formal budgetary information is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations lapse at fiscal year-end unless carried over by approval by the City Council.

CITY OF FULLERTON

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 66,531,000	\$ 66,531,000	\$ 69,657,822	\$ 3,126,822
Licenses and permits	1,849,410	1,849,410	1,877,394	27,984
Intergovernmental	615,271	720,154	550,330	(169,824)
Charges for services	5,929,506	6,334,696	7,060,923	726,227
Use of money and property	3,282,266	3,282,266	3,954,389	672,123
Fines and forfeitures	1,150,500	1,150,500	1,255,516	105,016
Miscellaneous	667,632	667,632	683,747	16,115
Total Revenues	80,025,585	80,535,658	85,040,121	4,504,463
Expenditures:				
Current:				
General government				
Council	444,617	448,617	448,268	349
City Manager	663,119	674,066	678,354	(4,288)
City Clerk	320,843	452,020	448,259	3,761
Administrative Services				
Finance	1,729,626	1,806,757	1,726,866	79,891
Human Resources	719,042	933,024	932,765	259
General Government	422,150	1,114,650	880,987	233,663
Public safety				
Fire	17,909,766	18,604,793	18,461,993	142,800
Police	39,545,686	42,196,502	42,197,236	(734)
Community development	3,943,434	4,584,962	4,584,961	1
Human and leisure				
Parks and Recreation	5,436,089	5,683,726	5,683,768	(42)
Library	3,830,236	3,840,621	3,682,049	158,572
Public works	6,835,113	7,260,291	7,230,230	30,061
Capital outlay	90,000	586,982	476,034	110,948
Total Expenditures:	81,889,721	88,187,011	87,431,770	755,241
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,864,136)	(7,651,353)	(2,391,649)	5,259,704
Other Financing Sources				
Transfers in	7,360,000	597,964	580,065	(17,899)
Transfers out	(7,088,710)	(7,807,054)	(606,195)	7,200,859
Proceeds from sale of capital asset	5,000	5,000	12,866	7,866
Total Other Financing Sources (Uses):	276,290	(7,204,090)	(13,264)	7,190,826
Net Change in Fund Balances	(1,587,846)	(14,855,443)	(2,404,913)	12,450,530
Fund Balances, Beginning of Year, as previously reported	17,211,216	17,211,216	17,211,216	-
Restatements	-	-	87,140	-
Fund Balances, Beginning of the Year, as restated	17,211,216	17,211,216	17,298,356	-
Fund Balances, End of Year	\$ 15,623,370	\$ 2,355,773	\$ 14,893,443	\$ 12,537,670

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
PARK DWELLING
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 795,000	\$ 795,000	\$ 195,599	\$ (599,401)
Total Revenues	795,000	795,000	195,599	(599,401)
Expenditures:				
Capital outlay	45,600	45,600	44,709	891
Total Expenditures:	45,600	45,600	44,709	891
Excess (Deficiency) of Revenues Over (Under) Expenditures	749,400	749,400	150,890	(598,510)
Other Financing Sources				
Transfers out	(7,836,860)	(12,890,508)	(1,679,763)	11,210,745
Total Other Financing Sources (Uses):	(7,836,860)	(12,890,508)	(1,679,763)	11,210,745
Net Change in Fund Balances	(7,087,460)	(12,141,108)	(1,528,873)	10,612,235
Fund Balances, Beginning of Year	12,209,542	12,209,542	12,209,542	-
Fund Balances, End of Year	\$ 5,122,082	\$ 68,434	\$ 10,680,669	\$ 10,612,235

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
GRANTS ADMINISTRATION
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,533,966	\$ 3,692,217	\$ 2,666,452	\$ (1,025,765)
Miscellaneous	66,620	156,320	85,519	(70,801)
Total Revenues	2,600,586	3,848,537	2,751,971	(1,096,566)
Expenditures:				
Current:				
General government	-	25,625	-	25,625
Public safety	209,868	761,359	604,601	156,758
Community development	1,326,598	1,694,141	973,659	720,482
Parks and recreation	496,420	689,060	529,150	159,910
Debt service:				
Principal retirement	500,000	500,000	500,000	-
Interest and fiscal charges	125,950	125,950	86,694	39,256
Total Expenditures:	2,658,836	3,796,135	2,694,104	1,102,031
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,250)	52,402	57,867	5,465
Net Change in Fund Balances	(58,250)	52,402	57,867	5,465
Fund Balances, Beginning of Year	(97,103)	(97,103)	(97,103)	-
Fund Balances, End of Year	\$ (155,353)	\$ (44,701)	\$ (39,236)	\$ 5,465

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
HOUSING
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 150,000	\$ 150,000	\$ 100,229	\$ (49,771)
Total Revenues	150,000	150,000	100,229	(49,771)
Expenditures:				
Current:				
Community development	150,000	151,720	113,075	38,645
Total Expenditures:	150,000	151,720	113,075	38,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,720)	(12,846)	(11,126)
Other Financing Sources				
Transfers out	(2,830)	(200,794)	(200,794)	-
Proceeds from sale of capital asset	-	-	39,513	39,513
Total Other Financing Sources (Uses):	(2,830)	(200,794)	(161,281)	39,513
Net Change in Fund Balances	(2,830)	(202,514)	(174,127)	28,387
Fund Balances, Beginning of Year	17,942,728	17,942,728	17,942,728	-
Fund Balances, End of Year	\$ 17,939,898	\$ 17,740,214	\$ 17,768,601	\$ 28,387

CITY OF FULLERTON

**MISCELLANEOUS PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 3,583,900	\$ 3,434,664
Interest on total pension liability	18,104,876	18,544,020
Differences between expected and actual experience	-	(3,523,723)
Changes in assumptions	-	(4,406,198)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(12,422,994)	(12,931,194)
Net change in total pension liability	9,265,782	1,117,569
Total pension liability - beginning	245,817,888	255,083,670
Total pension liability - ending (a)	\$ 255,083,670	\$ 256,201,239
Plan fiduciary net position		
Plan to Plan Resource Movement	\$ -	\$ (715)
Contributions - employer	2,819,538	3,340,087
Contributions - employee	3,340,171	2,852,024
Net investment income	31,546,084	4,617,716
Benefit payments	(12,422,994)	(12,931,194)
Administrative expense	-	(231,434)
Net change in plan fiduciary net position	25,282,799	(2,353,516)
Plan fiduciary net position - beginning	184,970,916	210,253,715
Plan fiduciary net position - ending (b)	\$ 210,253,715	\$ 207,900,199
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 44,829,955	\$ 48,301,040
Plan fiduciary net position as a percentage of the total pension liability	82.43%	81.15%
Covered-employee payroll	\$ 23,126,621	\$ 24,121,530
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	193.85%	200.24%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF FULLERTON

**MISCELLANEOUS PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
MISCELLANEOUS CLASSIC:		
Actuarially Determined Contribution	\$ 3,340,087	\$ 4,049,309
Contribution in Relation to the Actuarially Determined Contributions	<u>(3,340,087)</u>	<u>(4,049,309)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 21,045,388	\$ 21,269,930
Contributions as a Percentage of Covered-Employee Payroll	15.87%	19.04%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Note to Schedule:

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll
Remaining amortization period	28 Years as of the Valuation Date
Assets valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary Increases	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF FULLERTON

SAFETY PLAN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 6,428,794	\$ 6,159,575
Interest on total pension liability	29,880,228	30,783,877
Differences between expected and actual experience	-	(3,274,488)
Changes in assumptions	-	(7,450,669)
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(20,933,019)	(21,964,313)
Net change in total pension liability	15,376,003	4,253,982
Total pension liability - beginning	405,655,143	421,031,146
Total pension liability - ending (a)	\$ 421,031,146	\$ 425,285,128
 Plan fiduciary net position		
Contributions - employer	\$ 7,863,788	\$ 8,728,482
Contributions - employee	3,664,440	3,711,794
Net investment income	46,137,412	6,738,820
Benefit payments	(20,933,019)	(21,964,313)
Administrative expense	-	(341,647)
Net change in plan fiduciary net position	36,732,621	(3,126,864)
Plan fiduciary net position - beginning	269,193,188	305,925,809
Plan fiduciary net position - ending (b)	\$ 305,925,809	\$ 302,798,945
 Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 115,105,337	\$ 122,486,183
 Plan fiduciary net position as a percentage of the total pension liability	72.66%	71.20%
 Covered-employee payroll	\$ 22,708,301	\$ 23,105,917
 Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	506.89%	530.11%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

(2) Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

CITY OF FULLERTON

**SAFETY PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>	<u>2016</u>
SAFETY CLASSIC:		
Actuarially Determined Contribution	\$ 8,728,482	\$ 9,941,060
Contribution in Relation to the Actuarially Determined Contributions	<u>(8,728,482)</u>	<u>(9,941,060)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 21,551,511	\$ 21,817,242
Contributions as a Percentage of Covered-Employee Payroll	40.50%	45.57%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll
Remaining amortization period	28 Years as of the Valuation Date
Assets valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary Increases	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF FULLERTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	State Gas Tax	Drainage Capital Outlay	Traffic Safety	Asset Seizure
Assets:				
Pooled cash and investments	\$ 4,809,260	\$ 3,411,755	\$ -	\$ 96,477
Receivables:				
Accounts	-	-	-	-
Other accrued revenue	8,665	256,203	27,769	223
Advance to other agencies	-	-	-	2,500
Total Assets	\$ 4,817,925	\$ 3,667,958	\$ 27,769	\$ 99,200
Liabilities , Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 53,826	\$ -	\$ -	\$ 5,531
Accrued liabilities	9,893	3,382	-	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	63,719	3,382	-	5,531
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	27,769	93,669
Public works	4,754,206	-	-	-
Debt service	-	-	-	-
Committed to:				
Public works	-	3,664,576	-	-
Refuse collection	-	-	-	-
Total Fund Balances	4,754,206	3,664,576	27,769	93,669
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,817,925	\$ 3,667,958	\$ 27,769	\$ 99,200

CITY OF FULLERTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	Special Revenue Funds			
	Refuse Collection	Air Quality Improvement	Sanitation	Measure M2
Assets:				
Pooled cash and investments	\$ 12,066	\$ 312,950	\$ 4,757,859	\$ 2,831,036
Receivables:				
Accounts	719,369	-	359,392	-
Other accrued revenue	1,216,737	126,431	640,551	408,699
Advance to other agencies	-	-	-	-
Total Assets	\$ 1,948,172	\$ 439,381	\$ 5,757,802	\$ 3,239,735
Liabilities , Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 847,550	\$ 1,637	\$ 53,504	\$ 35,203
Accrued liabilities	381	720	103,035	-
Unearned revenues	-	-	-	6,230
Due to other funds	139,048	-	-	-
Total Liabilities	986,979	2,357	156,539	41,433
Deferred Inflows of Resources:				
Unavailable revenues	-	77,665	-	-
Total Deferred Inflows of Resources	-	77,665	-	-
Fund Balances:				
Restricted for:				
Community development projects	-	359,359	-	-
Public safety	-	-	-	-
Public works	-	-	-	3,198,302
Debt service	-	-	-	-
Committed to:				
Public works	-	-	5,601,263	-
Refuse collection	961,193	-	-	-
Total Fund Balances	961,193	359,359	5,601,263	3,198,302
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,948,172	\$ 439,381	\$ 5,757,802	\$ 3,239,735

CITY OF FULLERTON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Debt Service Reserve</u>	
Assets:		
Pooled cash and investments	\$ 224,917	\$ 16,456,320
Receivables:		
Accounts	-	1,078,761
Other accrued revenue	-	2,685,278
Advance to other agencies	-	2,500
	<u>224,917</u>	<u>20,222,859</u>
Total Assets	<u>\$ 224,917</u>	<u>\$ 20,222,859</u>
Liabilities , Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ 997,251
Accrued liabilities	-	117,411
Unearned revenues	-	6,230
Due to other funds	-	139,048
	<u>-</u>	<u>1,259,940</u>
Total Liabilities	<u>-</u>	<u>1,259,940</u>
Deferred Inflows of Resources:		
Unavailable revenues	-	77,665
	<u>-</u>	<u>77,665</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>77,665</u>
Fund Balances:		
Restricted for:		
Community development projects	-	359,359
Public safety	-	121,438
Public works	-	7,952,508
Debt service	224,917	224,917
Committed to:		
Public works	-	9,265,839
Refuse collection	-	961,193
	<u>224,917</u>	<u>18,885,254</u>
Total Fund Balances	<u>224,917</u>	<u>18,885,254</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 224,917</u>	<u>\$ 20,222,859</u>

