

Comprehensive Annual Financial Report Fiscal Year Ended, June 30, 2014

CITY OF FOUNTAIN VALLEY CALIFORNIA



Fountain Valley on the Rise

City of Fountain Valley

California

**Comprehensive
Annual Financial Report
Fiscal Year Ended
June 30, 2014**

Prepared by the Finance Department:

David Cain, Finance Director/City Treasurer

And

Teresa Gonzalez, Accounting Manager



Fountain Valley on the Rise

City Council

2013-2014



Michael Vo
Mayor



Steve Nagel
Mayor Pro Tempore



John Collins
Council Member



Mark McCurdy
Council Member



Cheryl Brothers
Council Member



Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY

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CITY OF FOUNTAIN VALLEY

www.fountainvalley.org

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December 11, 2014

Honorable Mayor,
Members of the City Council,
and Citizens of the City of Fountain Valley

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2014, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants. The report was prepared in accordance with the guidelines set forth by the Governmental Accounting Standards Board (GASB).

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

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

The City of Fountain Valley's financial statements have been audited by White Nelson Diehl Evans, LLP, an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for

the fiscal year ended June 30, 2014, are free of material misstatement.

In addition to meeting the requirements set forth in the Government Code, the audit was also designed to meet the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and United States Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fountain Valley's financial statements for the fiscal year ended June 30, 2014, 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 statement of the City of Fountain Valley is usually a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The City of Fountain Valley is not required, this year, to have an annual single audit performed in conformity with the provisions of the OMB's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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

Reporting Entity

The reporting entity's (the City of Fountain Valley) financial statements includes all funds of the City as well as its component units. Component units are legally separate entities for which the City is fully accountable. The financial activities of the Fountain Valley Financing Authority and the Fountain Valley Housing Authority have been reported as debt service and capital projects funds, as appropriated. Under ABX1 26 that was approved by the legislature on June 28, 2011, all redevelopment agencies were eliminated effective February 1, 2012, therefore activity for the former redevelopment agency is as a Fiduciary Private Purpose Fund.

PROFILE OF THE CITY OF FOUNTAIN VALLEY

Governmental Profile - The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 56,707 and has a land area of 9.75 square miles. It is located in the northern tip of Orange County, California and is bordered by the cities of Santa Ana, Costa Mesa, Huntington Beach, and Westminster. The City is roughly 30 miles southeast of Los Angeles and 90 miles northwest of San Diego. One of the greatest features of the City is Mile Square Park with its three golf courses; large passive park area, Boys and Girls Club, and City run Recreation Center and Sports Park.

The City has operated under a council-manager form of government since incorporation. Policy making and legislative authority are vested in the City Council, which is comprised of five members elected at large, on a non-partisan basis, for staggered four-year terms of office. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the City's department heads. Commissions and Advisory Committees play an integral role in the governmental structure of Fountain Valley and provide opportunities for citizens to participate in community affairs.

As a full-service City, Fountain Valley offers its residents a complete range of municipal services that include; Public Safety in the form of police, fire protection, and building safety; environmental services such as a water delivery system, sewer and storm drain maintenance; park and median landscaping; and repairs of streets and sidewalks; development services for land use planning, and zoning; housing and community development; a full range of recreation and cultural activities; as well as legislative, legal and general administrative support.

Strategic Plan - The City of Fountain Valley is committed to continuing to be successful in our service delivery to our residents, businesses and visitors. To continue our commitment to moving forward in a cohesive, productive and well organized way, the City Council and the City Manager developed a City-Wide Strategic Plan. The plan includes the City's Mission Statement, Core Values, three-year goals and specific six month strategic planning objectives that support the goals. The City Council and management staff meet every six months to review and update these objectives. The three-year goals include: Enhance economic development; achieve financial stability; attract, develop and retain quality staff; maintain and enhance infrastructure and facilities; enhance community outreach and engagement.

LOCAL ECONOMY

The City of Fountain Valley is a premier Orange County City that celebrated its fifty-seventh birthday in 2014. It has the reputation of being “*A Nice Place to Live*”, as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambiance is by design and we are mindful of the residential predominance when ascertaining the level of service that will be provided to the community each year.

Economic Outlook & Highlights for the Future - Recognizing the long range effect that Proposition 13 placed on a predominately residential community in the early eighties, the City began directing its efforts toward creating a viable sales tax base. Faced with the limitations of little remaining developable land, it was understood that it was far too late to consider the construction of a regional commercial mall. However, as it was the emerging era of the big box retailer, Fountain Valley set about becoming the home for big box discount retailers. This strategy has served us well as companies such as Costco, Sam’s Club, and La Curacao generally do well in spite of the gyrations that occur in an unpredictable economy, and sales tax has grown to be the single largest revenue source for general city operations. During the great recession the City’s sales and property tax declined significantly.

The state and the City have started to see signs that the overall economy is improving including improving housing values throughout Orange County. The 2014-15 budget anticipates additional revenues coming from increased property taxes due to higher housing values and a slight increase in sale tax. The opening of the new Ayers hotel will result in additional Transient Occupancy Tax.

For several years the City made significant cuts and reductions in its operations and services, which helped the City, survive the great recession. However, the City is not out of the woods yet because it still has significant service solvency needs that required funding. The City continues to use a conservative yet realistic approach to both revenues and expenditures as it moves forward in planning for the future. The challenge for cities in California is to develop a budget that represents a sustainable service level.

ECONOMIC DEVELOPMENT ACTIVITIES

Housing - Fountain Valley is 98% built out, which means that most of the new development will come from repurposing existing properties. Fountain Valley remains a very desirable place to live; this is evidenced by the demand shown for the new homes built in the city. Most projects are sold out prior to completion of the development. Although there has been an economic slowdown for the last few years many businesses have chosen to either move to Fountain

Valley or expand their operations here. This means that Fountain Valley is not only "A Nice Place to Live", but a great place to do business. Below is just a sampling of the economic activity that has recently taken place in Fountain Valley.

Fountain Valley Civic Center - This project consists of a residential development with 61 townhomes and 27 single family homes and a 127 unit hotel located on an 8.3 acre site next to the City Hall campus at Brookhurst Street and Slater Avenue. This project has been completed and the resulting property and TOT tax have begun to flow into the City's General Fund.

Hyundai - Hyundai America completed construction on their North America Headquarters and employees over 1,400 at this location. The project consists of a new six story, 420,000 square foot office building, a 50,000 square foot technical service building and a five-level parking structure. This is a unique Fountain Valley icon that is seen by thousands of drivers who pass by on the 405 freeway.

Yakult - Yakult is the world's leading probiotic beverage created in Japan in 1935. It is produced by Yakult Honsha Co., Ltd - the world's pioneer in probiotics. Yakult completed construction on their first production facility in the United States on Newhope Avenue. The facility consists of an 87,000 square foot beverage manufacturing facility and produces over 400,000 bottles of exclusive probiotic drinks.

RELEVANT FINANCIAL POLICIES

Annual Budget and Budgetary Controls - The City's budget document is submitted annually to the City Council as a multi-year forecast. This long range perspective assists the Council in the difficult task of evaluating the effect that current year allocations will have over a prolonged period of time. The budget is assembled at a program or service level rather than the traditional department level. This allows the Council to focus on the individual services the community will receive for total dollars spent in a year.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds. Budgetary control for management purposes is maintained as authorized by the Council at the departmental program level within individual funds.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. At fiscal year-end, all operating budget appropriations lapse and

encumbrances are reported as reservations of fund balances at June 30, 2014. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's financial operations.

Cash Management Policies and Practices – Cash temporarily idle during the year was invested in obligations of the U.S. Treasury and the Local Agency Investment Fund (LAIF) as authorized by the City's adopted investment policy.

Reserves – The City has formally adopted a General Fund Reserve Policy that sets aside funds for Working Cash Flow, Budget Stabilization, Capital Projects, Natural Disaster, and Economic Development. This reserve policy ensures that adequate funds are available for both short-term and long-term financial needs of the City.

Debt Administration - The City has always subscribed to a "pay as you go" philosophy even when it came to large capital projects, sometimes planning ten to fifteen years into the future to accumulate funding for building renovations, or capital improvements. However, with the last State fiscal crises looming a decision was made to explore other financing options that include the "pay as you use" philosophy. This option allowed for the expansion of the Recreation Center at Mile Square Park and the construction of a Senior/Community Center in July 2003. The Fountain Valley Improvement Authority issued Certificates of Participation rated AAA by both Standard & Poor's and Moody's Investor Service. The City's AAA rating was reaffirmed by Standard & Poor's in August 2012. The City Council has authorized City staff to pursue this financing philosophy for several critical Water Fund projects in 2014.

Pension and other Post-employment benefits – The City of Fountain Valley contracts with the California Public Employees Retirement System (CalPERS) to provide retirement, disability, and death and survivor benefits for all eligible employees. The employer pension benefit obligation varies from year to year and is computed as part of an annual actuarial valuation performed by CalPERS. Employees contribute 7-12% of their annual covered salary.

The California Public Employees' Pension Reform Act of 2013 made significant changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension.

Redevelopment Wind Down - As mentioned earlier in this transmittal letter, on February 1, 2012, the State of California eliminated all redevelopment agencies across the state. The

elimination of these agencies removed a very important tool for local communities to attract, sustain and grow economic development. This vital tool provided for much of the necessary infrastructure such as water, sewer, and traffic facilities to accommodate new businesses. The loss of these funds has made it extremely difficult for the City to provide economic growth and funding for various infrastructure projects.

Another part of redevelopment was the provision of affordable housing. Twenty percent of all tax increment collected was dedicated to affordable housing. Affordable housing programs provided funds to assist low and moderate income homeowners with the means to maintain and improve their homes, thereby preserving neighborhoods throughout the City. The funds also assisted in the development of affordable housing for seniors and other residents of low and moderate income and the City now has no source of funding to meet these housing needs.