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CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds			
	State Gas Tax	Drainage Capital Outlay	Traffic Safety	Asset Seizure
Revenues:				
Intergovernmental	\$ 3,074,091	\$ -	\$ -	\$ 166,747
Charges for services	-	1,872,260	-	-
Investment income	64,717	-	-	1,225
Fines and forfeitures	-	-	372,571	-
Total Revenues	3,138,808	1,872,260	372,571	167,972
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	269,867
Community development	-	-	-	-
Human and leisure	-	-	-	-
Public works	1,870,856	495,531	-	-
Refuse collection	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,870,856	495,531	-	269,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,267,952	1,376,729	372,571	(101,895)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(2,495,018)	(819,905)	(382,101)	-
Total Other Financing Sources (Uses)	(2,495,018)	(819,905)	(382,101)	-
Net Change in Fund Balances	(1,227,066)	556,824	(9,530)	(101,895)
Fund Balances, Beginning of Year as previously reported	6,345,918	3,107,752	37,299	195,564
Restatements	(364,646)	-	-	-
Fund Balances, Beginning of Year, as restated	5,981,272	3,107,752	37,299	195,564
Fund Balances, End of Year	\$ 4,754,206	\$ 3,664,576	\$ 27,769	\$ 93,669

CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE:
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

(CONTINUED)

	Special Revenue Funds			
	Refuse Collection	Air Quality Improvement	Sanitation	Measure M2
Revenues:				
Intergovernmental	\$ -	\$ 179,703	\$ -	\$ 2,277,367
Charges for services	10,569,218	-	4,630,447	-
Investment income	-	3,657	-	31,874
Fines and forfeitures	-	-	-	-
Total Revenues	10,569,218	183,360	4,630,447	2,309,241
Expenditures:				
Current:				
General government	-	-	81,386	-
Public safety	-	-	96,916	-
Community development	-	74,514	-	-
Human and leisure	-	-	-	152,380
Public works	-	-	4,648,694	91,980
Refuse collection	10,182,640	-	-	-
Capital outlay	-	66,623	15,299	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	10,182,640	141,137	4,842,295	244,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	386,578	42,223	(211,848)	2,064,881
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(10,000)	(112,870)	(14,031)	(2,310,209)
Total Other Financing Sources (Uses)	(10,000)	(112,870)	(14,031)	(2,310,209)
Net Change in Fund Balances	376,578	(70,647)	(225,879)	(245,328)
Fund Balances, Beginning of Year as previously reported	584,615	430,006	5,827,142	3,443,630
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	584,615	430,006	5,827,142	3,443,630
Fund Balances, End of Year	\$ 961,193	\$ 359,359	\$ 5,601,263	\$ 3,198,302

CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE:
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Debt Service Reserve</u>	
Revenues:		
Intergovernmental	\$ -	\$ 5,697,908
Charges for services	-	17,071,925
Investment income	-	101,473
Fines and forfeitures	-	372,571
	<u>-</u>	<u>23,243,877</u>
Total Revenues		
Expenditures:		
Current:		
General government	-	81,386
Public safety	-	366,783
Community development	-	74,514
Human and leisure	-	152,380
Public works	-	7,107,061
Refuse collection	-	10,182,640
Capital outlay	-	81,922
Debt service:		
Principal retirement	211,929	211,929
Interest and fiscal charges	16,213	16,213
	<u>228,142</u>	<u>18,274,828</u>
Total Expenditures		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(228,142)</u>	<u>4,969,049</u>
Other Financing Sources (Uses):		
Transfers in	333,786	333,786
Transfers out	(105,644)	(6,249,778)
	<u>228,142</u>	<u>(5,915,992)</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	<u>-</u>	<u>(946,943)</u>
Fund Balances, Beginning of Year as previously reported	224,917	20,196,843
Restatements	-	(364,646)
Fund Balances, Beginning of Year, as restated	<u>224,917</u>	<u>19,832,197</u>
Fund Balances, End of Year	<u>\$ 224,917</u>	<u>\$ 18,885,254</u>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,957,461	\$ 2,957,461	\$ 3,074,091	\$ 116,630
Use of money and property	25,000	25,000	64,717	39,717
Total Revenues	2,982,461	2,982,461	3,138,808	156,347
Expenditures:				
Current:				
Public works	2,001,939	1,953,939	1,870,856	83,083
Total Expenditures:	2,001,939	1,953,939	1,870,856	83,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	980,522	1,028,522	1,267,952	239,430
Other Financing Sources				
Transfers out	(679,310)	(4,713,303)	(2,495,018)	2,218,285
Total Other Financing Sources (Uses):	(679,310)	(4,713,303)	(2,495,018)	2,218,285
Net Change in Fund Balances	301,212	(3,684,781)	(1,227,066)	2,457,715
Fund Balances, Beginning of Year	6,345,918	6,345,918	6,345,918	-
Restatements	-	-	(364,646)	-
Fund Balances, Beginning of the Year as restated	6,345,918	6,345,918	5,981,272	-
Fund Balances, End of Year	\$ 6,647,130	\$ 2,661,137	\$ 4,754,206	\$ 2,457,715

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
DRAINAGE CAPITAL OUTLAY
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 2,000,000	\$ 2,000,000	\$ 1,872,260	\$ (127,740)
Total Revenues	2,000,000	2,000,000	1,872,260	(127,740)
Expenditures:				
Current:				
Public works	535,860	535,860	495,531	40,329
Total Expenditures:	535,860	535,860	495,531	40,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,464,140	1,464,140	1,376,729	(87,411)
Other Financing Sources				
Transfers out	(2,549,010)	(4,391,016)	(819,905)	3,571,111
Total Other Financing Sources (Uses):	(2,549,010)	(4,391,016)	(819,905)	3,571,111
Net Change in Fund Balances	(1,084,870)	(2,926,876)	556,824	3,483,700
Fund Balances, Beginning of Year	3,107,752	3,107,752	3,107,752	-
Fund Balances, End of Year	\$ 2,022,882	\$ 180,876	\$ 3,664,576	\$ 3,483,700

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 400,000	\$ 400,000	\$ 372,571	\$ (27,429)
Total Revenues	400,000	400,000	372,571	(27,429)
Excess (Deficiency) of Revenues Over (Under) Expenditures	400,000	400,000	372,571	(27,429)
Other Financing Sources				
Transfers out	(400,000)	(400,000)	(382,101)	17,899
Total Other Financing Sources (Uses):	(400,000)	(400,000)	(382,101)	17,899
Net Change in Fund Balances	-	-	(9,530)	(9,530)
Fund Balances, Beginning of Year	37,299	37,299	37,299	-
Fund Balances, End of Year	\$ 37,299	\$ 37,299	\$ 27,769	\$ (9,530)

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
ASSET SEIZURE
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 166,747	\$ 36,747
Use of money and property	2,200	2,200	1,225	(975)
Total Revenues	132,200	132,200	167,972	35,772
Expenditures:				
Current:				
Public safety	172,090	300,644	269,867	30,777
Total Expenditures:	172,090	300,644	269,867	30,777
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,890)	(168,444)	(101,895)	66,549
Net Change in Fund Balances	(39,890)	(168,444)	(101,895)	66,549
Fund Balances, Beginning of Year	195,564	195,564	195,564	-
Fund Balances, End of Year	\$ 155,674	\$ 27,120	\$ 93,669	\$ 66,549

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
REFUSE COLLECTION
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 10,567,000	\$ 10,567,000	\$ 10,569,218	\$ 2,218
Total Revenues	10,567,000	10,567,000	10,569,218	2,218
Expenditures:				
Current:				
Refuse collection	10,344,860	10,344,860	10,182,640	162,220
Total Expenditures:	10,344,860	10,344,860	10,182,640	162,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	222,140	222,140	386,578	164,438
Other Financing Sources				
Transfers out	(40,000)	(40,000)	(10,000)	30,000
Total Other Financing Sources (Uses):	(40,000)	(40,000)	(10,000)	30,000
Net Change in Fund Balances	182,140	182,140	376,578	194,438
Fund Balances, Beginning of Year	584,615	584,615	584,615	-
Fund Balances, End of Year	\$ 766,755	\$ 766,755	\$ 961,193	\$ 194,438

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 176,000	\$ 363,558	\$ 179,703	\$ (183,855)
Use of money and property	2,000	2,000	3,657	1,657
Total Revenues	178,000	365,558	183,360	(182,198)
Expenditures:				
Current:				
Community development	114,200	178,291	74,514	103,777
Capital outlay	-	67,000	66,623	377
Total Expenditures:	114,200	245,291	141,137	104,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,800	120,267	42,223	(78,044)
Other Financing Sources				
Transfers out	(34,091)	(196,994)	(112,870)	84,124
Total Other Financing Sources (Uses):	(34,091)	(196,994)	(112,870)	84,124
Net Change in Fund Balances	29,709	(76,727)	(70,647)	6,080
Fund Balances, Beginning of Year	430,006	430,006	430,006	-
Fund Balances, End of Year	\$ 459,715	\$ 353,279	\$ 359,359	\$ 6,080

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
SANITATION
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 5,000,000	\$ 5,000,000	\$ 4,630,447	\$ (369,553)
Total Revenues	5,000,000	5,000,000	4,630,447	(369,553)
Expenditures:				
Current:				
General government	69,883	85,083	81,386	3,697
Public safety	93,017	97,034	96,916	118
Public works	4,955,602	4,955,602	4,648,694	306,908
Capital outlay	23,050	23,050	15,299	7,751
Total Expenditures:	5,141,552	5,160,769	4,842,295	318,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,552)	(160,769)	(211,848)	(51,079)
Other Financing Sources				
Transfers out	(8,950)	(414,514)	(14,031)	400,483
Total Other Financing Sources (Uses):	(8,950)	(414,514)	(14,031)	400,483
Net Change in Fund Balances	(150,502)	(575,283)	(225,879)	349,404
Fund Balances, Beginning of Year	5,827,142	5,827,142	5,827,142	-
Fund Balances, End of Year	\$ 5,676,640	\$ 5,251,859	\$ 5,601,263	\$ 349,404

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
MEASURE M2
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,204,680	\$ 2,238,249	\$ 2,277,367	\$ 39,118
Use of money and property	20,000	20,000	31,874	11,874
Total Revenues	2,224,680	2,258,249	2,309,241	50,992
Expenditures:				
Current:				
Parks and recreation	145,700	179,269	152,380	26,889
Public works	143,000	143,000	91,980	51,020
Total Expenditures:	288,700	322,269	244,360	77,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,935,980	1,935,980	2,064,881	128,901
Other Financing Sources				
Transfers out	(2,101,264)	(5,072,298)	(2,310,209)	2,762,089
Total Other Financing Sources (Uses):	(2,101,264)	(5,072,298)	(2,310,209)	2,762,089
Net Change in Fund Balances	(165,284)	(3,136,318)	(245,328)	2,890,990
Fund Balances, Beginning of Year	3,443,630	3,443,630	3,443,630	-
Fund Balances, End of Year	\$ 3,278,346	\$ 307,312	\$ 3,198,302	\$ 2,890,990

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,108,134	\$ 106,984,417	\$ 25,701,261	\$ (81,283,156)
Charges for services	187,100	312,509	120,672	(191,837)
Miscellaneous	340,000	399,302	178,402	(220,900)
Total Revenues	3,635,234	107,696,228	26,000,335	(81,695,893)
Expenditures:				
Capital outlay	16,885,225	139,352,607	36,735,487	102,617,120
Total Expenditures:	16,885,225	139,352,607	36,735,487	102,617,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,249,991)	(31,656,379)	(10,735,152)	20,921,227
Other Financing Sources				
Transfers in	13,630,635	29,134,301	8,078,402	(21,055,899)
Transfers out	(2,212)	(2,212)	(2,212)	-
Other debts issued	-	2,472,440	-	(2,472,440)
Total Other Financing Sources (Uses):	13,628,423	31,604,529	8,076,190	(23,528,339)
Net Change in Fund Balances	378,432	(51,850)	(2,658,962)	(2,607,112)
Fund Balances, Beginning of Year	(1,527,876)	(1,527,876)	(1,527,876)	-
Fund Balances, End of Year	\$ (1,149,444)	\$ (1,579,726)	\$ (4,186,838)	\$ (2,607,112)

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE RESERVE
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Debt service:				
Principal retirement	\$ 211,929	\$ 211,929	\$ 211,929	\$ -
Interest and fiscal charges	16,213	16,213	16,213	-
Total Expenditures:	228,142	228,142	228,142	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(228,142)	(228,142)	(228,142)	-
Other Financing Sources				
Transfers in	333,786	333,786	333,786	-
Transfers out	(105,644)	(105,644)	(105,644)	-
Total Other Financing Sources (Uses):	228,142	228,142	228,142	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	224,917	224,917	224,917	-
Fund Balances, End of Year	\$ 224,917	\$ 224,917	\$ 224,917	\$ -

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Totals
	Brea Dam Facilities Recreational	Parking Facilities	Compressed Natural Gas Facility	
Assets and Deferred Outflows:				
Assets:				
Current:				
Cash and investments	\$ 220,120	\$ 18,671	\$ 124,204	\$ 362,995
Receivables:				
Accounts receivable	32,360	-	2,308	34,668
Inventory	35,561	-	-	35,561
Other accrued revenue receivable	6,879	7,228	12,459	26,566
Restricted:				
Cash with fiscal agent	278,906	-	-	278,906
Total Current Position	573,826	25,899	138,971	738,696
Noncurrent:				
Capital assets - net of accumulated depreciation	3,097,116	541,789	-	3,638,905
Total Noncurrent Position	3,097,116	541,789	-	3,638,905
Total Assets	3,670,942	567,688	138,971	4,377,601
Deferred Outflows of Resources:				
Deferred pension related items	12,764	1,746	3,769	18,279
Total Deferred Outflows of Resources	12,764	1,746	3,769	18,279
Total Assets & Deferred Outflows of Resources	\$ 3,683,706	\$ 569,434	\$ 142,740	\$ 4,395,880
Liabilities, Deferred Inflows, and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 250,877	\$ 1,636	\$ 60,082	\$ 312,595
Accrued liabilities	7,822	629	2,472	10,923
Accrued interest	26,967	-	-	26,967
Unearned revenues	6,879	-	-	6,879
Accrued compensated absences	3,152	-	-	3,152
Bonds, notes, and capital leases	110,000	-	-	110,000
Total Current Liabilities	405,697	2,265	62,554	470,516
Noncurrent:				
Accrued compensated absences	788	-	-	788
Net pension liability	151,531	20,588	41,939	214,058
Bonds, notes, and capital leases	2,063,996	-	-	2,063,996
Total Noncurrent Liabilities	2,216,315	20,588	41,939	2,278,842
Total Liabilities	2,622,012	22,853	104,493	2,749,358
Deferred Inflows of Resources:				
Deferred pension related items	21,486	2,694	1,579	25,759
Total Deferred Inflows of Resources	21,486	2,694	1,579	25,759
Net Position:				
Net investment in capital assets	923,124	541,789	-	1,464,913
Restricted for debt service	278,902	-	-	278,902
Unrestricted	(161,818)	2,098	36,668	(123,052)
Total Net Position	1,040,208	543,887	36,668	1,620,763
Total Liabilities, Deferred Inflows of Resources, and Net Pension	\$ 3,683,706	\$ 569,434	\$ 142,740	\$ 4,395,880

CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			Totals
	Brea Dam Facilities Recreational	Parking Facilities	Compressed Natural Gas Facility	
Operating Revenues:				
Sales and service charges	\$ 2,918,373	\$ 16,678	\$ 552,217	\$ 3,487,268
Total Operating Revenues	2,918,373	16,678	552,217	3,487,268
Operating Expenses:				
Maintenance, operations, and administration	2,572,387	27,555	458,398	3,058,340
Depreciation expense	90,265	-	-	90,265
Total Operating Expenses	2,662,652	27,555	458,398	3,148,605
Operating Income (Loss)	255,721	(10,877)	93,819	338,663
Nonoperating Revenues (Expenses):				
Interest revenue	2,372	-	-	2,372
Interest expense	(101,364)	-	-	(101,364)
Total Nonoperating Revenues (Expenses)	(98,992)	-	-	(98,992)
Changes in Net Position	156,729	(10,877)	93,819	239,671
Net Position:				
Beginning of Year	883,479	554,764	(57,151)	1,381,092
End of Fiscal Year	\$ 1,040,208	\$ 543,887	\$ 36,668	\$ 1,620,763

CITY OF FULLERTON

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Brea Dam Facilities Recreational</u>	<u>Parking Facilities</u>	<u>Compressed Natural Gas Facility</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 2,907,570	\$ 16,678	\$ 549,909	\$ 3,474,157
Cash received from suppliers	110,684	581	22,586	133,851
Cash paid to employees for services	<u>(2,588,243)</u>	<u>(29,320)</u>	<u>(462,939)</u>	<u>(3,080,502)</u>
Net Cash Provided (Used) by Operating Activities	<u>430,011</u>	<u>(12,061)</u>	<u>109,556</u>	<u>527,506</u>
Cash Flows from Non-Capital Financing Activities:				
Repayment made to other funds	<u>(51,826)</u>	<u>-</u>	<u>-</u>	<u>(51,826)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(51,826)</u>	<u>-</u>	<u>-</u>	<u>(51,826)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(5,488)	(7,228)	(12,459)	(25,175)
Principal paid on capital debt	(102,517)	-	-	(102,517)
Interest paid on capital debt	<u>(102,477)</u>	<u>-</u>	<u>-</u>	<u>(102,477)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(210,482)</u>	<u>(7,228)</u>	<u>(12,459)</u>	<u>(230,169)</u>
Cash Flows from Investing Activities:				
Interest received	<u>2,372</u>	<u>-</u>	<u>-</u>	<u>2,372</u>
Net Cash Provided (Used) by Investing Activities	<u>2,372</u>	<u>-</u>	<u>-</u>	<u>2,372</u>
Net Increase (Decrease) in Cash and Cash Equivalents	170,075	(19,289)	97,097	247,883
Cash and Cash Equivalents at Beginning of Year	<u>328,951</u>	<u>37,960</u>	<u>27,107</u>	<u>394,018</u>
Cash and Cash Equivalents at End of Year	<u>\$ 499,026</u>	<u>\$ 18,671</u>	<u>\$ 124,204</u>	<u>\$ 641,901</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 255,721	\$ (10,877)	\$ 93,819	\$ 338,663
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	90,265	-	-	90,265
(Increase) decrease in accounts receivable	(13,404)	-	(2,308)	(15,712)
(Increase) decrease in other accrued revenue receivable	2,601	-	-	2,601
Increase (decrease) in accounts payable	103,805	581	22,586	126,972
Increase (decrease) in accrued liabilities	3,384	332	1,820	5,536
Increase (decrease) in unearned revenue	6,879	-	-	6,879
Increase (decrease) in compensated absences	(4,690)	-	-	(4,690)
Increase (decrease) in net pension liability	<u>(14,550)</u>	<u>(2,097)</u>	<u>(6,361)</u>	<u>(23,008)</u>
Total Adjustments	<u>174,290</u>	<u>(1,184)</u>	<u>15,737</u>	<u>188,843</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 430,011</u>	<u>\$ (12,061)</u>	<u>\$ 109,556</u>	<u>\$ 527,506</u>
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of bond premiums/(discounts)	\$ (2,483)	\$ -	\$ -	\$ (2,483)

CITY OF FULLERTON

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016**

	Governmental Activities - Internal Service Funds			
	Liability Insurance	Equipment Replacement	Workers' Comp	Group Insurance
Assets and Deferred Outflows:				
Assets:				
Current:				
Cash and investments	\$ 14,244,389	\$ 3,801,275	\$ 15,951,077	\$ 368,571
Receivables:				
Accounts receivable	-	25,250	-	-
Prepaid items	16,499	-	-	20,138
Inventory	-	-	-	-
Other accrued revenue receivable	21,514	6,499	27,366	-
Restricted:				
Cash with fiscal agent	8	-	-	-
Total Current Assets	14,282,410	3,833,024	15,978,443	388,709
Noncurrent:				
Capital assets - net of accumulated depreciation	-	6,160,015	-	-
Total Noncurrent Assets	-	6,160,015	-	-
Total Assets	14,282,410	9,993,039	15,978,443	388,709
Deferred Outflows of Resources:				
Deferred pension related items	19,280	-	22,958	31,536
Total Deferred Outflows of Resources	19,280	-	22,958	31,536
Total Assets & Deferred Outflows of Resources	\$ 14,301,690	\$ 9,993,039	\$ 16,001,401	\$ 420,245
Liabilities, Deferred Inflows, and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 24,522	\$ 95,967	\$ 7,944	\$ 62,368
Accrued liabilities	5,615	-	6,083	6,726
Accrued interest	77,391	12,917	-	-
Claims payable	1,405,217	-	2,090,551	-
Bonds, notes, and capital leases	275,000	171,995	-	-
Total Current Liabilities	1,787,745	280,879	2,104,578	69,094
Noncurrent:				
Net pension liability	219,953	-	266,209	378,048
Claims payable	7,847,783	-	13,559,449	-
Bonds, notes, and capital leases	6,131,842	809,842	-	-
Total Noncurrent Liabilities	14,199,578	809,842	13,825,658	378,048
Total Liabilities	15,987,323	1,090,721	15,930,236	447,142
Deferred Inflows of Resources:				
Deferred pension related items	17,286	-	27,866	59,293
Total Deferred Inflows of Resources	17,286	-	27,866	59,293
Net Position:				
Net investment in capital assets	-	5,178,178	-	-
Unrestricted	(1,702,919)	3,724,140	43,299	(86,190)
Total Net Position	(1,702,919)	8,902,318	43,299	(86,190)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,301,690	\$ 9,993,039	\$ 16,001,401	\$ 420,245

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

(CONTINUED)

	Governmental Activities - Internal Service Funds			
	Equipment Maintenance	Information Technology	Building Maintenance	Facility Capital Repair
Assets and Deferred Outflows:				
Assets:				
Current:				
Cash and investments	\$ 2,583,797	\$ 459,143	\$ 639,975	\$ 2,514,706
Receivables:				
Accounts receivable	13,635	-	200	-
Prepaid items	-	4,350	-	-
Inventory	193,056	-	-	-
Other accrued revenue receivable	552	-	-	3,823
Restricted:				
Cash with fiscal agent	-	-	-	-
Total Current Assets	2,791,040	463,493	640,175	2,518,529
Noncurrent:				
Capital assets - net of accumulated depreciation	151,961	1,992,002	99,603	144,187
Total Noncurrent Assets	151,961	1,992,002	99,603	144,187
Total Assets	2,943,001	2,455,495	739,778	2,662,716
Deferred Outflows of Resources:				
Deferred pension related items	102,073	89,527	93,119	-
Total Deferred Outflows of Resources	102,073	89,527	93,119	-
Total Assets & Deferred Outflows of Resources	\$ 3,045,074	\$ 2,545,022	\$ 832,897	\$ 2,662,716
Liabilities, Deferred Inflows, and Net Position:				
Liabilities:				
Current:				
Accounts payable	\$ 71,629	\$ 64,030	\$ 220,128	\$ 3,247
Accrued liabilities	27,094	21,777	23,039	-
Accrued interest	-	-	-	-
Claims payable	-	-	-	-
Bonds, notes, and capital leases	-	603,779	-	-
Total Current Liabilities	98,723	689,586	243,167	3,247
Noncurrent:				
Net pension liability	1,202,503	1,064,556	1,113,025	-
Claims payable	-	-	-	-
Bonds, notes, and capital leases	-	906,680	-	-
Total Noncurrent Liabilities	1,202,503	1,971,236	1,113,025	-
Total Liabilities	1,301,226	2,660,822	1,356,192	3,247
Deferred Inflows of Resources:				
Deferred pension related items	156,046	153,604	169,532	-
Total Deferred Inflows of Resources	156,046	153,604	169,532	-
Net Position:				
Net investment in capital assets	151,961	481,543	99,603	144,187
Unrestricted	1,435,841	(750,947)	(792,430)	2,515,282
Total Net Position	1,587,802	(269,404)	(692,827)	2,659,469
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,045,074	\$ 2,545,022	\$ 832,897	\$ 2,662,716

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	<u>Totals</u>
Assets and Deferred Outflows:	
Assets:	
Current:	
Cash and investments	\$ 40,562,933
Receivables:	
Accounts receivable	39,085
Prepaid items	40,987
Inventory	193,056
Other accrued revenue receivable	59,754
Restricted:	
Cash with fiscal agent	8
Total Current Assets	<u>40,895,823</u>
Noncurrent:	
Capital assets - net of accumulated depreciation	8,547,768
Total Noncurrent Assets	<u>8,547,768</u>
Total Assets	<u>49,443,591</u>
Deferred Outflows of Resources:	
Deferred pension related items	358,493
Total Deferred Outflows of Resources	<u>358,493</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 49,802,084</u>
Liabilities, Deferred Inflows, and Net Position:	
Liabilities:	
Current:	
Accounts payable	\$ 549,835
Accrued liabilities	90,334
Accrued interest	90,308
Claims payable	3,495,768
Bonds, notes, and capital leases	1,050,774
Total Current Liabilities	<u>5,277,019</u>
Noncurrent:	
Net pension liability	4,244,294
Claims payable	21,407,232
Bonds, notes, and capital leases	7,848,364
Total Noncurrent Liabilities	<u>33,499,890</u>
Total Liabilities	<u>38,776,909</u>
Deferred Inflows of Resources:	
Deferred pension related items	583,627
Total Deferred Inflows of Resources	<u>583,627</u>
Net Position:	
Net investment in capital assets	6,055,472
Unrestricted	4,386,076
Total Net Position	<u>10,441,548</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 49,802,084</u>