In addition, under the dissolution act cities now only receive property taxes to fund items that are approved by the Department of Finance (DOF). Cities report to the DOF bi-annually on items that the City requires funding for and the DOF can approve or deny an item at its sole discretion. The DOF has the ability to approve an item in one reporting period and then turn around and deny it on the next cycle. During the 2012/13 fiscal year the DOF denied payments for the COP and Mike Thompson RV, they had previously approved both items then denied them in future reporting. The City feels that the DOF denial of these two items was inappropriate and we filed suit against the state in July 2013. This litigation is still pending and the outcome of the litigation can only be speculated at this time, therefore there are no assumptions of the outcome reflected in the financial statement being presented.

CONCLUSION

Acknowledgements - The preparation of the Comprehensive Annual Financial Report is made possible by the dedicated efforts of the Finance Department staff. In addition, appreciation is extended to our independent auditors, White Nelson Diehl Evans, for their expertise and advice in preparing this year's financial report.

The City's CAFR is more than just a historical financial document. It is a clear statement of what the community and the organization values and what we have accomplished over the last twelve months. Fountain Valley has the distinction of being a mature community with over 57 years of proud history. Even though it is mature, Fountain Valley will continue to look for ways it can change to meet its environment and needs of its citizens. The strong foundation that the City has been built on over the last 57 years will enable it to adapt well to the future.

Every employee's commitment to the progressive approach of the financial operations of the City has allowed the citizens of this community to consistently receive a superior level of service while maintaining a sound financial base from which to operate.

In closing, without the leadership and support of the City Council, City Manager and each operating department, it would not have been possible to conduct the financial operation of the City in the responsible and progressive manner in which it has been managed.

Respectfully submitted,

David D. Cain

Finance Director/Treasurer

Teresa Gonzalez

Accounting Manager

City Directory

Mayor

Michael Vo

Council Members

| | |
|-----------------|-------------------|
| Steve Nagel | Mayor Pro Tempore |
| John Collins | Council Member |
| Mark McCurdy | Council Member |
| Cheryl Brothers | Council Member |

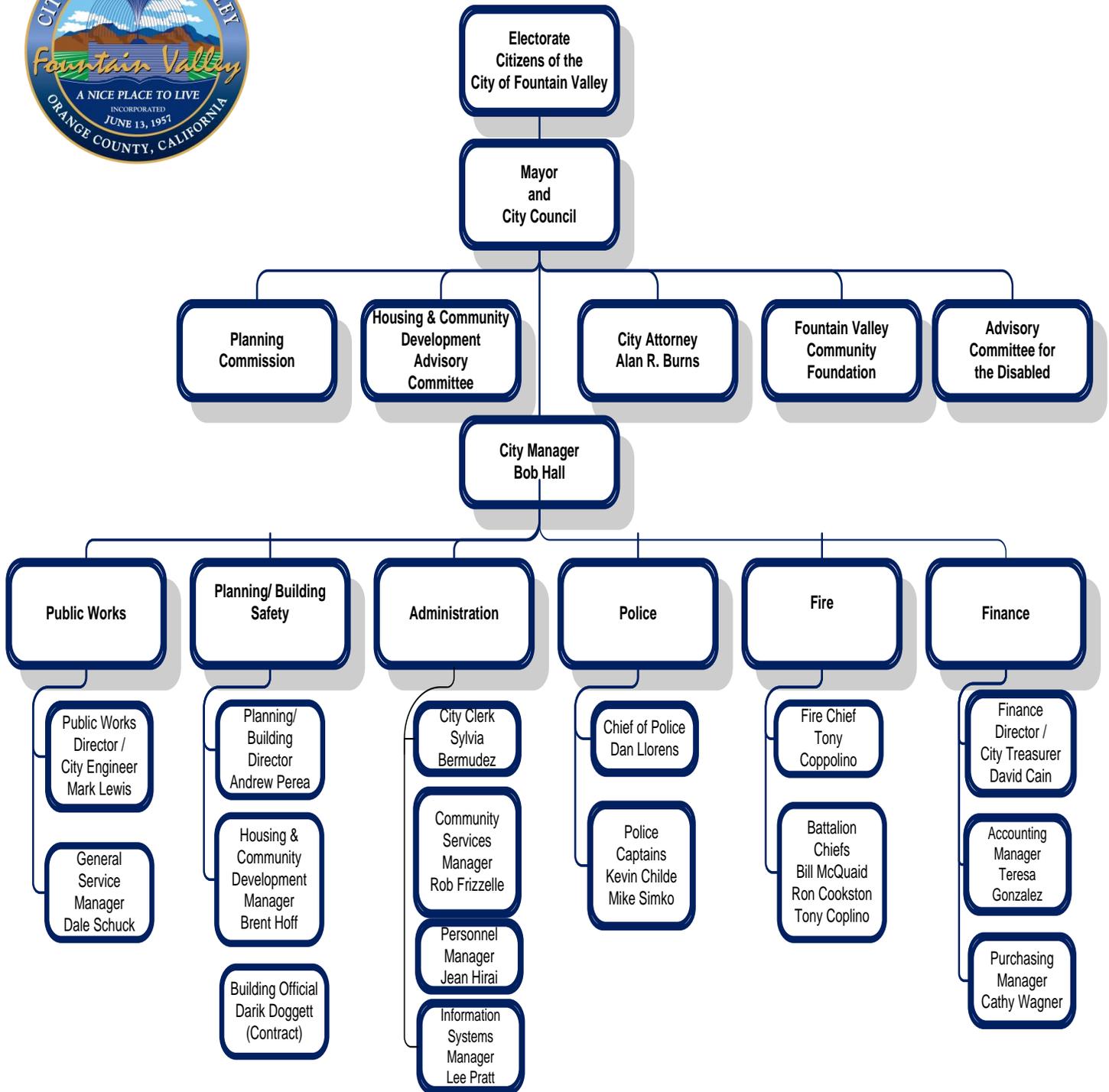
City Officials

| | |
|-----------------|---|
| Bob Hall | City Manager |
| Alan R. Burns | City Attorney |
| Mark Lewis | Director of Public Works and City Engineer |
| Andrew Perea | Planning/Building Director |
| Dan Llorens | Chief of Police |
| Tony Coppolino | Fire Chief |
| David Cain | Finance Director/City Treasurer |
| Dale Schuck | General Services Manager |
| Sylvia Bermudez | City Clerk |
| Rob Frizzelle | Community Services Manager |
| Jean Hirai | Personnel Manager |
| Mike Simko | Police Captain |
| Kevin Childe | Police Captain |
| Bill McQuaid | Battalion Chief |
| Tony Coppolino | Battalion Chief |
| Ron Cookston | Battalion Chief |
| Lee Pratt | Information Systems Manager |
| Cathy Wagner | Purchasing Manager |



Fountain Valley on the Rise

Organization of the City



City of Fountain Valley

Financial Section



Hyundai Building



Fountain Valley on the Rise

INDEPENDENT AUDITORS' REPORT

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley (the City), as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 13 to the financial statements, an error resulting in understating amounts previously reported for capital assets, expenses, and net position as of July 1, 2013 was discovered by management of the City during the current year. Accordingly, amounts reported for the beginning net position have been restated in the fiscal year 2013-2014 financial statements to correct the error. Our opinion is not modified with respect to this matter.

Also, as discussed in Note 13 to the financial statements, an error resulting in overstating amounts previously reported for revenues and net position as of July 1, 2013 was discovered by management of the City during the current year. Accordingly, amounts reported for the beginning net position have been restated in the fiscal year 2013-2014 financial statements to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2013 from which such partial information was derived.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, as listed in the table of contents as required supplementary information, 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 management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Report on Required Supplementary Information (Continued)

The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, supplementary schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, 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.

White Nelson Dick Evans LLP

Irvine, California
December 9, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fountain Valley (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fountain Valley for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- Assets of the City exceeded its liabilities at June 30, 2014, by \$174.7 million (net position). Net position consists of \$113.4 net investment in capital assets, \$15.5 million in restricted net position and \$45.8 million in unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- City's total net position increased by \$298,841. This increase is attributable to revenues being in excess of expenses.
- The business-type activities revenue totaled \$16 million as compared to \$15.2 million, or 5.3 percent increase over the prior year and expenses totaled \$15.3 million as compared to \$14.9 million in 2013, or a 2.7 percent increase over the prior year. The result produced an increase in business-type net position of \$718,115 as compared to a decrease of \$167,930 in the prior year.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$61.8 million. Non-spendable was \$2.0 million, restricted was \$15.4 million, assigned was \$15.9 million, and unassigned was \$28.5 million.
- Total governmental fund balances decreased by \$1.5 million. This decrease is attributable to expenditures related to numerous traffic improvement capital projects identified as part of the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government. Fund balance was used to fund the traffic improvement capital projects.
- Total governmental revenues from all sources were \$45.4 million as compared to expenditures of \$47 million.

Overview of the Financial Statements

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

See independent auditors' report.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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 of Fountain Valley include general government, public safety, transportation, community development, community services, capital projects and interest on long term debt. The business-type activities of the City are comprised of water and solid waste funds.

The *government-wide financial statements* include not only the City itself (known as the *primary government*), but also the legally separate Fountain Valley Housing Authority and the Fountain Valley Financing Authority that function as integral parts of the primary government and have been included in these financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

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

Governmental Funds

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

See independent auditors' report.

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*.

The City maintains fourteen individual governmental funds. 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 and Housing Authority which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains two different types of *proprietary (Enterprise) 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 and solid waste operations.

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 and solid waste funds.

The basic proprietary fund financial statements can be found immediately following the government funds financial statements.

Fiduciary Funds

The fiduciary fund financial statements include the private-purpose trust funds and agency funds of the City. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs.

The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

See independent auditors' report.

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. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes Budgetary Comparison Schedules for the General Fund and Housing Authority, schedules of funding progress for the City's other post-employment benefits and disclosure information pertaining to the use of the Modified Approach with infrastructure. Required supplementary information can be found immediately following the notes to the basic financial statement.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds, non-major Capital Projects Funds and all non-major Debt Service Funds. These combining and individual fund statements and schedules can be found 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 City of Fountain Valley's case, assets exceeded liabilities by \$174,737,993 at the close of the fiscal year. 35.1 percent of the City's net position reflects cash, investments, accounts receivable and prepaid expenses and 64.9 percent is the net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

SUMMARY OF NET POSITION

(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------|-----------------------------|---------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | 71,450 | 72,733 | 8,761 | 7,514 | 80,211 | 80,247 |
| Capital assets | 110,537 | 109,269 | 12,414 | 12,385 | 122,951 | 121,654 |
| Total Assets | 181,987 | 182,002 | 21,175 | 19,899 | 203,162 | 201,901 |
| Long-term liabilities | | | | | | |
| Outstanding | 13,216 | 13,005 | 510 | 561 | 13,726 | 13,566 |
| Other liabilities | 12,379 | 12,186 | 2,319 | 1,710 | 14,698 | 13,896 |
| Total Liabilities | 25,595 | 25,191 | 2,829 | 2,271 | 28,424 | 27,462 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 101,558 | 99,543 | 11,879 | 11,800 | 113,437 | 111,343 |
| Restricted | 15,453 | 14,429 | 0 | 0 | 15,453 | 14,429 |
| Unrestricted | 39,381 | 42,839 | 6,467 | 5,828 | 45,848 | 48,667 |
| Total Net Position | 156,392 | 156,811 | 18,346 | 17,628 | 174,738 | 174,439 |

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2014 fiscal year, the City of Fountain Valley is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's net position by \$419,274. The key element of this decrease is related to expenses related to numerous traffic improvement capital projects identified as part of the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government. Net assets were used to fund the traffic improvement capital projects.

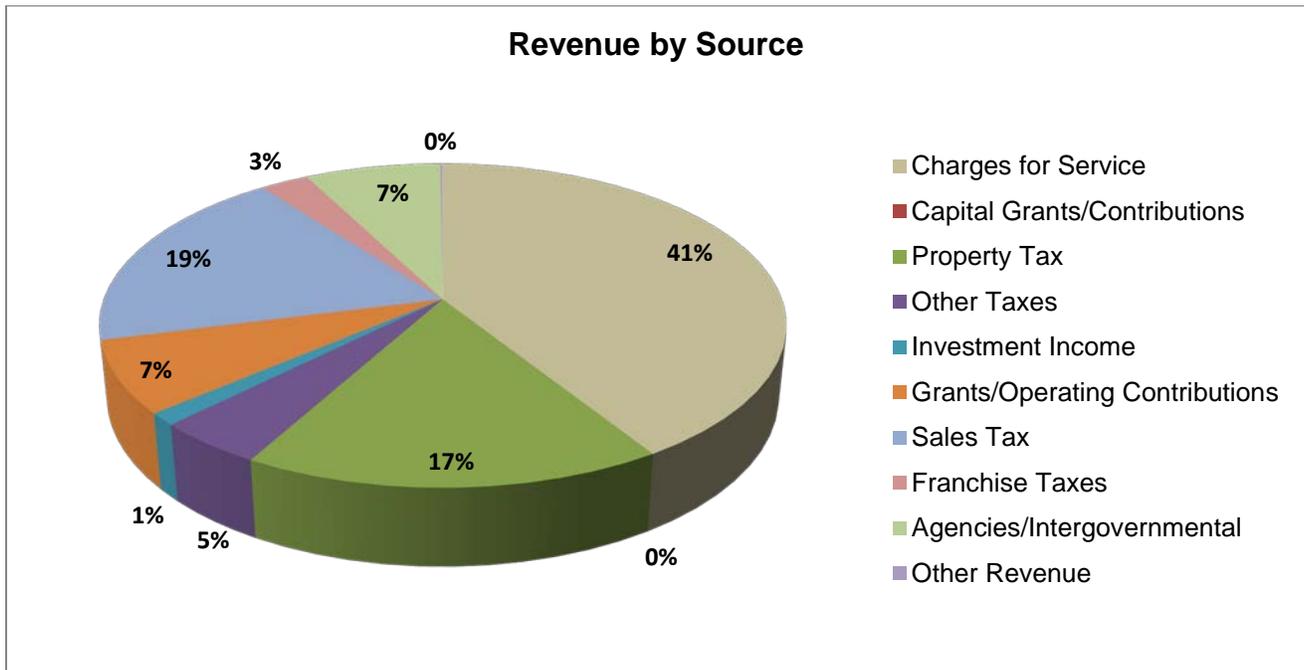
See independent auditors' report.

CHANGES IN NET POSITION

(In thousands)

| | Governmental | | Business-Type | | Total | |
|---------------------------------------|----------------|----------------|---------------|---------------|----------------|----------------|
| | Activities | | Activities | | | |
| Revenues: | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Program Revenues: | | | | | | |
| Charges for services | 9,295 | 11,302 | 16,036 | 15,207 | 25,331 | 26,509 |
| Operating grants and Contributions | 4,418 | 3,763 | | | 4,418 | 3,763 |
| Capital grants and Contributions | 0 | 255 | | | 0 | 255 |
| General Revenues: | | | | | | |
| Property taxes | 10,423 | 16,071 | | | 10,423 | 16,071 |
| Franchise taxes | 1,629 | 1,713 | | | 1,629 | 1,713 |
| Sales taxes | 11,443 | 11,408 | | | 11,443 | 11,408 |
| Other taxes | 2,739 | 2,632 | | | 2,739 | 2,632 |
| From Other | | | | | | 0 |
| Agencies | 4,569 | 4,587 | | | 4,569 | 4,587 |
| Other | | | | | | |
| Investment earnings | 708 | (66) | 34 | 50 | 742 | (16) |
| Miscellaneous | 33 | 225 | 9 | 44 | 42 | 269 |
| Transfers | 80 | 73 | (80) | (73) | 0 | 0 |
| Gain/(Loss) on sale of property | 32 | 3 | | | 32 | 3 |
| Total Revenues | <u>45,369</u> | <u>51,966</u> | <u>15,999</u> | <u>15,228</u> | <u>61,368</u> | <u>67,194</u> |
| Expenses: | | | | | | |
| General government | 3,399 | 3,269 | | | 3,399 | 3,269 |
| Public safety | 25,531 | 26,101 | | | 25,531 | 26,101 |
| Transportation | 8,603 | 8,086 | | | 8,603 | 8,086 |
| Community Dev. | 5,256 | 5,676 | | | 5,256 | 5,676 |
| Community Services | 2,650 | 2,433 | | | 2,650 | 2,433 |
| Interest charges | 349 | 389 | | | 349 | 389 |
| Capital Projects | 0 | 401 | | | 0 | 401 |
| Extraordinary Loss | 0 | 14,984 | | 512 | 0 | 15,496 |
| Water | | | 12,345 | 11,961 | 12,345 | 11,961 |
| Solid Waste | | | 2,936 | 2,923 | 2,936 | 2,923 |
| Total Expenses | <u>45,788</u> | <u>61,339</u> | <u>15,281</u> | <u>15,396</u> | <u>61,069</u> | <u>76,735</u> |
| Change in net position | (419) | (9,373) | 718 | (168) | 299 | (9,541) |
| Net Position - July 1, as restated | <u>156,811</u> | <u>166,184</u> | <u>17,628</u> | <u>17,796</u> | <u>174,439</u> | <u>183,980</u> |
| Net Position - June 30 | <u>156,392</u> | <u>156,811</u> | <u>18,346</u> | <u>17,628</u> | <u>174,738</u> | <u>174,439</u> |

See independent auditors' report.



Financial Analysis of the Government Funds

As noted earlier, the City uses fund accounting to demonstrate and ensure 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$61,848,132 a decrease of \$1,518,691 from the prior year, as mentioned earlier the decrease is related to numerous traffic improvement capital projects. Approximately 3 percent of this amount, \$1,966,451 is not available for spending, \$15,452,824, or 25 percent is considered restricted, \$15,931,549, or 26 percent is assigned and 46 percent, \$28,497,308 is available for spending at the government's discretion within the guidelines of the fund types.

At the end of the current fiscal year, the unassigned fund balance in the general fund, the chief operating fund of the City, was \$28,497,308 and total fund balance was \$42,563,759. This constitutes decrease of \$27,776 from the 2013 fiscal year. The general fund revenues closely matched the expenditures.

There are two major funds within the governmental fund accounts. They include the General Fund, and the Fountain Valley Housing Authority.

Fund balance in the Housing Authority Fund at June 30, 2014, was \$7,840,487 an increase of \$369,021; this is directly related to an increase in receipts of loan repayments when this fiscal year is compared to last fiscal year.

See independent auditors' report.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. There are currently two funds in this group, the water utility and sold waste funds.

Total net position for the Water Utility Fund increased by \$693,192 and totaled \$17,671,281 at June 30, 2014, of this amount the unrestricted net position amounted to \$5,792,511. The increase is attributable to revenues being in excess of expenses. For the fiscal year ended 2014 the Solid Waste Fund had a net position of \$674,883, an increase of \$24,923 from last fiscal year.

General Fund Budgetary Highlights

Changes to Original Budget

A detailed budgetary comparison schedule for the year ended June 30, 2014, is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those originally adopted by Council. This is due to changes that occurred between the adoption of the 2013-2014 annual budget and the closing of the fiscal year.

The following summarizes the original budget compared with the final budget:

| <u>General Fund</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Variance</u> |
|-----------------------------------|------------------------|---------------------|-----------------|
| Revenues | \$37,071,285 | \$37,478,934 | \$ 407,649 |
| Expenditures | \$37,477,837 | \$38,638,818 | \$1,160,981 |
| Other sources (uses) (\$ 948,552) | | (\$ 693,124) | \$ 255,428 |

Revenue variances are made up of the following items: During the course of the fiscal year the City secured state and federal grant awards of \$131,649. The remaining \$276,000 reflects an increase in building permit and plan check fees for continued building activity for several large projects such as Hyundai Motor America, Yakult and the Olson residential project.

The variance in expenditures consists of appropriations for the above mentioned grants and personnel services required for the processing of plans and permits for the large construction projects. Also included are appropriations that were carried over from the prior year for projects that were started but not completed by year end. In addition, the City appropriated funds in the amount of \$231,368 for the Council approved lump sum bonus payouts to various employee groups.

See independent auditors' report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$122,950,625 (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, vehicles and equipment, park facilities, roads, highway, and sidewalks/curbs/gutters. The total increase in the City's investment in capital assets for the current fiscal year was 1.1 percent, or \$1,295,972. The major additions were for the construction in progress costs in the amount of \$1,473,449 for the Garfield Sewer Improvement project and the City Hall roof replacement in the amount of \$406,726.