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CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Funds			
	Liability Insurance	Equipment Replacement	Workers' Comp	Group Insurance
Operating Revenues:				
Charges for services	\$ 624,930	\$ 1,535,978	\$ 717,105	\$ 332,565
Miscellaneous	1,220	67,896	270,107	-
Total Operating Revenues	626,150	1,603,874	987,212	332,565
Operating Expenses:				
Maintenance, operations and administration	-	30,000	-	-
Depreciation expense	-	808,665	-	-
Other operating expense	-	-	-	-
Total Operating Expenses	-	838,665	-	-
Operating Income (Loss)	626,150	765,209	987,212	332,565
Nonoperating Revenues (Expenses):				
Interest revenue	169,639	49,821	208,987	-
Interest expense	(320,918)	(26,637)	-	-
Gain (loss) on disposal of capital assets	-	(9,528)	-	-
Total Nonoperating Revenues (Expenses)	(151,279)	13,656	208,987	-
Income (Loss) Before Transfers	474,871	778,865	1,196,199	332,565
Capital grants and contributions	-	30,000	-	-
Transfers in	1,050,000	-	-	-
Transfers out	-	-	(1,050,000)	-
Changes in Net Position	1,524,871	808,865	146,199	332,565
Net Position:				
Beginning of Year	(3,227,790)	8,093,453	(102,900)	(418,755)
End of Fiscal Year	\$ (1,702,919)	\$ 8,902,318	\$ 43,299	\$ (86,190)

CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Governmental Activities - Internal Service Funds			
	Equipment Maintenance	Information Technology	Building Maintenance	Facility Capital Repair
Operating Revenues:				
Charges for services	\$ 840,169	\$ 1,574,714	\$ 18,924	\$ 517,940
Miscellaneous	46,126	240	-	-
Total Operating Revenues	886,295	1,574,954	18,924	517,940
Operating Expenses:				
Maintenance, operations and administration	-	-	-	-
Depreciation expense	28,723	192,037	7,706	10,883
Other operating expense	-	-	20	-
Total Operating Expenses	28,723	192,037	7,726	10,883
Operating Income (Loss)	857,572	1,382,917	11,198	507,057
Nonoperating Revenues (Expenses):				
Interest revenue	-	712	-	29,273
Interest expense	-	(27,907)	-	-
Gain (loss) on disposal of capital assets	-	(69,847)	-	-
Total Nonoperating Revenues (Expenses)	-	(97,042)	-	29,273
Income (Loss) Before Transfers	857,572	1,285,875	11,198	536,330
Capital grants and contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(289,971)
Changes in Net Position	857,572	1,285,875	11,198	246,359
Net Position:				
Beginning of Year	730,230	(1,555,279)	(704,025)	2,413,110
End of Fiscal Year	\$ 1,587,802	\$ (269,404)	\$ (692,827)	\$ 2,659,469

CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Totals</u>
Operating Revenues:	
Charges for services	\$ 6,162,325
Miscellaneous	385,589
	<u>6,547,914</u>
Total Operating Revenues	6,547,914
Operating Expenses:	
Maintenance, operations and administration	30,000
Depreciation expense	1,048,014
Other operating expense	20
	<u>1,078,034</u>
Total Operating Expenses	1,078,034
Operating Income (Loss)	<u>5,469,880</u>
Nonoperating Revenues (Expenses):	
Interest revenue	458,432
Interest expense	(375,462)
Gain (loss) on disposal of capital assets	(79,375)
	<u>3,595</u>
Total Nonoperating Revenues (Expenses)	3,595
Income (Loss) Before Transfers	5,473,475
Capital grants and contributions	30,000
Transfers in	1,050,000
Transfers out	(1,339,971)
	<u>5,213,504</u>
Changes in Net Position	5,213,504
Net Position:	
Beginning of Year	<u>5,228,044</u>
End of Fiscal Year	\$ 10,441,548

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CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Funds			
	Liability Insurance	Equipment Replacement	Workers' Comp	Group Insurance
Cash Flows from Operating Activities:				
Cash received from interfund services provided	\$ 628,982	\$ 1,584,234	\$ 987,212	\$ 332,565
Cash paid to suppliers	(1,346)	-	-	-
Cash received from suppliers	-	53,708	5,615	14,494
Cash paid to employee services	(28,546)	-	(28,907)	(30,880)
Cash paid to insurance claims	(448,000)	-	-	-
Cash recovered from insurance claims	-	-	544,000	-
Net Cash Provided (Used) by Operating Activities	151,090	1,637,942	1,507,920	316,179
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	1,050,000	-	-	-
Cash transfers out	-	-	(1,050,000)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,050,000	-	(1,050,000)	-
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	-	30,000	-	-
Acquisition and construction of capital assets	-	(1,413,660)	-	-
Principal paid on capital debt	(270,000)	(350,900)	-	-
Interest paid on capital debt	(319,182)	(29,069)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(589,182)	(1,763,629)	-	-
Cash Flows from Investing Activities:				
Interest earned on investments	158,690	47,012	198,505	-
Net Cash Provided (Used) by Investing Activities	158,690	47,012	198,505	-
Net Increase (Decrease) in Cash and Cash Equivalents	770,598	(78,675)	656,425	316,179
Cash and Cash Equivalents at Beginning of Year	13,473,799	3,879,950	15,294,652	52,392
Cash and Cash Equivalents at End of Year	\$ 14,244,397	\$ 3,801,275	\$ 15,951,077	\$ 368,571
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 626,150	\$ 765,209	\$ 987,212	\$ 332,565
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	-	808,665	-	-
(Increase) decrease in accounts receivable	-	(19,640)	-	-
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid expense	(12,999)	28,445	-	(20,138)
Increase (decrease) in accounts payable	11,653	55,263	5,615	34,632
Increase (decrease) in accrued liabilities	2,832	-	1,932	2,381
Increase (decrease) in claims and judgments	(448,000)	-	544,000	-
Increase (decrease) in net pension liability	(28,546)	-	(30,839)	(33,261)
Total Adjustments	(475,060)	872,733	520,708	(16,386)
Net Cash Provided (Used) by Operating Activities	\$ 151,090	\$ 1,637,942	\$ 1,507,920	\$ 316,179
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of bond premiums/discounts	\$ 2,833	\$ -	\$ -	\$ -
Capital Lease	-	301,705	-	-
Loss on disposals	-	(9,528)	-	-

CITY OF FULLERTON

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

(CONTINUED)

	Governmental Activities - Internal Service Funds			
	Equipment Maintenance	Information Technology	Building Maintenance	Facility Capital Repair
Cash Flows from Operating Activities:				
Cash received from interfund services provided	\$ 875,184	\$ 1,574,954	\$ 18,724	\$ 517,940
Cash paid to suppliers	(12,396)	(652,468)		-
Cash received from suppliers	-	-	118,949	67
Cash paid to employee services	(112,298)	(92,374)	(92,331)	-
Cash paid to insurance claims	-	-	-	-
Cash recovered from insurance claims	-	-	-	-
Net Cash Provided (Used) by Operating Activities	750,490	830,112	45,342	518,007
Cash Flows from Non-Capital Financing Activities:				
Cash transfers in	-	-	-	-
Cash transfers out	-	-	-	(289,971)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-	(289,971)
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	-	-	-	-
Acquisition and construction of capital assets	-	(972,120)	-	(22,262)
Principal paid on capital debt	-	(708,245)	-	-
Interest paid on capital debt	-	(27,907)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,708,272)	-	(22,262)
Cash Flows from Investing Activities:				
Interest earned on investments	(551)	712	-	27,650
Net Cash Provided (Used) by Investing Activities	(551)	712	-	27,650
Net Increase (Decrease) in Cash and Cash Equivalents	749,939	(877,448)	45,342	233,424
Cash and Cash Equivalents at Beginning of Year	1,833,858	1,336,591	594,633	2,281,282
Cash and Cash Equivalents at End of Year	\$ 2,583,797	\$ 459,143	\$ 639,975	\$ 2,514,706
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 857,572	\$ 1,382,917	\$ 11,198	\$ 507,057
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	28,723	192,037	7,706	10,883
(Increase) decrease in accounts receivable	(11,111)	-	(200)	-
(Increase) decrease in inventory	(612)	-	-	-
(Increase) decrease in prepaid expense	-	32,117	-	-
Increase (decrease) in accounts payable	(11,784)	(684,585)	118,969	67
Increase (decrease) in accrued liabilities	10,890	8,424	8,283	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in net pension liability	(123,188)	(100,798)	(100,614)	-
Total Adjustments	(107,082)	(552,805)	34,144	10,950
Net Cash Provided (Used) by Operating Activities	\$ 750,490	\$ 830,112	\$ 45,342	\$ 518,007
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of bond premiums/discounts	\$ -	\$ -	\$ -	\$ -
Capital Lease	-	-	-	-
Loss on disposals	-	(69,847)	-	-

CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Totals</u>
Cash Flows from Operating Activities:	
Cash received from interfund services provided	\$ 6,519,795
Cash paid to suppliers	(666,210)
Cash received from suppliers	192,833
Cash paid to employee services	(385,336)
Cash paid to insurance claims	(448,000)
Cash recovered from insurance claims	544,000
	<hr/>
Net Cash Provided (Used) by Operating Activities	5,757,082
	<hr/>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	1,050,000
Cash transfers out	(1,339,971)
	<hr/>
Net Cash Provided (Used) by Non-Capital Financing Activities	(289,971)
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Capital grants and contributions	30,000
Acquisition and construction of capital assets	(2,408,042)
Principal paid on capital debt	(1,329,145)
Interest paid on capital debt	(376,158)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,083,345)
	<hr/>
Cash Flows from Investing Activities:	
Interest earned on investments	432,018
	<hr/>
Net Cash Provided (Used) by Investing Activities	432,018
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	1,815,784
Cash and Cash Equivalents at Beginning of Year	38,747,157
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 40,562,941
	<hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 5,469,880
	<hr/>
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:	
Depreciation	1,048,014
(Increase) decrease in accounts receivable	(30,951)
(Increase) decrease in inventory	(612)
(Increase) decrease in prepaid expense	27,425
Increase (decrease) in accounts payable	(470,170)
Increase (decrease) in accrued liabilities	34,742
Increase (decrease) in claims and judgments	96,000
Increase (decrease) in net pension liability	(417,246)
	<hr/>
Total Adjustments	287,202
Net Cash Provided (Used) by Operating Activities	\$ 5,757,082
	<hr/>
Non-Cash Investing, Capital, and Financing Activities:	
Amortization of bond premiums/discounts	\$ 2,833
Capital Lease	301,705
Loss on disposals	(79,375)

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2016

	<u>Deposits Contributions</u>	<u>Community Facilities Districts</u>	<u>Assessment Districts</u>	<u>Totals</u>
Assets:				
Pooled cash and investments	\$ 672,486	\$ 35,019	\$ 364,280	\$ 1,071,785
Receivables:				
Other accrued revenue	7	-	-	7
Restricted assets:				
Cash and investments with fiscal agents	37,762	-	-	37,762
Total Assets	<u>\$ 710,255</u>	<u>\$ 35,019</u>	<u>\$ 364,280</u>	<u>\$ 1,109,554</u>
Liabilities:				
Accounts payable	\$ 36,955	\$ -	\$ -	\$ 36,955
Deposits payable	673,300	35,019	364,280	1,072,599
Total Liabilities	<u>\$ 710,255</u>	<u>\$ 35,019</u>	<u>\$ 364,280</u>	<u>\$ 1,109,554</u>

CITY OF FULLERTON

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2016</u>
<u>Deposits Contributions</u>				
Assets:				
Pooled cash and investments	\$ 1,187,311	\$ 541,664	\$ 1,056,489	\$ 672,486
Receivables:				
Other accrued revenue	4	6	3	7
Restricted assets:				
Cash and investments with fiscal agents	32,923	38,500	33,661	37,762
Total Assets	<u>\$ 1,220,238</u>	<u>\$ 580,170</u>	<u>\$ 1,090,153</u>	<u>\$ 710,255</u>
Liabilities:				
Accounts payable	\$ 101,642	\$ 682,246	\$ 746,933	\$ 36,955
Deposits payable	1,118,596	568,073	1,013,369	673,300
Total Liabilities	<u>\$ 1,220,238</u>	<u>\$ 1,250,319</u>	<u>\$ 1,760,302</u>	<u>\$ 710,255</u>
<u>Community Facilities Districts</u>				
Assets:				
Pooled cash and investments	\$ 11,749	\$ 1,726,170	\$ 1,702,900	\$ 35,019
Total Assets	<u>\$ 11,749</u>	<u>\$ 1,726,170</u>	<u>\$ 1,702,900</u>	<u>\$ 35,019</u>
Liabilities:				
Accounts payable	\$ -	\$ 1,702,901	\$ 1,702,901	\$ -
Deposits payable	11,749	1,726,197	1,702,927	35,019
Total Liabilities	<u>\$ 11,749</u>	<u>\$ 3,429,098</u>	<u>\$ 3,405,828</u>	<u>\$ 35,019</u>
<u>Assessment Districts</u>				
Assets:				
Pooled cash and investments	\$ 604,089	\$ 1,737	\$ 241,546	\$ 364,280
Total Assets	<u>\$ 604,089</u>	<u>\$ 1,737</u>	<u>\$ 241,546</u>	<u>\$ 364,280</u>
Liabilities:				
Accounts payable	\$ -	\$ 241,546	\$ 241,546	\$ -
Deposits payable	604,089	1,737	241,546	364,280
Total Liabilities	<u>\$ 604,089</u>	<u>\$ 243,283</u>	<u>\$ 483,092</u>	<u>\$ 364,280</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 1,803,149	\$ 2,269,571	\$ 3,000,935	\$ 1,071,785
Receivables:				
Other accrued revenue	4	6	3	7
Restricted assets:				
Cash and investments with fiscal agents	32,923	38,500	33,661	37,762
Total Assets	<u>\$ 1,836,076</u>	<u>\$ 2,308,077</u>	<u>\$ 3,034,599</u>	<u>\$ 1,109,554</u>
Liabilities:				
Accounts payable	\$ 101,642	\$ 923,792	\$ 988,479	\$ 36,955
Deposits payable	1,734,434	2,296,007	2,957,842	1,072,599
Total Liabilities	<u>\$ 1,836,076</u>	<u>\$ 3,219,799</u>	<u>\$ 3,946,321</u>	<u>\$ 1,109,554</u>

Statistical Section

This part of the City of Fullerton’s comprehensive annual financial report presents detailed information as a context for understanding what the information says about the government’s overall financial health.