CAPITAL ASSETS

(net of accumulated depreciation)

(In thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|----------------------------|---------|-----------------------------|--------|---------|---------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | 3,885 | 3,885 | 123 | 123 | 4,008 | 4,008 |
| Vehicles and Equipment | 2,458 | 2,255 | 10 | 13 | 2,468 | 2,268 |
| Furniture and Fixtures | 12 | 14 | | | 12 | 14 |
| Buildings | 8,643 | 9,009 | 7,419 | 7,939 | 16,062 | 16,948 |
| Construction in Progress | 2,140 | 54 | 1,130 | 472 | 3,270 | 526 |
| Improvements other than Structures | 3,412 | 3,057 | 3,732 | 3,838 | 7,144 | 6,895 |
| Rights of Way | 17,948 | 17,948 | | | 17,948 | 17,948 |
| Infrastructure | 72,038 | 73,047 | | | 72,038 | 73,047 |
| Total | 110,536 | 109,269 | 12,414 | 12,385 | 122,950 | 121,654 |

The City elected to use the modified approach in reporting its street pavement infrastructure network. There have been no significant changes in the assessed condition of the infrastructure assets from the last fiscal year. The current condition of these assets complies with the condition levels adopted by the City. Variances in budgeted versus actual expenditures is due to timing of project completion. Projects started but not completed during the fiscal year are carried over to the next fiscal year. Additional information on the City's capital assets can be found in Note 4 of this report.

See independent auditors' report.

Long-Term Debt

LEASES, TAX ALLOCATION BONDS, AND NOTES

(In thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|----------------------------|---------------|-----------------------------|------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Leases Payable | 219 | 451 | | | 219 | 451 |
| Tax Allocation Bonds | | | | | | |
| Certificate of Participation | 8,760 | 9,275 | | | 8,760 | 9,275 |
| Compensated Absences | 2,125 | 1,976 | 126 | 119 | 2,251 | 2,095 |
| Claims Payable | 3,081 | 3,491 | | | 3,081 | 3,491 |
| Other Post Emp. Benefits (OPEB) | 1,889 | 807 | | | 1,889 | 807 |
| Loans Payable | | | 535 | 585 | 535 | 585 |
| Total | 16,074 | 16,000 | 661 | 704 | 16,735 | 16,704 |

At year-end, the City had total long term debt outstanding of \$16,735,031; this is an increase of \$31,116. The net increase is attributable to a net increase to OPEB obligation in the amount of \$1,082,560 and reductions in lease payable obligations and certificates of participation.

FISCAL YEAR 2014-15 OPERATING BUDGET AND ENTERPRISE RATES

The City Council adopted the fiscal year 2014-2015 Budget with total appropriations of \$73,117,098 and projected revenues of \$69,179,727. The combined funds include a substantial amount of one-time capital improvement projects. The General Fund fiscal year 2014-2015 estimated revenues are \$40,841,794 and budgeted appropriations are \$40,841,794. The budget also includes \$1,740,731 in public and park improvements utilizing designated Capital Reserves. The General Fund appropriations increased by \$1,468,422 (4.0%) from the prior year's expenditures. The fiscal year 2014-2015 budget includes an approved increase of 5.75 percent to water rates and a 3.0 percent to sewer rates. There were no other increase to taxes or fees as part of the preparation and adoption of the fiscal year 2014-2015 budget.

See independent auditors' report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Fountain Valley, Finance Department, 10200 Slater Avenue, Fountain Valley, California 92708.

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City of Fountain Valley Basic Financial Statements



Olson Development
Solana Walk



Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION

June 30, 2014
(with comparative totals as of June 30, 2013)

| | Governmental Activities | Business-type Activities | Totals | |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|
| | | | 2014 | 2013 |
| ASSETS: | | | | |
| Cash and investments | \$ 50,376,695 | \$ 7,611,897 | \$ 57,988,592 | \$ 57,138,573 |
| Cash and investments with fiscal agents | 2,516,412 | - | 2,516,412 | 2,533,880 |
| Receivables: | | | | |
| Accounts | 3,221,056 | 2,565,419 | 5,786,475 | 5,692,209 |
| Accrued interest | 31,525 | - | 31,525 | 54,443 |
| Loans | 7,151,899 | - | 7,151,899 | 7,421,922 |
| Advances to successor agency | 2,706,802 | - | 2,706,802 | 3,364,450 |
| Internal balances | 1,416,000 | (1,416,000) | - | - |
| Inventories | 82,080 | - | 82,080 | 82,767 |
| Land held for resale | 3,851,917 | - | 3,851,917 | 3,851,917 |
| Prepaid expenses | 95,778 | - | 95,778 | 106,556 |
| Capital assets: | | | | |
| Not being depreciated | 87,521,667 | 1,253,201 | 88,774,868 | 86,031,094 |
| Being depreciated, net | 23,014,903 | 11,160,854 | 34,175,757 | 35,623,559 |
| TOTAL ASSETS | 181,986,734 | 21,175,371 | 203,162,105 | 201,901,370 |
| LIABILITIES: | | | | |
| Accounts payable | 1,587,634 | 2,032,132 | 3,619,766 | 2,725,084 |
| Accrued wages payable | 470,464 | - | 470,464 | 407,195 |
| Accrued interest payable | 123,082 | - | 123,082 | 137,654 |
| Unearned revenue | 7,148,837 | - | 7,148,837 | 7,421,922 |
| Deposits payable | 190,601 | 136,331 | 326,932 | 66,448 |
| Long-term liabilities: | | | | |
| Due within one year | 2,858,201 | 150,394 | 3,008,595 | 3,138,745 |
| Due in more than one year | 13,216,086 | 510,350 | 13,726,436 | 13,565,170 |
| TOTAL LIABILITIES | 25,594,905 | 2,829,207 | 28,424,112 | 27,462,218 |
| NET POSITION: | | | | |
| Net investment in capital assets | 101,557,748 | 11,878,770 | 113,436,518 | 111,343,252 |
| Restricted for: | | | | |
| Housing | 8,045,665 | - | 8,045,665 | 7,675,638 |
| Public safety | 969,992 | - | 969,992 | 1,391,512 |
| Transportation | 3,844,776 | - | 3,844,776 | 4,414,795 |
| Community development | 75,979 | - | 75,979 | 56,971 |
| Debt service | 2,516,412 | - | 2,516,412 | 889,600 |
| Unrestricted | 39,381,257 | 6,467,394 | 45,848,651 | 48,667,384 |
| TOTAL NET POSITION | \$ 156,391,829 | \$ 18,346,164 | \$ 174,737,993 | \$ 174,439,152 |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014
 (with comparative totals for the year ended June 30, 2013)

| Functions/programs | Expenses | Program Revenues | | |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 3,398,739 | \$ 1,589,201 | \$ - | \$ - |
| Public safety | 25,531,715 | 2,437,171 | 331,154 | - |
| Transportation | 8,602,763 | - | 3,549,771 | - |
| Community development | 5,256,405 | 3,571,688 | 250,609 | - |
| Community services | 2,649,541 | 1,696,636 | 286,326 | - |
| Interest on long term debt | 349,089 | - | - | - |
| Total governmental activities | <u>45,788,252</u> | <u>9,294,696</u> | <u>4,417,860</u> | <u>-</u> |
| Business-type activities: | | | | |
| Water | 12,344,634 | 12,939,652 | - | - |
| Solid waste | 2,936,437 | 3,096,014 | - | - |
| Total business-type activities | <u>15,281,071</u> | <u>16,035,666</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 61,069,323</u> | <u>\$ 25,330,362</u> | <u>\$ 4,417,860</u> | <u>\$ -</u> |

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Intergovernmental revenues, unrestricted

Investment income (loss)

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Extraordinary items:

Removal of disallowed advance

Payment to successor agency for disallowed expenses

Total extraordinary items

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See independent auditors' report and notes to basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|-----------------------|-----------------------|
| Governmental Activities | Business-type Activities | Totals | |
| | | 2014 | 2013 |
| \$ (1,809,538) | \$ - | \$ (1,809,538) | \$ (1,955,422) |
| (22,763,390) | - | (22,763,390) | (23,100,765) |
| (5,052,992) | - | (5,052,992) | (5,587,755) |
| (1,434,108) | - | (1,434,108) | (635,896) |
| (666,579) | - | (666,579) | 633,947 |
| (349,089) | - | (349,089) | (389,544) |
| <u>(32,075,696)</u> | <u>-</u> | <u>(32,075,696)</u> | <u>(31,035,435)</u> |
| - | 595,018 | 595,018 | 69,520 |
| - | 159,577 | 159,577 | 252,702 |
| - | 754,595 | 754,595 | 322,222 |
| <u>(32,075,696)</u> | <u>754,595</u> | <u>(31,321,101)</u> | <u>(30,713,213)</u> |
| 10,423,211 | - | 10,423,211 | 16,071,106 |
| 11,442,672 | - | 11,442,672 | 11,407,422 |
| 1,628,690 | - | 1,628,690 | 1,712,754 |
| 2,739,433 | - | 2,739,433 | 2,632,282 |
| 4,569,352 | - | 4,569,352 | 4,587,172 |
| 707,717 | 33,905 | 741,622 | (15,498) |
| 32,419 | - | 32,419 | 2,404 |
| 33,128 | 9,415 | 42,543 | 269,455 |
| 79,800 | (79,800) | - | - |
| <u>31,656,422</u> | <u>(36,480)</u> | <u>31,619,942</u> | <u>36,667,097</u> |
| - | - | - | (6,220,542) |
| - | - | - | (9,275,000) |
| - | - | - | (15,495,542) |
| (419,274) | 718,115 | 298,841 | (9,541,658) |
| <u>156,811,103</u> | <u>17,628,049</u> | <u>174,439,152</u> | <u>183,980,810</u> |
| <u>\$ 156,391,829</u> | <u>\$ 18,346,164</u> | <u>\$ 174,737,993</u> | <u>\$ 174,439,152</u> |