Contents	Page
Financial Trends.....	132
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	142
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	146
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information.....	154
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	156
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the City’s Comprehensive Annual Financial Report for the relevant year.

City of Fullerton
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Governmental activities					
Net investment in capital assets	\$ 165,525	\$ 168,275	\$ 192,325	\$ 204,585	\$ 209,514
Restricted	76,314	92,232	94,412	83,982	143,490
Unrestricted	38,098	37,225	36,148	6,819	(40,874)
Total governmental activities net position	<u>\$ 279,937</u>	<u>\$ 297,732</u>	<u>\$ 322,885</u>	<u>\$ 295,386</u>	<u>\$ 312,130</u>
Business-type activities					
Net investment in capital assets	\$ 39,579	\$ 46,691	\$ 62,005	\$ 66,360	\$ 70,145
Restricted	-	-	-	-	-
Unrestricted	21,013	21,255	13,156	14,318	18,458
Total business-type activities net position	<u>\$ 60,592</u>	<u>\$ 67,946</u>	<u>\$ 75,161</u>	<u>\$ 80,678</u>	<u>\$ 88,603</u>
Primary government					
Net investment in capital assets	\$ 205,104	\$ 214,966	\$ 254,330	\$ 270,944	\$ 279,659
Restricted	76,314	92,232	94,412	83,982	143,490
Unrestricted	59,111	58,480	49,304	21,138	(22,416)
Total primary government net position	<u>\$ 340,529</u>	<u>\$ 365,678</u>	<u>\$ 398,046</u>	<u>\$ 376,064</u>	<u>\$ 400,733</u>

City of Fullerton
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

Fiscal Year				
2011-12	2012-13	2013-14	2014-15	2015-16
\$ 294,379	\$ 302,377	\$ 306,424	\$ 343,504	\$ 384,032
31,905	31,113	30,585	28,620	26,427
24,408	22,850	33,585	(128,432)	(122,478)
<u>\$ 350,692</u>	<u>\$ 356,340</u>	<u>\$ 370,594</u>	<u>\$ 243,692</u>	<u>\$ 287,981</u>
\$ 72,728	\$ 77,139	\$ 80,109	\$ 87,838	\$ 93,508
1,125	885	556	308	279
20,486	20,826	24,948	10,579	11,119
<u>\$ 94,339</u>	<u>\$ 98,850</u>	<u>\$ 105,613</u>	<u>\$ 98,725</u>	<u>\$ 104,906</u>
\$ 367,107	\$ 379,516	\$ 386,533	\$ 431,342	\$ 477,540
33,030	319,998	31,141	28,928	26,706
44,894	43,676	58,533	(117,853)	(111,359)
<u>\$ 445,031</u>	<u>\$ 743,190</u>	<u>\$ 476,207</u>	<u>\$ 342,417</u>	<u>\$ 392,887</u>

City of Fullerton
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Expenses					
Governmental activities:					
General government	\$ 5,855	\$ 8,180	\$ 5,756	\$ 20,233	\$ 4,584
Public safety	51,127	53,237	56,805	53,312	51,050
Public works	25,652	34,965	24,832	25,606	17,738
Community development	6,022	8,000	9,394	27,929	18,796
Human and leisure	8,905	4,113	9,852	8,838	7,869
Refuse collection	9,283	9,545	9,656	9,095	9,593
Interest on long-term debt	6,673	6,837	5,898	5,825	5,878
Total governmental activities net expenses	<u>113,517</u>	<u>124,877</u>	<u>122,193</u>	<u>150,838</u>	<u>115,508</u>
Business-type activities:					
Water utility	22,246	22,743	24,966	25,082	25,281
Airport	2,047	1,342	1,500	1,399	1,242
Parking facilities	13	21	17	24	26
Brea Dam recreational facilities	908	1,009	920	1,008	1,962
Compressed Natural Gas facility	-	-	-	-	-
Sewer enterprise	1,379	2,088	3,186	2,358	2,713
Total business-type activities net expenses	<u>26,593</u>	<u>27,203</u>	<u>30,589</u>	<u>29,871</u>	<u>31,224</u>
Total primary government expenses	<u>\$ 140,110</u>	<u>\$ 152,080</u>	<u>\$ 152,782</u>	<u>\$ 180,709</u>	<u>\$ 146,732</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,604	\$ 2,754	\$ 5,495	\$ 1,692	\$ 917
Public safety	6,666	7,816	7,584	6,775	5,465
Public works	6,397	6,818	6,958	6,685	6,513
Community development	3,006	2,729	1,551	1,446	6,317
Human and leisure	1,297	4,270	1,567	1,852	1,323
Refuse collection	9,397	9,518	9,695	9,381	9,911
Operating grants and contributions	9,123	9,003	5,985	8,799	7,683
Capital grants and contributions	11,900	14,675	24,211	7,522	16,300
Total governmental activities program revenues	<u>50,390</u>	<u>57,583</u>	<u>63,046</u>	<u>44,152</u>	<u>54,429</u>

City of Fullerton
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (in Thousands)

Fiscal Year				
2011-12	2012-13	2013-14	2014-15	2015-16
\$ 13,682	\$ 11,135	\$ 3,607	\$ 4,983	\$ 1,799
52,838	52,627	54,469	55,089	57,569
15,470	20,571	17,039	18,598	23,129
7,989	7,975	8,074	8,583	5,539
9,098	9,729	10,661	11,110	11,741
9,941	9,964	10,011	10,077	10,181
4,274	259	533	554	431
<u>113,292</u>	<u>112,260</u>	<u>104,394</u>	<u>108,994</u>	<u>110,389</u>
25,349	24,892	27,929	26,929	24,991
1,510	1,396	1,517	1,445	1,492
19	25	51	29	28
3,540	2,983	2,899	2,745	2,764
-	65	412	522	458
2,467	3,886	2,384	3,375	3,076
<u>32,885</u>	<u>33,247</u>	<u>35,192</u>	<u>35,045</u>	<u>32,809</u>
<u>\$ 146,177</u>	<u>\$ 145,507</u>	<u>\$ 139,586</u>	<u>\$ 144,039</u>	<u>\$ 143,198</u>
\$ 771	\$ 429	\$ 547	\$ 1,553	\$ 820
5,320	4,823	5,140	5,066	5,035
6,824	7,259	7,723	7,691	7,300
3,012	3,681	4,529	4,085	3,810
4,867	1,468	3,288	8,400	1,547
10,432	10,170	10,255	10,449	10,569
9,675	8,033	8,990	8,820	8,473
24,087	16,206	35,283	39,543	29,053
<u>64,988</u>	<u>52,069</u>	<u>75,755</u>	<u>85,607</u>	<u>66,607</u>

City of Fullerton
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
Business-type activities:					
Charges for services:					
Water utility	24,350	23,953	25,130	25,859	26,174
Airport	1,496	1,541	1,643	1,605	1,723
Parking facilities	78	28	35	37	32
Brea Dam recreational facilities	805	613	846	842	1,801
Compressed Natural Gas facility	-	-	-	-	-
Sewer enterprise	9,005	7,627	7,245	6,594	6,348
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	3,129	876	3,003	551	153
Total business-type activities program revenues	<u>38,863</u>	<u>34,638</u>	<u>37,902</u>	<u>35,488</u>	<u>36,231</u>
Primary government program revenues	<u>\$ 89,253</u>	<u>\$ 92,221</u>	<u>\$ 100,948</u>	<u>\$ 79,640</u>	<u>\$ 90,660</u>
Net (Expense)/Revenue					
Governmental activities	\$ (63,126)	\$ (67,294)	\$ (59,147)	\$ (106,686)	\$ (61,079)
Business-type activities	12,270	7,435	7,313	5,618	5,007
Total primary government net expense	<u>\$ (50,856)</u>	<u>\$ (59,859)</u>	<u>\$ (51,834)</u>	<u>\$ (101,068)</u>	<u>\$ (56,072)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes	\$ 45,618	\$ 49,117	\$ 50,530	\$ 50,642	\$ 49,167
Sales taxes	18,665	18,600	17,156	15,269	17,176
Franchise fees	5,438	5,568	6,268	5,864	6,010
Unrestricted motor vehicle in-lieu taxes	770	625	482	418	633
Unrestricted investment earnings	2,486	2,552	1,481	318	-
Use of money and property	-	-	-	-	2,965
Miscellaneous	10,612	8,546	8,284	6,575	3,341
Transfers	13	81	98	101	(2,358)
Extraordinary item	-	-	-	-	-
Total governmental activities	<u>83,602</u>	<u>85,089</u>	<u>84,299</u>	<u>79,187</u>	<u>76,934</u>
Business-type activities:					
Property taxes	-	-	-	-	-
Use of money and property	-	-	-	-	26
Miscellaneous	-	-	-	-	533
Transfers	(13)	(81)	(98)	(101)	2,358
Total business-type activities	<u>(13)</u>	<u>(81)</u>	<u>(98)</u>	<u>(101)</u>	<u>2,917</u>
Total primary government	<u>\$ 83,589</u>	<u>\$ 85,008</u>	<u>\$ 84,201</u>	<u>\$ 79,086</u>	<u>\$ 79,851</u>
Change in Net Position					
Governmental activities	\$ 20,476	\$ 17,796	\$ 25,152	\$ (27,499)	\$ 15,855
Business-type activities	12,257	7,354	7,216	5,517	7,924
Total primary government	<u>\$ 32,733</u>	<u>\$ 25,150</u>	<u>\$ 32,368</u>	<u>\$ (21,982)</u>	<u>\$ 23,779</u>

City of Fullerton
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(in Thousands)

Fiscal Year				
2011-12	2012-13	2013-14	2014-15	2015-16
26,685	25,524	29,454	28,715	27,041
1,695	1,660	1,643	1,650	1,885
28	25	-	-	17
2,812	2,996	3,017	3,083	2,918
-	95	510	385	552
6,508	6,770	6,799	6,418	5,844
-	-	-	-	-
555	520	79	457	420
<u>38,283</u>	<u>37,590</u>	<u>41,502</u>	<u>40,708</u>	<u>38,677</u>
<u>\$ 103,271</u>	<u>\$ 89,659</u>	<u>\$ 117,257</u>	<u>\$ 126,315</u>	<u>\$ 105,284</u>
\$ (48,304)	\$ (60,192)	\$ (28,638)	\$ (23,387)	\$ (43,783)
5,398	4,344	6,309	5,663	5,869
<u>\$ (42,906)</u>	<u>\$ (55,848)</u>	<u>\$ (22,329)</u>	<u>\$ (17,724)</u>	<u>\$ (37,914)</u>
\$ 41,413	\$ 37,226	\$ 32,950	\$ 35,723	\$ 37,840
18,876	19,704	20,582	20,643	23,000
5,754	3,929	3,971	4,392	4,383
69	130	-	57	57
-	-	-	-	-
2,360	1,676	3,636	3,858	4,615
3,747	4,189	4,283	4,699	4,823
(14)	(34)	(36)	(36)	(36)
14,802	(980)	(22,359)	-	13,667
<u>87,007</u>	<u>65,840</u>	<u>43,027</u>	<u>69,336</u>	<u>88,349</u>
118	63	93	105	104
24	43	80	39	41
182	213	244	366	132
14	34	36	36	36
<u>338</u>	<u>353</u>	<u>453</u>	<u>546</u>	<u>313</u>
<u>\$ 87,345</u>	<u>\$ 66,193</u>	<u>\$ 43,480</u>	<u>\$ 69,882</u>	<u>\$ 88,662</u>
\$ 38,702	\$ 5,648	\$ 14,388	\$ 45,948	\$ 44,566
5,736	4,697	6,763	6,210	6,182
<u>\$ 44,438</u>	<u>\$ 10,345</u>	<u>\$ 21,151</u>	<u>\$ 52,158</u>	<u>\$ 50,748</u>