CITY OF FOUNTAIN VALLEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

(with comparative totals as of June 30, 2013)

| | General | Special Revenue | Other |
|---|----------------------|----------------------|----------------------|
| | | Fund | Governmental |
| | | Housing | Funds |
| | | Authority | |
| ASSETS | | | |
| Cash and investments | \$ 39,893,659 | \$ 1,263,528 | \$ 9,219,508 |
| Cash and investments with fiscal agents | - | - | 2,516,412 |
| Receivables: | | | |
| Accounts | 2,505,851 | 18,240 | 696,965 |
| Accrued interest | 31,525 | - | - |
| Loans/notes | 3,063 | 6,953,195 | 195,641 |
| Due from other funds | - | - | - |
| Advances to other funds | 1,788,593 | - | - |
| Advances to successor agency | - | 2,706,802 | - |
| Inventories | 82,080 | - | - |
| Land held for resale | - | 3,851,917 | - |
| Prepaid expenses | 95,778 | - | - |
| TOTAL ASSETS | \$ 44,400,549 | \$ 14,793,682 | \$ 12,628,526 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable | \$ 1,172,422 | \$ - | \$ 415,212 |
| Accrued wages payable | 470,464 | - | - |
| Deposits payable | - | - | 190,601 |
| Unearned revenue | - | 6,953,195 | 195,642 |
| Due to other funds | - | - | - |
| Advances from other funds | - | - | 372,593 |
| TOTAL LIABILITIES | 1,642,886 | 6,953,195 | 1,174,048 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenues | 193,904 | - | 10,592 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 1,836,790 | 6,953,195 | 1,184,640 |
| FUND BALANCES: | | | |
| Nonspendable: | | | |
| Inventories | 82,080 | - | - |
| Prepaid expenses | 95,778 | - | - |
| Advances | 1,788,593 | - | - |
| Land held for resale | - | - | - |
| Restricted for: | | | |
| Public safety | - | - | 969,992 |
| Transportation | - | - | 3,844,776 |
| Housing | - | 7,840,487 | 205,178 |
| Community development | - | - | 75,979 |
| Debt service | - | - | 2,516,412 |
| Assigned: | | | |
| Capital projects | 9,600,000 | - | 3,831,549 |
| Economic development | 2,500,000 | - | - |
| Unassigned | 28,497,308 | - | - |
| TOTAL FUND BALANCES | 42,563,759 | 7,840,487 | 11,443,886 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 44,400,549 | \$ 14,793,682 | \$ 12,628,526 |

See independent auditors' report and notes to basic financial statements.

| Total Governmental Funds | |
|--------------------------|----------------------|
| 2014 | 2013 |
| \$ 50,376,695 | \$ 50,556,477 |
| 2,516,412 | 2,533,880 |
| 3,221,056 | 3,103,749 |
| 31,525 | 54,443 |
| 7,151,899 | 7,421,922 |
| - | 2,442 |
| 1,788,593 | 1,657,000 |
| 2,706,802 | 3,364,450 |
| 82,080 | 82,767 |
| 3,851,917 | 3,851,917 |
| 95,778 | 106,556 |
| <u>\$ 71,822,757</u> | <u>\$ 72,735,603</u> |
| | |
| \$ 1,587,634 | \$ 1,224,608 |
| 470,464 | 407,195 |
| 190,601 | - |
| 7,148,837 | 7,421,922 |
| - | 2,442 |
| 372,593 | - |
| <u>9,770,129</u> | <u>9,056,167</u> |
| | |
| <u>204,496</u> | <u>312,613</u> |
| | |
| <u>9,974,625</u> | <u>9,368,780</u> |
| | |
| 82,080 | 82,767 |
| 95,778 | 106,556 |
| 1,788,593 | 5,021,450 |
| - | 3,851,917 |
| 969,992 | 1,391,512 |
| 3,844,776 | 4,414,795 |
| 8,045,665 | 459,271 |
| 75,979 | 56,971 |
| 2,516,412 | 889,600 |
| 13,431,549 | 6,346,772 |
| 2,500,000 | - |
| 28,497,308 | 40,745,212 |
| <u>61,848,132</u> | <u>63,366,823</u> |
| | |
| <u>\$ 71,822,757</u> | <u>\$ 72,735,603</u> |

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CITY OF FOUNTAIN VALLEY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014
(with comparative totals as of June 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|------------------------------|------------------------------|
| Fund balances - total governmental funds | \$ 61,848,132 | \$ 63,366,823 |
| 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 government fund activity: | | |
| Capital assets | 143,247,084 | 140,069,146 |
| Accumulated depreciation | (32,710,514) | (30,799,594) |
| Net OPEB liabilities are not recorded under the modified accrual basis of accounting. | (1,889,417) | (806,857) |
| Long-term liabilities have not been included in the governmental funds: | | |
| Certificates of participation, capital leases and claims | (12,059,783) | (13,217,024) |
| Compensated absences | (2,125,087) | (1,976,350) |
| Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. | (123,082) | (137,654) |
| Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting. | <u>204,496</u> | <u>312,613</u> |
| Net position of governmental activities | <u><u>\$ 156,391,829</u></u> | <u><u>\$ 156,811,103</u></u> |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

| | General | Special Revenue Fund Housing Authority | Other Governmental Funds |
|---|----------------------|---|--------------------------------|
| REVENUES: | | | |
| Taxes | \$ 24,609,300 | \$ - | \$ - |
| Licenses and permits | 1,834,212 | - | - |
| Fines and penalties | 751,302 | - | - |
| Investment income (loss) | 545,720 | 138,168 | 60,559 |
| Rental income | 1,163,515 | - | - |
| Intergovernmental | 4,638,269 | - | 3,851,710 |
| Charges for services | 4,172,172 | - | 1,952,826 |
| Miscellaneous | 1,385,700 | 247,162 | 46,680 |
| TOTAL REVENUES | 39,100,190 | 385,330 | 5,911,775 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 2,870,199 | - | - |
| Public safety | 24,316,705 | - | 299,497 |
| Transportation | 4,584,382 | - | 3,862,326 |
| Community development | 3,015,476 | 16,309 | 957,354 |
| Community services | 2,309,516 | - | 12,191 |
| Capital outlay | 1,298,298 | - | 2,342,458 |
| Debt service: | | | |
| Principal | 232,414 | - | 515,000 |
| Interest | - | - | 363,661 |
| TOTAL EXPENDITURES | 38,626,990 | 16,309 | 8,352,487 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 473,200 | 369,021 | (2,440,712) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 480,341 | - | 2,580,750 |
| Transfers out | (981,317) | - | (1,999,974) |
| TOTAL OTHER FINANCING SOURCES (USES) | (500,976) | - | 580,776 |
| EXTRAORDINARY GAIN (LOSS): | | | |
| Removal of disallowed advance | - | - | - |
| Payment to successor agency for disallowed expenses | - | - | - |
| TOTAL EXTRAORDINARY GAIN (LOSS) | - | - | - |
| NET CHANGE IN FUND BALANCES | (27,776) | 369,021 | (1,859,936) |
| FUND BALANCES - BEGINNING OF YEAR | 42,591,535 | 7,471,466 | 13,303,822 |
| FUND BALANCES - END OF YEAR | \$ 42,563,759 | \$ 7,840,487 | \$ 11,443,886 |

See independent auditors' report and notes to basic financial statements.

| <u>Total Governmental Funds</u> | |
|---------------------------------|----------------------|
| <u>2014</u> | <u>2013</u> |
| \$ 24,609,300 | \$ 30,142,198 |
| 1,834,212 | 2,260,643 |
| 751,302 | 799,794 |
| 744,447 | (15,506) |
| 1,163,515 | 1,151,228 |
| 8,489,979 | 8,066,501 |
| 6,124,998 | 6,552,896 |
| <u>1,679,542</u> | <u>3,197,853</u> |
| <u>45,397,295</u> | <u>52,155,607</u> |
| 2,870,199 | 2,919,814 |
| 24,616,202 | 25,071,510 |
| 8,446,708 | 8,084,134 |
| 3,989,139 | 4,449,856 |
| 2,321,707 | 2,123,704 |
| 3,640,756 | 1,194,478 |
| 747,414 | 717,422 |
| <u>363,661</u> | <u>381,711</u> |
| <u>46,995,786</u> | <u>44,942,629</u> |
| <u>(1,598,491)</u> | <u>7,212,978</u> |
| 3,061,091 | 1,402,365 |
| <u>(2,981,291)</u> | <u>(1,329,425)</u> |
| <u>79,800</u> | <u>72,940</u> |
| - | (9,275,000) |
| - | <u>(5,708,772)</u> |
| - | <u>(14,983,772)</u> |
| (1,518,691) | (7,697,854) |
| <u>63,366,823</u> | <u>71,064,677</u> |
| <u>\$ 61,848,132</u> | <u>\$ 63,366,823</u> |

CITY OF FOUNTAIN VALLEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|-----------------------|
| Net change in fund balances - total governmental funds | \$ (1,518,691) | \$ (7,697,854) |
| 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 cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expense exceeded depreciation in the current period. | | |
| Capital outlays | 3,492,839 | 792,872 |
| Depreciation expense | (2,225,821) | (2,195,207) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 747,414 | 717,422 |
| The Statement of Net Position includes accrued interest on long-term debt. | 14,572 | (7,833) |
| The liability for claims and judgments is reported on the Statement of Net Position and the net change in claims and judgments payable is a reduction of expense in the Statement of Activities. | 409,827 | (60,820) |
| Compensated absences of payable are reported in the Statement of Net Position and the net change in compensated absences payable is an increase expense in the Statement of Activities | (148,737) | 260,514 |
| Other post-employment benefits payable are reported in the Statement of Net Position and the net change in the other post-employment benefits payable is an increase in expense in the Statement of Activities | (1,082,560) | (919,624) |
| Revenues that are measurable but not available are not recorded as revenue under the modified accrual basis of accounting. | <u>(108,117)</u> | <u>(263,198)</u> |
| Change in net position of governmental activities | <u>\$ (419,274)</u> | <u>\$ (9,373,728)</u> |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014
(with comparative totals as of June 30, 2013)

| | Business-Type Activities | | Totals | |
|--|--------------------------|-------------------|----------------------|----------------------|
| | Water Utility | Solid Waste | 2014 | 2013 |
| ASSETS: | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 7,135,605 | \$ 476,292 | \$ 7,611,897 | \$ 6,582,096 |
| Accounts receivable | 2,122,027 | 443,392 | 2,565,419 | 2,588,460 |
| TOTAL CURRENT ASSETS | 9,257,632 | 919,684 | 10,177,316 | 9,170,556 |
| NONCURRENT ASSETS: | | | | |
| Capital assets: | | | | |
| Not being depreciated | 1,253,201 | - | 1,253,201 | 595,112 |
| Being depreciated, net | 11,160,854 | - | 11,160,854 | 11,789,989 |
| TOTAL NONCURRENT ASSETS | 12,414,055 | - | 12,414,055 | 12,385,101 |
| TOTAL ASSETS | 21,671,687 | 919,684 | 22,591,371 | 21,555,657 |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | 1,787,331 | 244,801 | 2,032,132 | 1,500,476 |
| Deposits payable | 136,331 | - | 136,331 | 66,448 |
| Advances from other funds | 1,416,000 | - | 1,416,000 | 1,657,000 |
| Note payable, current portion | 51,626 | - | 51,626 | 49,880 |
| Compensated absences, current portion | 98,768 | - | 98,768 | 93,304 |
| TOTAL CURRENT LIABILITIES | 3,490,056 | 244,801 | 3,734,857 | 3,367,108 |
| NONCURRENT LIABILITIES: | | | | |
| Note payable, net of current portion | 483,659 | - | 483,659 | 535,285 |
| Compensated absences, net of current portion | 26,691 | - | 26,691 | 25,215 |
| TOTAL NONCURRENT LIABILITIES | 510,350 | - | 510,350 | 560,500 |
| TOTAL LIABILITIES | 4,000,406 | 244,801 | 4,245,207 | 3,927,608 |
| NET POSITION: | | | | |
| Net investment in capital assets | 11,878,770 | - | 11,878,770 | 11,799,936 |
| Unrestricted | 5,792,511 | 674,883 | 6,467,394 | 5,828,113 |
| TOTAL NET POSITION | \$ 17,671,281 | \$ 674,883 | \$ 18,346,164 | \$ 17,628,049 |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the year ended June 30, 2014
 (with comparative totals for the year ended June 30, 2013)

| | Business-Type Activities | | Totals | |
|--|--------------------------|-------------------|----------------------|----------------------|
| | Water Utility | Solid Waste | 2014 | 2013 |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 12,939,652 | \$ 3,096,014 | \$ 16,035,666 | \$ 15,206,652 |
| Miscellaneous | 9,415 | - | 9,415 | 44,142 |
| TOTAL OPERATING REVENUES | 12,949,067 | 3,096,014 | 16,045,081 | 15,250,794 |
| OPERATING EXPENSES: | | | | |
| Distribution maintenance | 208,314 | - | 208,314 | 404,502 |
| Utility administration | 705,687 | - | 705,687 | 642,141 |
| Contract services | - | 2,936,437 | 2,936,437 | 2,923,270 |
| Pumping and maintenance | 1,241,409 | - | 1,241,409 | 1,221,279 |
| Water treatment | 9,448,608 | - | 9,448,608 | 8,937,936 |
| Depreciation | 629,135 | - | 629,135 | 629,134 |
| TOTAL OPERATING EXPENSES | 12,233,153 | 2,936,437 | 15,169,590 | 14,758,262 |
| OPERATING INCOME | 715,914 | 159,577 | 875,491 | 492,532 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income | 33,905 | - | 33,905 | 50,416 |
| Interest expense | (111,481) | - | (111,481) | (126,168) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (77,576) | - | (77,576) | (75,752) |
| INCOME BEFORE TRANSFERS | 638,338 | 159,577 | 797,915 | 416,780 |
| TRANSFERS: | | | | |
| Transfers in | 134,654 | - | 134,654 | 134,136 |
| Transfers out | (79,800) | (134,654) | (214,454) | (207,076) |
| TOTAL TRANSFERS | 54,854 | (134,654) | (79,800) | (72,940) |
| CHANGES IN NET POSITION BEFORE EXTRAORDINARY ITEM | 693,192 | 24,923 | 718,115 | 343,840 |
| EXTRAORDINARY ITEM: | | | | |
| Payment to successor agency for disallowed expenses | - | - | - | (511,770) |
| CHANGES IN NET POSITION | 693,192 | 24,923 | 718,115 | (167,930) |
| NET POSITION - BEGINNING OF YEAR | 16,978,089 | 649,960 | 17,628,049 | 17,795,979 |
| NET POSITION - END OF YEAR | \$ 17,671,281 | \$ 674,883 | \$ 18,346,164 | \$ 17,628,049 |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

| | Business-Type Activities | | Totals | |
|---|--------------------------|-------------------|---------------------|---------------------|
| | Water Utility | Solid Waste | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 13,014,159 | \$ 3,123,846 | \$ 16,138,005 | \$ 15,308,321 |
| Cash payments to suppliers of goods and services | (8,629,070) | (2,935,870) | (11,564,940) | (8,103,873) |
| Cash payments to employees for services | (2,436,919) | - | (2,436,919) | (6,016,736) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,948,170 | 187,976 | 2,136,146 | 1,187,712 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Cash received from other funds | 134,654 | - | 134,654 | 134,136 |
| Cash paid to other funds | (320,800) | (134,654) | (455,454) | (435,076) |
| Cash paid to successor agency for disallowed expenses as an extraordinary item | - | - | - | (511,770) |
| NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES | (186,146) | (134,654) | (320,800) | (812,710) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Cash paid for acquisition and construction of capital assets | (658,089) | - | (658,089) | (135,688) |
| Principal paid on debt | (49,880) | - | (49,880) | (48,194) |
| Interest paid on debt | (111,481) | - | (111,481) | (126,168) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (819,450) | - | (819,450) | (310,050) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income | 33,905 | - | 33,905 | 50,416 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 33,905 | - | 33,905 | 50,416 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 976,479 | 53,322 | 1,029,801 | 115,368 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 6,159,126 | 422,970 | 6,582,096 | 6,466,728 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 7,135,605 | \$ 476,292 | \$ 7,611,897 | \$ 6,582,096 |

See independent auditors' report and notes to basic financial statements.

(Continued)

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2014
 (with comparative totals for the year ended June 30, 2013)

| | Business-Type Activities | | Totals | |
|--|--------------------------|-----------------------|-------------------------|-------------------------|
| | Water Utility | Solid Waste | 2014 | 2013 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income | \$ 715,914 | \$ 159,577 | \$ 875,491 | \$ 492,532 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 629,135 | - | 629,135 | 629,134 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | (4,791) | 27,832 | 23,041 | 50,261 |
| Increase (decrease) in accounts payable | 531,089 | 567 | 531,656 | (24,193) |
| Increase (decrease) in deposits payable | 69,883 | - | 69,883 | 7,268 |
| Increase (decrease) in compensated absences | 6,940 | - | 6,940 | 32,710 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 1,948,170</u> | <u>\$ 187,976</u> | <u>\$ 2,136,146</u> | <u>\$ 1,187,712</u> |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

(with comparative totals as of June 30, 2013)

| | Private-Purpose Trust Funds | Agency Funds | Totals | |
|---|--------------------------------|---------------------|-------------------|-------------------|
| | | | 2014 | 2013 |
| ASSETS: | | | | |
| Cash and investments | \$ 11,235,681 | \$ 1,034,257 | \$ 12,269,938 | \$ 12,191,830 |
| Cash and investments with fiscal agents | 2,035,737 | - | 2,035,737 | 2,078,655 |
| Accrued interest receivable | 4,455 | - | 4,455 | 5,343 |
| TOTAL ASSETS | 13,275,873 | \$ 1,034,257 | 14,310,130 | 14,275,828 |
| LIABILITIES: | | | | |
| Accounts payable | 143,264 | \$ - | 143,264 | 181,339 |
| Deposits payable | - | 1,034,257 | 1,034,257 | 967,502 |
| Advances payable to: | | | | |
| Housing Authority | 2,706,802 | - | 2,706,802 | 3,364,450 |
| Accrued interest payable | 85,305 | - | 85,305 | 124,750 |
| Long-term liabilities: | | | | |
| Due within one year | 1,775,000 | - | 1,775,000 | 1,715,000 |
| Due in more than one year | 1,855,000 | - | 1,855,000 | 3,630,000 |
| TOTAL LIABILITIES | 6,565,371 | \$ 1,034,257 | 7,599,628 | 9,983,041 |
| NET POSITION: | | | | |
| Held in trust for Successor Agency | \$ 6,710,502 | | \$ 6,710,502 | \$ 4,292,787 |

See independent auditors' report and notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2014
 (with comparative totals for the year ended June 30, 2013)

| | Private-Purpose Trust Funds | |
|--|--------------------------------|---------------------|
| | 2014 | 2013 |
| ADDITIONS: | | |
| Taxes | \$ 3,163,136 | \$ 3,084,804 |
| Investment income | 29,312 | 60,330 |
| TOTAL ADDITIONS | <u>3,192,448</u> | <u>3,145,134</u> |
| DEDUCTIONS: | | |
| Administrative | 245,893 | 245,975 |
| Community development | 318,785 | 478,007 |
| Interest | 210,055 | 351,295 |
| Payment to the County | - | 47,594,740 |
| TOTAL DEDUCTIONS | <u>774,733</u> | <u>48,670,017</u> |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS | <u>2,417,715</u> | <u>(45,524,883)</u> |
| EXTRAORDINARY ITEMS: | | |
| Payment from city to reimburse disallowed expenses | - | 6,220,542 |
| Payment from city to remove disallowed advance | - | 9,275,000 |
| TOTAL EXTRAORDINARY ITEMS | <u>-</u> | <u>15,495,542</u> |
| CHANGES IN NET POSITION | 2,417,715 | (30,029,341) |
| NET POSITION - BEGINNING OF YEAR | <u>4,292,787</u> | <u>34,322,128</u> |
| NET POSITION - END OF YEAR | <u>\$ 6,710,502</u> | <u>\$ 4,292,787</u> |

See independent auditors' report and notes to basic financial statements.

City of Fountain Valley Notes to the Basic Financial Statements



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Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Fountain Valley, California (City) have been prepared in accordance with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies.

a. Reporting Entity:

The City of Fountain Valley 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 Fountain Valley (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 the City. However, the City's elected officials have a continuing full or partial accountability for fiscal matters of the other entities.