City of Fullerton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in Thousands)

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
General Fund					
Reserved	\$ 1,499	\$ 923	\$ 1,030	\$ 300	\$ -
Unreserved	33,813	35,828	35,586	8,913	-
Nonspendable	-	-	-	-	138
Committed	-	-	-	-	-
Unassigned	-	-	-	-	10,862
Total general fund	<u>\$ 35,312</u>	<u>\$ 36,751</u>	<u>\$ 36,616</u>	<u>\$ 9,213</u>	<u>\$ 11,000</u>
All Other Governmental Funds					
Reserved	\$ 33,783	\$ 41,177	\$ 39,939	\$ 38,960	\$ -
Unreserved, reported in:					
Special revenue funds	22,492	21,186	23,028	27,830	-
Capital projects funds	82,370	84,735	87,326	67,480	-
Debt service funds	17,854	16,842	14,963	7,881	-
Nonspendable					
Special revenue funds	-	-	-	-	18,341
Capital projects funds	-	-	-	-	8,736
Other governmental funds	-	-	-	-	12
Restricted					
Special revenue funds	-	-	-	-	37,327
Capital projects funds	-	-	-	-	56,111
Debt service funds	-	-	-	-	11,034
Other governmental funds	-	-	-	-	11,940
Committed					
Special revenue funds	-	-	-	-	-
Other governmental funds	-	-	-	-	12,754
Assigned					
Capital projects funds	-	-	-	-	1,753
Unassigned					
Special revenue funds	-	-	-	-	(213)
Capital projects funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 156,499</u>	<u>\$ 163,940</u>	<u>\$ 165,256</u>	<u>\$ 142,151</u>	<u>\$ 157,795</u>

Beginning in 2011, the City started reporting fund balance in conformity with GASB Statement 54, which changed how fund balance is classified.

City of Fullerton
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in Thousands)

Fiscal Year				
2011-12	2012-13	2013-14	2014-15	2015-16
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
43	20	11	13	11
-	7,422	7,679	7,967	8,743
9,551	8,164	7,888	9,231	6,139
<u>\$ 9,594</u>	<u>\$ 15,606</u>	<u>\$ 15,578</u>	<u>\$ 17,211</u>	<u>\$ 14,893</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
11,703	18,047	17,821	-	-
4	-	-	-	-
-	-	-	-	-
6,464	54	147	17,943	17,769
-	-	-	-	-
-	-	-	-	-
11,443	10,960	10,361	10,677	8,658
-	-	-	-	-
12,831	11,320	13,849	12,209	10,681
-	-	-	9,520	10,227
-	-	-	-	-
(170)	(197)	(237)	(97)	(39)
(4,400)	(1,350)	(18,281)	(1,528)	(4,187)
<u>\$ 37,875</u>	<u>\$ 38,834</u>	<u>\$ 23,660</u>	<u>\$ 48,724</u>	<u>\$ 43,109</u>

City of Fullerton
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in Thousands)

	Fiscal Years				
	2006-07	2007-08	2008-09	2009-10	2010-11
Revenues					
Taxes	\$ 68,991	\$ 72,135	\$ 71,603	\$ 69,646	\$ 69,564
Franchise fees	3,150	3,290	3,879	5,864	6,010
Licenses and permits	1,799	1,998	1,452	1,393	1,607
Fines and forfeitures	3,100	3,619	3,475	2,901	2,665
Investment income	9,229	9,430	6,728	1,952	2,751
Intergovernmental	12,220	15,078	25,330	14,651	19,826
Charges for services	22,296	25,228	21,959	21,450	22,618
Payments in lieu of taxes	2,288	2,278	2,389	-	-
Other	7,108	6,710	10,121	6,027	622
Total revenues	<u>130,181</u>	<u>139,766</u>	<u>146,936</u>	<u>123,884</u>	<u>125,663</u>
Expenditures					
Current					
General government	5,557	6,590	4,505	4,138	3,590
Public safety	51,149	54,526	55,795	52,272	50,152
Public works	11,342	13,431	13,466	12,293	16,684
Community development	5,326	8,783	7,192	19,525	10,222
Human and leisure	8,288	8,894	9,057	8,318	7,493
Refuse collection	9,283	9,545	9,657	9,095	9,594
Debt service					
Principal retired	5,195	5,221	5,551	6,803	6,992
Interest and fiscal charges	6,613	6,613	6,230	5,803	6,071
ERAF/SERAF payments	-	-	-	6,671	-
Developer reimbursements	69	28	21	-	-
Pass through payment to taxing agencies	477	977	2,449	1,344	1,199
Capital outlay	24,671	20,259	31,930	26,751	24,117
Total expenditures	<u>127,970</u>	<u>134,867</u>	<u>145,853</u>	<u>153,013</u>	<u>136,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,211</u>	<u>4,899</u>	<u>1,083</u>	<u>(29,129)</u>	<u>(10,451)</u>
Other Financing Sources (Uses)					
Proceeds from long-term debt	-	-	-	-	-
Contributions from the Successor Agency	-	-	-	-	-
Bonds issued	-	-	-	-	30,577
Capital -related debt issued	-	3,900	-	-	-
Bond premium	-	-	-	-	49
Proceeds from sale of capital asset	-	-	-	-	6
SERAF payment	-	-	-	-	(1,373)
Transfers in	32,160	33,392	32,693	31,804	18,006
Transfers out	(32,147)	(33,311)	(32,595)	(53,184)	(19,588)
Total other financing sources (uses)	<u>13</u>	<u>3,981</u>	<u>98</u>	<u>(21,380)</u>	<u>27,677</u>
Extraordinary loss on dissolution of RDA	-	-	-	-	-
Net change in fund balances	2,224	8,880	1,181	(50,509)	17,226
Fund balances - July 1	189,587	191,811	200,691	201,872	151,364
Restatements	-	-	-	-	205
Fund balances - June 30	<u>\$ 191,811</u>	<u>\$ 200,691</u>	<u>\$ 201,872</u>	<u>\$ 151,363</u>	<u>\$ 168,795</u>
Debt service as a percentage of noncapital expenditures	11.12%	10.72%	12.41%	15.62%	12.75%

City of Fullerton
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (in Thousands)

Fiscal Years						
2011-12	2012-13	2013-14	2014-15	2015-16		
\$ 63,772	\$ 60,696	\$ 57,394	\$ 60,558	\$ 65,275		
5,754	3,929	3,971	4,392	4,383		
1,608	1,434	1,766	2,283	1,877		
2,156	1,686	1,586	1,751	1,628		
2,189	1,711	3,430	3,595	4,156		
21,232	22,386	24,948	68,498	34,616		
26,226	23,447	27,237	31,870	24,449		
-	-	-	-	-		
1,693	2,066	1,448	1,284	948		
<u>124,630</u>	<u>117,355</u>	<u>121,780</u>	<u>174,231</u>	<u>137,332</u>		
3,959	6,572	4,577	5,396	5,197		
52,023	51,546	53,909	55,877	61,631		
11,638	11,929	12,935	13,209	14,337		
5,499	4,315	4,661	4,982	5,746		
7,951	8,545	9,205	9,400	10,047		
9,940	9,964	10,011	10,078	10,183		
4,766	813	753	764	712		
3,494	255	217	180	103		
-	-	-	-	-		
-	-	-	-	-		
42,143	18,805	39,276	47,912	37,338		
<u>141,413</u>	<u>112,744</u>	<u>135,544</u>	<u>147,798</u>	<u>145,294</u>		
<u>(16,783)</u>	<u>4,611</u>	<u>(13,764)</u>	<u>26,433</u>	<u>(7,962)</u>		
-	-	-	-	-		
-	195	-	-	-		
-	-	-	-	-		
-	-	-	-	-		
4	6	7	12	53		
-	-	-	-	-		
14,233	11,415	6,845	6,292	8,992		
(13,876)	(8,276)	(8,155)	(6,040)	(8,739)		
361	3,340	(1,303)	264	306		
<u>(104,537)</u>	<u>(980)</u>	<u>-</u>	<u>-</u>	<u>-</u>		
(120,959)	6,971	(15,067)	26,697	(7,656)		
168,795	47,469	54,440	39,238	65,935		
(367)	-	(135)	-	(277)		
<u>\$ 47,469</u>	<u>\$ 54,440</u>	<u>\$ 39,238</u>	<u>\$ 65,935</u>	<u>\$ 58,002</u>		
8.28%	1.10%	1.00%	0.92%	0.75%		

City of Fullerton
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (in Thousands)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other* Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2006-07	\$ 9,946,674	\$ 1,558,354	\$ 1,189,537	\$ 51,727	\$ 429,091	\$ 12,746,292	1.0530
2007-08	10,736,588	1,675,023	1,251,271	54,559	454,501	13,717,441	1.0529
2008-09	11,011,165	1,823,636	1,357,540	6,999	497,793	14,199,340	1.0532
2009-10	10,169,958	1,654,131	1,581,580	32,509	519,095	13,438,178	1.0575
2010-11	10,731,321	1,630,594	1,386,303	5,544	-	13,753,762	1.0604
2011-12	10,983,044	1,619,002	1,316,810	6,275	-	13,925,131	1.0545
2012-13	11,097,680	1,639,211	1,338,964	6,246	-	14,082,101	1.0614
2013-14	11,479,863	1,694,648	1,381,108	6,368	-	14,561,987	1.0568
2014-15	12,261,966	1,744,831	1,395,924	6,320	-	15,409,041	1.0543
2015-16	13,055,598	1,778,875	1,474,548	6,443	-	16,315,464	1.0649

*Other property includes water, mineral rights, rural, extensions, and unique miscellaneous. Values have changed due to reclassification.

Source: Orange County Assessor

City of Fullerton
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rate	Overlapping Rates							
		Fullerton Schools	Anaheim Schools	Brea Olinda Schools	Buena Park Schools	La Habra Schools	N. OC Community College	Placentia Yorba Linda Schools	Metro Water District
2006-07	1.0000	0.03854		0.02183	0.01495		0.01444	0.02650	0.00470
2007-08	1.0000	0.03788	0.06060	0.02241	0.01743	0.01916	0.01502	0.02950	0.00450
2008-09	1.0000	0.03831	0.04611	0.02270	0.01444	0.01936	0.01493	0.04764	0.00430
2009-10	1.0000	0.04085	0.05810	0.02285	0.01768	0.02168	0.01662	0.06166	0.00430
2010-11	1.0000	0.04280	0.06108	0.02426	0.01851	0.02301	0.01758	0.05804	0.00370
2011-12	1.0000	0.03710	0.08049	0.02367	0.01851	0.02320	0.01742	0.05846	0.00370
2012-13	1.0000	0.04239	0.08240	0.02365	0.01809	0.02644	0.01902	0.06203	0.00350
2013-14	1.0000	0.03971	0.08468	0.02470	0.01662	0.02746	0.01704	0.06525	0.00350
2014-15	1.0000	0.03721	0.05279	0.02528	0.04793	0.02612	0.01704	0.05822	0.00350
2015-16	1.0000	0.03447	0.09175	0.02292	0.01628	0.02546	0.03043	0.05665	0.00350

Total Direct Tax Rate

Fiscal Year	City Direct Rate	Fullerton Schools	N. OC Community College	Total Direct Tax Rate
2006-07	1.0000	0.03854	0.01444	1.0530
2007-08	1.0000	0.03788	0.01502	1.0529
2008-09	1.0000	0.03831	0.01493	1.0532
2009-10	1.0000	0.04085	0.01662	1.0575
2010-11	1.0000	0.04280	0.01758	1.0604
2011-12	1.0000	0.03710	0.01742	1.0545
2012-13	1.0000	0.04239	0.01902	1.0614
2013-14	1.0000	0.03971	0.01704	1.0568
2014-15	1.0000	0.03721	0.01704	1.0543
2015-16	1.0000	0.03447	0.03043	1.0649