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, a component unit's 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. Therefore, the component units of the City discussed below are presented blended within the financial statements of the City.

The Fountain Valley Financing Authority (Authority) was established in April 2003, for the purpose of issuing tax exempt obligations and retaining the services of a land counsel and financial advisor. The activities of the Authority are reported in the Fountain Valley Financing Authority Deb Service Fund. Separate financial statements are not prepared for this blended component unit.

The Fountain Valley Housing Authority (Housing Authority) was established in 2011 to preserve the ability to provide affordable housing activities. The activities of the Housing Authority are reported in the Housing Authority Special Revenue Fund. Separate financial statements are not prepared for this blended component unit.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation:

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. In the government-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and private purpose trust fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Accrual basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue from property taxes is recognized in the fiscal year which the taxes are levied. Grants and similar items are recognized as revenues as soon as the eligibility requirements imposed by the provider have been satisfied. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

Government-Wide Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's Water Utility and Solid Waste 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.

Fund Financial Statements

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity (net position), 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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

Fund Financial Statements (Continued)

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these are reported at gross amounts as transfers *in/out*. While this is the reporting method for the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Under the modified-accrual basis of accounting, revenues are recognized when they become both *measurable* and *available*. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

Governmental Funds (Continued)

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Other revenue items are considered to be measurable and available when cash is received by the government.

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

Non-current portions of long-term receivables between governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources”, since they do not represent available resources. Recognition of governmental fund type revenues represented by non-current receivables are offset by unearned revenue until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable or restricted fund balance.

Proprietary Funds

Proprietary fund types are accounted for using the *economic resources measurement focus* and *accrual basis of accounting*. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) associated with the activity are included on the statement of net position. Their reported fund equity presents total net position. The operating statement of the proprietary fund presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued):

Proprietary Funds (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water utility and solid waste funds are charges to customers for sales and services. Operating expenses for proprietary funds include all cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary private-purpose trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust funds account for the assets held by the City for the Successor Agency to the Fountain Valley Agency for Community Development. The City's Fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. The City uses agency funds to account for the collection and disbursement of funds for special deposits, and reimbursement agreements collected by the City on behalf of others. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

c. Fund Classifications:

The City reports the following major governmental funds:

General Fund - This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

Housing Authority Special Revenue Fund - This special revenue fund is used to account for the housing activities of the former Fountain Valley Agency for Community Development.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

The City of Fountain Valley reports the following major enterprise funds:

Water Utility Fund - This enterprise fund is used to account for the provision of water to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, construction, financing and related debt service.

Solid Waste Fund - This fund accounts for fees and services for trash disposal.

Additionally, the government reports the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

The Debt Service Fund is used to account for resources restricted or assigned for expenditure of principal and interest.

The Capital Projects Funds are used to account for resources restricted or assigned for capital improvements.

The Private-Purpose Trust Funds account for the activities of the Successor Agency of the former Fountain Valley Agency for Community Development.

The Agency Funds account for special deposits and reimbursement agreements collected by the City of behalf of others.

d. New Accounting Pronouncements:

Current Year Standards:

GASB 66 - *“Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62”*, required to be implemented in the current fiscal year did not impact the City.

GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented in the current fiscal year did not impact the City.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", effective for periods beginning after June 15, 2014.

e. Cash and Investments:

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

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

f. Cash Equivalents:

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Fountain Valley.

g. Inventories:

Inventories are stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventories.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Prepaid Expenses:

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid expenses in both government-wide and fund financial statements.

i. Land Held for Resale:

Land held for resale is recorded at the lower of cost or, upon entering into a contract for sale, the estimated realizable value. The carrying value of land and building held for resale is offset by nonspendable fund balance, because such assets are not available to finance the City's current operations.

j. Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date of donation. Capital assets subject to lease obligations are valued at the present value of future lease payments at the inception of the lease.

Depreciation of all exhaustible capital assets used by the governmental and business-type activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net position. Depreciation has been calculated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 25 - 40 years |
| Improvements other than buildings | 10 - 50 years |
| Vehicles | 3 - 25 years |
| Machinery and equipment | 10 years |
| Furniture and fixtures | 10 years |
| Infrastructure | 20 - 50 years |
| Reservoirs | 60 years |
| Wells, pumps and mains | 25 - 75 years |
| Water meters and hydrants | 30 years |
| Other water equipment | 6 - 25 years |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Capital Assets (Continued):

The following schedule shows the minimum threshold at which the various types of asset purchases are capitalized when the estimated useful life is in excess of one year:

| | |
|--|----------------|
| Land/land improvements | Capitalize All |
| Buildings | \$ 50,000 |
| Building improvements | \$ 25,000 |
| Structures and improvements other than buildings | \$ 25,000 |
| Equipment and vehicles | \$ 5,000 |
| Infrastructure | \$ 100,000 |

The City has reported all capital assets including infrastructure in the government-wide statement of net position. The City has elected to use the depreciation approach using the straight-line depreciation method for some of the infrastructure assets and the modified approach for others, in which the City agrees to maintain those assets at a specified level of maintenance. Those assets reported using the depreciation method are traffic signals, sewers, and storm drains. Those assets reported using the modified approach are arterial pavement, local pavement, curbs and gutters and sidewalks.

k. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Property Taxes:

Under California law, property taxes are assessed and collected by the counties up to 1 % 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. Accordingly, the City of Fountain Valley accrues only those taxes which are received within 60 days after year end.

The property tax calendar is as follows:

| | |
|------------------|---|
| Lien Date: | January 1 |
| Levy Date: | July 1 |
| Due Date: | First Installment - November 1 Second Installment - February 1 |
| Delinquent Date: | First Installment - December 10 Second Installment - April 10 |

m. Claims and Judgments:

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) 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 government-wide financial statements and has typically been paid from the City's general fund.

n. Employee Leave Benefits:

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

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. Employee Leave Benefits (Continued):

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

o. Net Position:

The government-wide financial statements, proprietary fund statements and fiduciary fund statements utilize a net position presentation. Net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, or laws or regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

Unrestricted net position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

p. 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, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q. Fund Balances:

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

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

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance - this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution to constitute the highest formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance - this includes amounts that are intended to be used for specific purposes as indicated either by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has not delegated this authority.

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

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

r. Use of Estimates:

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

s. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's prior year financial statements, from which the selected financial data was derived. Certain reclassifications have been made to the prior year amounts to conform to the current years' presentation.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

| | |
|---|----------------------|
| Statement of Net Position: | |
| Cash and investments | \$ 57,988,592 |
| Cash and investments with fiscal agents | 2,516,412 |
| Statement of Fiduciary Net Position: | |
| Cash and investments | 12,269,938 |
| Cash and investments with fiscal agents | <u>2,035,737</u> |
| Total cash and investments | <u>\$ 74,810,679</u> |

Cash and investments held by the City at June 30, 2014 consisted of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 28,775 |
| Deposits with financial institutions | 10,274,289 |
| Investments | <u>64,507,615</u> |
| Total cash and investments | <u>\$ 74,810,679</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

2. 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 trustees 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.

| Investment Types <u>Authorized by State Law</u> | Authorized by Investment <u>Policy</u> | Maximum Maturity* | Maximum Percentage of Portfolio* | Maximum Investment in One Issuer* |
|--|--|----------------------|--|---|
| Local Agency Bonds | Yes | 5 years | None | None |
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| U.S. Government Sponsored Agency Securities | Yes | 5 years | None | None |
| Banker’s Acceptances | Yes | 180 days | 40% | 30% |
| Commercial Paper | Yes | 270 days | 40% | 10% |
| Negotiable Certificates of Deposit | Yes | 5 years | 30% | None |
| Repurchase Agreements | No | 1 year | None | None |
| Reverse Repurchase Agreements | No | 92 days | 20% of base value | None |
| Medium-Term Notes | Yes | 5 years | 30% | None |
| Mutual Funds | No | N/A | 20% | 10% |
| Money Market Mutual Funds | Yes | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | Yes | 5 years | None | None |
| County Pooled Investment Funds | No | N/A | None | None |
| Local Agency Investment Fund | Yes | N/A | None | None |
| JPA Pools (other investment pools) | No | N/A | None | None |

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

N/A - Not Applicable

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> |
|--------------------------------------|-------------------------|--|
| United States Treasury Obligations | None | None |
| United States Government Sponsored | | |
| Agency Securities | None | None |
| Banker's Acceptances | 30 days | None |
| Commercial Paper | 180 days | None |
| Money Market Mutual Funds | None | None |
| Investment Contracts | None | None |
| Local Agency Bonds | None | None |
| Corporate Notes | None | None |
| Medium Term Notes | None | None |
| Repurchase Agreements | None | None |
| Financial Futures/Option Contracts | None | None |
| California Arbitrage Management Pool | None | None |
| Negotiable Certificates of Deposit | None | None |
| Local Agency Investment Fund (LAIF) | 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 flows and liquidity needed for operations.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

Information about the sensitivity of the fair values of the City's investments (including those held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

| Investment Type | Remaining Maturity (in Months) | | | | Total |
|------------------------------------|--------------------------------|-------------------|----------------------|------------------------|----------------------|
| | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | More Than 60 Months | |
| Local Agency Investment Fund | \$ 20,456,905 | \$ - | \$ - | \$ - | \$ 20,456,905 |
| U.S. Government Sponsored | | | | | |
| Agency Securities | - | - | 36,864,770 | - | 36,864,770 |
| Money market mutual funds | 2,386,291 | - | - | - | 2,386,291 |
| Negotiable certificates of deposit | - | - | 247,500 | - | 247,500 |
| Held by Fiscal Agent: | | | | | |
| Local Agency Investment Fund | 1,956,822 | - | - | - | 1,956,822 |
| Money market mutual funds | <u>2,595,327</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,595,327</u> |
| | <u>\$ 27,395,345</u> | <u>\$ -</u> | <u>\$ 37,112,270</u> | <u>\$ -</u> | <u>\$ 64,507,615</u> |

Disclosures Relating to Credit Risk:

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

| Investment Type | Minimum Legal Rating | Total as of June 30, 2014 | Ratings as of Fiscal Year End | | | |
|------------------------------------|----------------------------|---------------------------------|-------------------------------|---------------------|-------------|---------------------|
| | | | AAA | AA+ | A | Not Rated |
| Local Agency Investment Fund | N/A | \$ 20,456,905 | \$ - | \$ - | \$ - | \$20,456,905 |
| U.S. Government Sponsored | | | | | | |
| Agency Securities | N/A | 36,864,770 | - | 36,864,770 | - | - |
| Money market mutual funds | A | 2,386,291 | 2,386,291 | - | - | - |
| Negotiable certificates of deposit | N/A | 247,500 | - | - | - | 247,500 |
| Held by Fiscal Agent: | | | | | | |
| Local Agency Investment Fund | N/A | 1,956,822 | - | - | - | 1,956,822 |
| Money market mutual funds | A | <u>2,595,327</u> | <u>2,595,327</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>\$ 64,507,615</u> | <u>\$ 4,981,618</u> | <u>\$36,864,770</u> | <u>\$ -</u> | <u>\$22,661,227</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

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 National Mortgage Association | U.S. Government Sponsored Agency Securities | \$ 13,944,520 |
| Federal Home Loan Bank | U.S. Government Sponsored Agency Securities | 22,920,250 |

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: 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. At June 30, 2014, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

3. INTERFUND ACTIVITY:

The following represents the interfund activity of the City for the fiscal year ended June 30, 2014.