Source: Orange County Assessor Tax Rate Table

City of Fullerton
Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer	2015-16			2005-06		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Kimberly-Clark Worldwide	\$ 179,681,533	1	1.04 %	\$ -		
University House Fullerton LLC	86,443,550	2	0.50			
Corecare III	84,241,205	3	0.49			
RREEF America REIT II Corporation	82,967,479	4	0.48			
Hughes Drive Acquisitions Partners LLC	68,136,612	5	0.39			
Alcoa Global Fasteners Inc	65,926,490	6	0.38			
Amerige Heights Apartments LLC	60,359,525	7	0.35			
SFERS Real Estate Corporation	59,324,692	8	0.34			
PK I Fullerton Town Center LP	57,468,343	9	0.33			
CPT Parkside LP	57,059,701	10	0.33			
CT Retail Properties Finances 10 LLC				39,600,948	1	0.33 %
James S. Phelps Trust				39,749,193	2	0.33
Fullerton Metro Center LLC				38,160,975	3	0.32
Orangefair Marketplace				36,021,861	4	0.30
Oasis Residential				33,000,913	5	0.27
Haver Hill Apartments LLC				30,222,203	6	0.25
BRE Properties Inc.				29,464,520	7	0.24
SCCO College Properties, Inc.				28,391,993	8	0.23
City Pointe LLC				28,747,690	9	0.23
William G. Sommerville				23,608,785	10	0.19
	<u>\$ 801,609,130</u>		<u>4.64%</u>	<u>\$ 326,969,081</u>		<u>2.69%</u>

Source: Orange County Assessment Rolls and HdL Companies
Excludes government and tax-exempt property owners

City of Fullerton
Secured Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year ended June 30	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy	Amount	% of Levy		Amount	% of Levy
2007	\$ 17,743,439	\$ 17,171,704	96.78	\$ 354,473	\$ 17,526,177	98.78
2008	19,066,871	18,356,469	96.27	616,358	18,972,827	99.51
2009	19,678,775	18,942,358	96.26	674,503	19,616,861	99.69
2010	19,418,256	18,886,850	97.26	451,544	19,338,394	99.59
2011	19,555,934	19,085,309	97.59	311,715	19,397,024	99.19
2012	19,796,510	19,271,553	97.35	297,343	19,568,896	98.85
2013	19,978,708	19,625,807	98.23	209,533	19,835,340	99.28
2014	20,444,654	20,167,631	98.65	170,860	20,338,491	99.48
2015	21,759,590	21,412,516	98.40	162,109	21,574,625	99.15
2016	22,974,457	22,718,019	98.88	N/A	22,718,019	98.88

Source: Orange County Auditor/Controller
Property tax totals are net of 1915 act bond assessment district levies.

City of Fullerton
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Capital Leases	Section 108 Loans	Revenue Bonds	Capital Leases	Construction Loan			
2006-07	\$ 107,518	\$ 4,166	\$ 6,500	\$ 8,400	\$ -	\$ 7,132	\$ 133,716	3.06%	973
2007-08	104,036	6,901	6,000	8,230	-	6,959	132,126	3.13%	961
2008-09	100,243	5,637	5,500	8,055	-	6,464	125,899	3.06%	915
2009-10	96,387	3,119	5,000	7,875	-	5,763	118,144	2.78%	859
2010-11	121,116	2,165	4,500	7,690	100	5,270	140,841	3.36%	1,042
2011-12	-	1,283	4,000	10,115	60	4,758	20,216	0.48%	147
2012-13	-	970	3,500	9,820	24	4,225	18,539	0.45%	134
2013-14	6,990	4,815	3,000	9,230	-	2,969	27,004	0.55%	163
2014-15	6,725	3,703	2,500	8,940	-	2,523	24,391	NYA	150
2015-16	6,455	2,733	2,000	8,485	-	2,059	21,732	NYA	154

(2)

Note: Details regarding the outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

(2) The Redevelopment Agency was dissolved on February 1, 2012.

NYA = Not Yet Available

City of Fullerton
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2016
 (in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Orange County and Fullerton School Districts	\$ 95,442	¹ .58 %	<u>\$ 554</u>
Subtotal, overlapping debt			554
City of Fullerton direct debt			<u>11,188</u>
Total direct and overlapping debt			<u><u>\$ 11,742</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is born by the residents and businesses of the City of Fullerton. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using net taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Fullerton
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (in Thousands)

	Fiscal Year				
	2007	2008	2009	2010	2011 (1)
Debt limit	\$ 1,976,307	\$ 2,125,791	\$ 2,204,570	\$ 2,093,591	\$ 2,063,064
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,976,307</u>	<u>\$ 2,125,791</u>	<u>\$ 2,204,570</u>	<u>\$ 2,093,591</u>	<u>\$ 2,063,064</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2015-16

Assessed value	\$ 16,315,464
Add back: exempt real property	-
Total Assessed Value	<u>\$ 16,315,464</u>
Debt limit (15% of total assessed value)	\$ 2,447,320
Debt applicable to limit:	<u>0</u>
Legal debt margin	<u><u>\$ 2,447,320</u></u>

Note: Under state finance law, the City of Fullerton's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) Net Taxable Value was used for the calculation rather than Assessed Value as in previous years.

City of Fullerton
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (in Thousands)

Fiscal Year				
2012 (1)	2013 (1)	2014 (1)	2015 (1)	2016 (1)
\$ 2,088,770	\$ 2,112,315	\$ 2,184,298	\$ 2,311,356	\$ 2,447,320
-	-	-	-	-
<u>\$ 2,088,770</u>	<u>\$ 2,112,315</u>	<u>\$ 2,184,298</u>	<u>\$ 2,311,356</u>	<u>\$ 2,447,320</u>
0%	0%	0%	0%	0%

City of Fullerton
Revenue Bond Coverage

2014 Water Revenue Refunding Bonds
Last Two Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2015	\$ 3,913,333	\$ 185,000	\$ 273,786	\$ 458,786	8.53
2016	4,125,954	350,000	273,662	623,662	6.62

(1) All water system net revenues, (gross revenue adjusted by operation & maintenance costs).

1996 Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 84,134,672	\$ 515,000	\$ 59,282	\$ 574,282	146.50
2008	88,746,890	145,000	41,720	186,720	475.29
2009	87,081,097	155,000	33,542	188,542	461.87
2010	69,637,972	165,000	24,660	189,660	367.17
2011	71,000,575	170,000	15,195	185,195	383.38
2012	71,311,364	180,000	5,175	185,175	385.10
2013	N/A	-	-	-	N/A
2014	N/A	-	-	-	N/A
2015	N/A	-	-	-	N/A
2016	N/A	-	-	-	N/A

(1) Total revenues for General Fund and Airport Fund.

* 1996 Revenue Bonds were fully retired in FY 12/13

2003 Refunding Certificates of Participation (3)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 14,158,100	\$ 695,000	\$ 221,494	\$ 916,494	15.45
2008	15,266,855	710,000	204,800	914,800	16.69
2009	15,890,558	730,000	185,888	915,888	17.35
2010	15,886,598	750,000	164,600	914,600	17.37
2011	15,686,568	775,000	140,756	915,756	17.13
2012	10,534,514 (2)	508,800	73,120	581,920	18.10
2013	-	825,000	84,869	909,869	0.00
2014	-	850,000	52,400	902,400	0.00
2015	-	885,000	17,700	902,700	0.00
2016	N/A	-	-	-	N/A

(1) Total Debt Service Fund revenues for Central and East Fullerton Redevelopment Project Areas.

(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.

(3) The Redevelopment Agency was dissolved on February 1, 2012.

*2003 COP fully retired in FY 14/15

City of Fullerton
Revenue Bond Coverage

1999 Refunding Revenue Bonds (2)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 10,486,035	\$ 410,000	\$ 156,789	\$ 566,789	18.50
2008	10,866,308	425,000	141,414	566,414	19.18
2009	10,994,331	445,000	124,414	569,414	19.31
2010	11,679,487	460,000	106,614	566,614	20.61
2011	12,880,794	480,000	87,754	567,754	22.69
2012	N/A	-	-	-	N/A
2013	N/A	-	-	-	N/A
2014	N/A	-	-	-	N/A
2015	N/A	-	-	-	N/A
2016	N/A	-	-	-	N/A

- (1) Total Debt Service Fund revenues for Orangefair and East Fullerton Redevelopment Project Areas.
(2) The Redevelopment Agency was dissolved on February 1, 2012.
(3) The 1999 Refunding Revenue Bonds were fully retired in FY 11/12

1998 Refunding Revenue Bonds (3)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 14,158,100	\$ 551,434	\$ 999,778	\$ 1,551,212	9.13
2008	15,266,855	559,146	1,032,116	1,591,262	9.59
2009	15,890,558	610,181	1,095,907	1,706,088	9.31
2010	15,886,598	607,916	1,132,471	1,740,387	9.13
2011	15,686,568	606,296	1,167,841	1,774,137	8.84
2012	10,534,514 (2)	-	381,194	381,194	27.64
2013	-	594,517	1,245,870	1,840,387	0.00
2014	-	597,421	1,285,716	1,883,137	0.00
2015	-	592,167	1,323,221	1,915,388	0.00
2016	N/A	-	-	-	N/A

- (1) Total Debt Service Fund revenues for Central and East Fullerton Redevelopment Project Areas.
(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.
(3) The Redevelopment Agency was dissolved on February 1, 2012.
(4) The bonds were retired in February of 2015.

2004 Water Revenue Certificates of Participation
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2007	\$ 3,493,164	\$ 165,000	\$ 382,213	\$ 547,213	6.38
2008	3,148,581	170,000	376,275	546,275	5.76
2009	2,216,636	175,000	374,550	549,550	4.03
2010	2,960,072	180,000	369,662	549,662	5.39
2011	3,269,046	185,000	363,956	548,956	5.96
2012	3,655,147	190,000	357,625	547,625	6.67
2013	2,954,820	200,000	350,800	550,800	5.36
2014	3,889,609	200,000	343,550	543,550	7.16
2015	N/A	0	0	0	N/A
2016	N/A	0	0	0	N/A

- (1) All water system net revenues, (gross revenue adjusted by operation & maintenance costs).
(2) The bonds were retired in March of 2014.

City of Fullerton
Revenue Bond Coverage

2005 Tax Allocation Revenue Bonds (3)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2007	\$ 16,881,560	\$ 1,515,000	\$ 3,920,842	\$ 5,435,842	3.11
2008	18,122,318	1,515,000	3,856,602	5,371,602	3.37
2009	18,656,176	1,630,000	3,794,961	5,424,961	3.44
2010	19,314,711	1,575,000	3,735,471	5,310,471	3.64
2011	18,251,819	1,595,000	3,672,986	5,267,986	3.46
2012	10,534,514 (2)	1,635,000	1,874,135	3,509,135	3.00
2013	-	1,675,000	3,517,230	5,192,230	0.00
2014	-	1,735,000	3,438,852	5,173,852	0.00
2015	-	1,765,000	3,362,661	5,127,661	0.00
2016	-	3,245,000	3,371,173	6,616,173	0.00

- (1) Total Debt Service Fund revenues for Orangefair, Central, and East Fullerton Redevelopment Project Areas.
(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.
(3) The Redevelopment Agency was dissolved on February 1, 2012.

2005 CRA/ERAF Taxable Revenue Bonds (3)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2007	\$ 16,881,560	\$ 100,000	\$ 50,688	\$ 150,688	112.03
2008	18,122,318	100,000	45,256	145,256	124.76
2009	18,656,176	105,000	40,917	145,917	127.85
2010	19,314,711	110,000	36,233	146,233	132.08
2011	18,251,819	115,000	31,185	146,185	124.85
2012	10,534,514 (2)	60,531	12,896	73,427	143.47
2013	-	130,000	20,068	150,068	0.00
2014	-	135,000	13,710	148,710	0.00
2015	-	140,000	7,014	147,014	0.00
2016	N/A	-	-	-	N/A

- (1) Total Debt Service Fund revenues for Orangefair, Central, and East Fullerton Redevelopment Project Areas.
(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.
(3) The Redevelopment Agency was dissolved on February 1, 2012.
* The bonds were retired in FY 14/15

2006 CRA/ERAF Taxable Revenue Bonds (3)
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2007	\$ 16,881,560	\$ 75,000	\$ 80,812	\$ 155,812	108.35
2008	18,122,318	95,000	61,238	156,238	115.99
2009	18,656,176	100,000	56,152	156,152	119.47
2010	19,314,711	105,000	50,728	155,728	124.03
2011	18,251,819	115,000	45,000	160,000	114.07
2012	10,534,514 (2)	40,659	38,682	79,341	132.78
2013	-	125,000	32,028	157,028	0.00
2014	-	135,000	25,034	160,034	0.00
2015	-	140,000	17,442	157,442	0.00
2016	-	150,000	9,540	159,540	0.00

- (1) Total Debt Service Fund revenues for Orangefair, Central, and East Fullerton Redevelopment Project Areas.
(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.
(3) The Redevelopment Agency was dissolved on February 1, 2012.

City of Fullerton
Revenue Bond Coverage

2010 Tax Allocation Housing Revenue Bonds (2)
Last Six Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2011	\$ 12,880,794	\$ -	\$ 496,138	\$ 496,138	25.96
2012	10,534,514 (3)	1,330,000	1,506,628	2,836,628	3.71
2013	0	1,335,000	1,466,652	2,801,652	0.00
2014	0	1,380,000	1,422,478	2,802,478	0.00
2015	0	1,425,000	1,369,828	2,794,828	0.00
2016	0	1,485,000	1,310,707	2,795,707	0.00

- (1) Total Debt Service Fund revenues for Orangefair and East Fullerton Redevelopment Project Areas.
(2) The Redevelopment Agency was dissolved on February 1, 2012.
(3) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.

2010 Lease Revenue Bonds - Series A (2)
Last Six Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2011	\$ 15,686,568	\$ -	\$ 66,956	\$ 66,956	234.28
2012	10,534,514 (3)	-	95,863	95,863	109.89
2013	-	95,000	191,726	286,726	0.00
2014	-	100,000	185,550	285,550	0.00
2015	-	105,000	179,050	284,050	0.00
2016	-	105,000	172,226	277,226	0.00

- (1) Total Debt Service Fund revenues for Central and East Fullerton Redevelopment Project Areas.
(2) The Redevelopment Agency was dissolved on February 1, 2012.
(3) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.

2010 Lease Revenue Bonds - Series B (3)
Last Six Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2011	\$ 15,686,568	\$ 410,000	\$ 23,451	\$ 433,451	36.19
2012	10,534,514 (2)	420,000	26,400	446,400	23.60
2013	-	440,000	36,000	476,000	0.00
2014	-	460,000	18,400	478,400	0.00
2015	N/A	-	-	-	N/A
2016	N/A	-	-	-	N/A

- (1) Total Debt Service Fund revenues for Central and East Fullerton Redevelopment Project Areas.
(2) 2012 information calculated through January 31, 2012, due to the dissolution of the Redevelopment Agency on 2/1/12.
(3) The Redevelopment Agency was dissolved on February 1, 2012.
(4) The bonds were fully retired in May of 2014.

City of Fullerton
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)*	Unemployment Rate (3)
2007	137,367	\$ 4,373,628	\$ 31,839	3.9%
2008	137,437	4,224,059	30,865	5.0%
2009	137,624	4,110,478	29,903	8.1%
2010	137,459 (4)	4,256,693	30,967	10.9%
2011	135,468	4,196,121	30,975	10.3%
2012	137,481	4,193,583	30,503	9.2%
2013	138,251	4,135,502	29,913	7.6%
2014	140,131	4,166,515	29,733	7.1%
2015	141,042	NYA	NYA	5.6%
2016	141,042	NYA	NYA	4.7%

Sources:

- (1) State of California - Department of Finance
- (2) U.S. Dept. of Commerce - Bureau of Economic Analysis
- (3) U.S. Dept. of Labor - Bureau of Labor Statistics
- (4) 2010 Census

*Based on Orange County personal income data.

NYA = Not Yet Available

City of Fullerton
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2016</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment*</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
California State University, Fullerton	4,150	1	5.85%	4,246	1	5.74%
Fullerton School District	1,481	2	2.09%	1,340	4	1.81%
Raytheon Systems Co.	1,320	3	1.86%	1,350	3	1.82%
Fullerton College	1,200	4	1.69%	1,060	6	1.43%
St. Jude Medical Center	1,000	5	1.41%	2,500	2	3.38%
Albertsons Regional Office	950	6	1.34%	780	10	1.05%
Fullerton Joint Union High School District	870	7	1.23%	1,000	8	1.35%
Alcoa Fastening Systems	750	8	1.06%	1,040	7	1.41%
City of Fullerton	644	9	0.91%			
St. Jude Heritage Health	604	10	0.85%	800	9	1.08%
Beckman Coulter Inc.				1,100	5	1.49%
Total	12,969		18.27%	15,216		20.56%

*Based upon U.S. Census Bureau's American Community Survey's estimate of 71,000 residents employed

Source: A to Z Databases from Fullerton Public Library

City of Fullerton and Fullerton Redevelopment Agency
Full-Time Equivalent City Employees by Function (1)
Last Ten Fiscal Years

Department	2006-07 Total Positions	2007-08 Total Positions	2008-09 Total Positions	2009-10 Total Positions	2010-11 Total Positions	2011-12 Total Positions	2012-13 Total Positions
City Council	6.0	6.0	6.0	6.0	6.0	6.0	6.0
City Manager	8.6	8.7	9.0	9.0	6.8	8.0	7.0
City Clerk*							
Administrative Svcs.	38.3	41.3	41.3	41.3	38.7	39.0	37.3
Human Resources	10.4	10.1	10.1	10.7	9.2	9.7	8.7
Fire	94.0	95.5	95.5	95.0	92.0	92.0	90.0
Police	231.0	235.0	235.0	234.0	213.0	213.0	214.0
Community Dev.	38.0	38.0	38.0	37.0	31.0	31.0	27.0
Engineering	42.5	40.5	41.0	41.0	34.0	35.0	35.0
Maintenance Svcs.	163.5	175.5	175.5	177.5	157.0	159.0	160.0
Public Works							
Parks & Recreation	30.1	30.5	30.5	29.0	25.0	26.0	21.0
Library	29.9	30.4	30.4	30.4	25.4	25.4	25.4
Redevelopment**	7.0	7.0	7.0	7.0	7.0	0.0	0.0
<i>Subtotal</i>	699.3	718.5	719.3	717.9	645.1	644.1	631.4
Part-Time Hours	171,806	190,334	188,794	199,748	166,922	193,766	192,762
Full-Time Equivalents	82.6	91.5	90.8	96.0	80.3	93.2	92.7
TOTAL POSITIONS	781.9	810.0	810.1	813.9	725.4	737.3	724.1

*Effective 2003-04 the City Clerk and City Manager Departments combined as one department.

** Effective 1/31/2012 the Redevelopment Agency was dissolved and positions were moved to other departments.

*** The Engineering and Maintenance Services Departments are now merged into the Public Works Department as of FY 13/14

(1) Source: City of Fullerton Budget

City of Fullerton and Fullerton Redevelopment Agency
 Full-Time Equivalent City Employees by Function (1)
 Last Ten Fiscal Years

2013-14 Total Positions	2014-15 Total Positions	2015-16 Total Positions
6.0	6.0	6.0
6.5	6.5	7.0
32.3	33.0	33.0
8.9	8.9	8.9
90.0	92.0	92.0
210.0	211.0	212.0
27.0	29.0	28.0
200.0	199.5	200.0
21.0	22.0	22.0
23.8	23.8	23.8
0.0	0.0	0.0
625.5	631.7	632.7
177,294	177,389	165,840
85.2	85.3	79.7
<u>710.7</u>	<u>717.0</u>	<u>712.4</u>

City of Fullerton
Elementary, High School, and University Enrollment Information (1)
Last Ten Fiscal Years

	2006-07	2007-08	2008-09	2009-10	2010-11
Fullerton Elementary School District	13,613	13,592	13,450	13,556	13,700
Fullerton Joint Union High School District	16,499	15,212	15,807	14,170	14,260
Fullerton College	19,669	19,669	22,014	22,014	22,014
California State University - Fullerton	35,424	36,018	37,765	32,611	36,156
Western State University College of Law	390	367	379	419	485
Southern California College of Optometry	* 392	385 *	385	397	399
Hope International University	1,428	1,708 *	1,809	1,980	1,739
 Total enrollment in Fullerton's schools and universities	 87,415	 86,951	 91,609	 85,147	 88,753

*Based on average attendance (actual enrollment data is not available)

**Western State University College of Law move to Irvine during fiscal year 2015-16

(1) Sources: California State University, Fullerton College, Western State University College of Law,
Southern California College of Optometry, Hope International University
Fullerton Elementary and Joint Union High School Districts.

City of Fullerton
 Elementary, High School, and University Enrollment Information (1)
 Last Ten Fiscal Years

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
13,621	13,830	13,801	13,730	13,544
14,178	14,046	13,969	13,910	13,773
18,890	18,890	18,890	35,335	35,335
37,677	38,325	38,128	38,948	40,235
525	528	459	376	0**
400	400	391	391	400
<u>1,824</u>	<u>1,694</u>	<u>2,011</u>	<u>1,420</u>	<u>1,438</u>
87,115	87,713	87,649	104,110	104,725

City of Fullerton
Operating Indicators by Function
Last Ten Fiscal Years

Function:	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Police					
Calls dispatched	41,029	40,163	48,596	53,339	43,581
Crime reports	11,601	18,652	18,302	16,924	15,359
Moving citations	14,255	9,608	18,078	26,233	24,668
Parking citations	60,352	32,347	63,050	51,465	48,077
Fire					
Unit responses	13,145	13,917	13,796	13,781	14,516
Medical calls	9,803	8,184	8,283	8,222	9,403
Annual fire inspections	3,502	4,734	3,480	3,954	4,650
Water					
Number of customer accounts	31,360	32,202	31,500	31,546	31,547
Average daily consumption (millions of gallons)	28.6	26.8	28.0	23.0	22.2
Water samples taken	3,100	6,569	5,100	4,563	4,650
Sewers					
Feet of sewer mains root cut/ chemically treated	113,218	218,151	220,563	266,265	245,261
Number of chemically or mechanically treated sewer laterals	1,474	2,357	2,251	1,764	2,031
Traffic and General Engineering					
Traffic signals maintained	146	147	147	147	148
Infrastructure improvement projects administered	74	82	71	83	70
Private development plans reviewed	950	1,331	1,059	585	857
Maintenance					
Square ft. graffiti removal	438,000	655,270	677,010	665,735	538,606
Street sweeping miles	38,529	37,633	36,324	36,352	35,582
Trees pruned per year	11,529	12,128	14,955	14,105	13,000
Culture and Recreation					
Park event attendance	25,570	13,129	12,100	12,100	12,100
Independ/ Park /Comm. Ctr. participants	60,000	54,322	60,000	60,000	60,000
Fullerton Museum Center attendance	26,000	24,898	28,000	28,000	28,000

Sources: City of Fullerton Budget Division and various City departments

City of Fullerton
Operating Indicators by Function
Last Ten Fiscal Years

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
44,755	46,762	47,292	48,637	50,628
15,321	16,233	16,645	16,925	17,635
9,788	5,440	5,350	5,212	7,573
39,917	28,658	35,371	35,551	37,613
12,043	16,108	11,646	17,500	18,813
6,595	6,993	9,494	8,201	8,725
4,336	5,578	4,700	4,205	4,437
31,600	31,577	31,544	31,795	31,307
22.8	23.8	25.4	22.9	20.9
4,143	4,300	2,554	4,439	4,597
276,144	408,144	249,744	209,009	215,312
1,737	1,722	2,600	2,166	1,711
150	151	151	150	151
65	86	96	60	80
767	933	1,038	2,695	2,500
392,022	370,166	403,016	344,120	316,667
36,837	36,030	38,399	40,504	36,044
13,000	13,000	13,542	13,500	14,975
12,100	28,000	29,500	39,500	42,000
60,000	130,500	152,000	152,000	170,000
21,145	15,000	23,987	23,987	29,265

City of Fullerton
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function:	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Public Safety					
Police stations	1	1	1	1	1
Number of patrol units	31	31	31	36	36
Fire stations	6	6	6	6	6
Number of ladder trucks	2	2	1	2	2
Number of fire engines	10	9	6	9	10
Highways and streets					
Miles of streets	275.66	275.66	285.00	276	291
Traffic Signals	145	147	147	147	148
Streetlights	7,283	7,261	7,263	7,263	7,263
Water					
Number of water wells	11	11	11	11	11
Number of reservoirs	15	15	15	15	15
Miles of lines & mains	426	426	430	429	420
Sewer					
Miles of sanitary sewers	304.00	311.00	325.00	312.00	321.00
Miles of storm drains	68.14	68.14	70.68	71.21	71.21
Culture and Recreation					
Number of recreation and cultural facilities	55	67	67	67	67
Number of acres for above	683	683	741	683	683
Number of libraries	2	2	2	2	2
Number of library books	355,771	357,700	351,580	351,580	241,058

Sources: City of Fullerton Budget Division and various City departments

City of Fullerton
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
1	1	1	1	1
26	26	30	31	34
6	6	6	6	6
2	2	2	2	2
10	11	11	11	11
290	290	290	290	285
150	150	151	150	151
7,263	7,263	7,275	7,275	6900
11	11	11	11	11
15	15	15	15	15
422	420	423	423	423
325.00	324.00	320.00	322.40	323.30
71.20	71.20	71.20	71.20	71.20
67	67	67	67	67
683	683	683	683	683
2	2	2	2	2
241,058	241,058	241,058	210,597	210,597

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