Advances To/From Other Funds:

Advances to other funds and from other funds at June 30, 2014 are as follows:

| <u>Advances to Other Funds</u> | <u>Advances from Other Funds</u> | <u>Amount</u> |
|--------------------------------|----------------------------------|---------------------|
| General Fund | Other Governmental Funds | \$ 372,593 |
| | Water Utility Fund | <u>1,416,000</u> |
| | | <u>\$ 1,788,593</u> |

An advance of \$372,593 evidenced by a promissory note with an interest rate of 3.195% was made from the General Fund to the Criminal Activities Special Revenue Fund to pay for a new Computer Aided Dispatch/Records Management System and related hardware and software.

An advance of \$2,500,000 evidenced by a promissory note with an interest rate of 5.5% was made by the General Fund to the Water Enterprise Fund to pay for construction of Well No.9. The unpaid balance at June 30, 2014 was \$1,416,000.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

3. INTERFUND ACTIVITY (CONTINUED):

Transfers In/Out:

The following schedule summarizes the City's transfer activity:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|------------------------------|---------------------|
| General Fund | Other Governmental Funds (a) | \$ 480,341 |
| Other Governmental Funds | General Fund (b) | 981,317 |
| | Other Governmental Funds (c) | 1,519,633 |
| | Water Utility Fund (d) | 79,800 |
| Water Utility Fund | Solid Waste Fund (e) | <u>134,654</u> |
| | | <u>\$ 3,195,745</u> |

- (a) Transfers in to the General Fund include \$418,347 from the Gas Tax Special Revenue Fund to reimburse eligible expenditures, \$52,734 from the Sewer Assessment Special Revenue Fund to reimburse eligible expenditures and \$9,260 from the Measure M2 Revenue Fund for funding assistance for Senior Mobility Program from M2 Funds.
- (b) Transfers out of the General Fund include \$863,370 to the Financing Authority for debt service payments on the Certificates of Participation and \$117,947 to the Gas Tax Special Revenue Fund for funding assistance from waste franchise for residential road rehabilitation.
- (c) Transfers out of the Measure M2 Special Revenue Fund to the Traffic Improvement Special Revenue Fund for \$1,473,283 for funding assistance for various capital projects funded by local share of M2 Funds. Transfers out of Sewer Assessment Capital Projects Fund include \$38,700 to the Gas Tax Special Revenue Fund for residential road rehabilitation projects and \$7,650 to the Traffic Improvement Fund for arterial road rehabilitation projects.
- (d) Transfers out of the Water Utility Fund include \$60,300 to the Gas Tax Special Revenue Fund for residential rehabilitation projects and \$19,500 to the Traffic Improvement Fund for arterial road rehabilitation projects.
- (e) Transfer out of the Solid Waste Fund for administrative charge of Rainbow billing services recorded in the Water Utility Fund.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

4. CAPITAL ASSETS:

Governmental Activities:

Changes in capital assets for governmental activities for the year ended June 30, 2014 were as follows:

| | Balances at July 1, 2013 <small>(As Restated – Note 13)</small> | <u>Additions</u> | <u>Deletions</u> | Balances at June 30, 2014 |
|---|---|---------------------|------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Infrastructure (modified approach) | \$ 63,548,697 | \$ - | \$ - | \$ 63,548,697 |
| Land | 3,885,105 | - | - | 3,885,105 |
| Rights of way | 17,948,464 | - | - | 17,948,464 |
| Construction in progress | <u>53,716</u> | <u>2,085,685</u> | <u>-</u> | <u>2,139,401</u> |
| Total capital assets, not being depreciated | <u>85,435,982</u> | <u>2,085,685</u> | <u>-</u> | <u>87,521,667</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 17,274,254 | - | - | 17,274,254 |
| Improvements | 3,574,883 | 550,787 | - | 4,125,670 |
| Vehicles and equipment | 7,884,152 | 856,367 | (314,901) | 8,425,618 |
| Furniture and fixtures | 20,302 | - | - | 20,302 |
| Infrastructure (depreciation approach) | <u>25,879,573</u> | <u>-</u> | <u>-</u> | <u>25,879,573</u> |
| Total capital assets, being depreciated | <u>54,633,164</u> | <u>1,407,154</u> | <u>(314,901)</u> | <u>55,725,417</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (8,265,466) | (365,552) | - | (8,631,018) |
| Improvements | (517,396) | (196,115) | - | (713,511) |
| Vehicles and equipment | (5,628,318) | (653,824) | 314,901 | (5,967,241) |
| Furniture and fixtures | (6,713) | (1,921) | - | (8,634) |
| Infrastructure (depreciation approach) | <u>(16,381,701)</u> | <u>(1,008,409)</u> | <u>-</u> | <u>(17,390,110)</u> |
| Total accumulated depreciation | <u>(30,799,594)</u> | <u>(2,225,821)</u> | <u>314,901</u> | <u>(32,710,514)</u> |
| Total capital assets being depreciated, net | <u>23,833,570</u> | <u>(818,667)</u> | <u>-</u> | <u>23,014,903</u> |
| Capital assets, net | <u>\$ 109,269,552</u> | <u>\$ 1,267,018</u> | <u>\$ -</u> | <u>\$ 110,536,570</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

4. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

Depreciation expense was charged in the following functions in the Statement of Activities:

| | |
|-----------------------|---------------------|
| General government | \$ 230,843 |
| Transportation | 3,651 |
| Public safety | 391,868 |
| Community development | 1,270,137 |
| Community services | <u>329,322</u> |
| | <u>\$ 2,225,821</u> |

Business-type Activities:

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2014 were as follows:

| | <u>Balances at July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances at June 30, 2014</u> |
|---|-------------------------------------|------------------|------------------|--------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 123,076 | \$ - | \$ - | \$ 123,076 |
| Construction in progress | <u>472,036</u> | <u>658,089</u> | <u>-</u> | <u>1,130,125</u> |
| Total capital assets, not being depreciated | <u>595,112</u> | <u>658,089</u> | <u>-</u> | <u>1,253,201</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 14,805,369 | - | - | 14,805,369 |
| Improvements other than buildings | 10,263,920 | - | - | 10,263,920 |
| Machinery and equipment | <u>47,777</u> | <u>-</u> | <u>-</u> | <u>47,777</u> |
| Total capital assets, being depreciated | <u>25,117,066</u> | <u>-</u> | <u>-</u> | <u>25,117,066</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (6,866,020) | (520,183) | - | (7,386,203) |
| Improvements other than buildings | (6,426,156) | (105,486) | - | (6,531,642) |
| Machinery and equipment | <u>(34,901)</u> | <u>(3,466)</u> | <u>-</u> | <u>(38,367)</u> |
| Total accumulated depreciation | <u>(13,327,077)</u> | <u>(629,135)</u> | <u>-</u> | <u>(13,956,212)</u> |
| Total capital assets being depreciated, net | <u>11,789,989</u> | <u>(629,135)</u> | <u>-</u> | <u>11,160,854</u> |
| Capital assets, net | <u>\$ 12,385,101</u> | <u>\$ 28,954</u> | <u>\$ -</u> | <u>\$ 12,414,055</u> |

Depreciation expense in the amount of \$629,135 was charged to the Water Utility Fund.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2014 (including unamortized discounts and refunding costs) are as follows:

| | Balance at | | | Balance at | Due Within |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------|
| | July 1, 2013 | Additions | Deletions | June 30, 2014 | One Year |
| Governmental Activities: | | | | | |
| 2003 Certificates of Participation | \$ 9,275,000 | \$ - | \$ (515,000) | \$ 8,760,000 | \$ 535,000 |
| Capital lease obligations | 451,236 | - | (232,414) | 218,822 | 109,537 |
| Compensated absences | 1,976,350 | 1,867,367 | (1,718,630) | 2,125,087 | 1,672,974 |
| Claims and judgments (Note 6) | 3,490,788 | 493,740 | (903,567) | 3,080,961 | 540,690 |
| Other post-employment benefits obligation (OPEB) (Note 7) | 806,857 | 2,647,793 | (1,565,233) | 1,889,417 | - |
| | <u>\$ 16,000,231</u> | <u>\$ 5,008,900</u> | <u>\$ (4,934,844)</u> | <u>\$ 16,074,287</u> | <u>\$ 2,858,201</u> |

2003 Certificates of Participation:

On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of \$13,270,000. The Certificates were being issued for the purpose of financing the acquisition, construction and equipping of certain improvements to City park facilities at the western portion of Mile Square Park, a senior community center, and miscellaneous capital improvements to the City's Civic Center complex and other existing City facilities. The Term Certificates of \$2,435,000 are due September 1, 2026 with an interest rate of 4.5%. The Certificates bear interest ranging from 2.00% to 4.125%, payable semiannually on March 1 and September 1, commencing March 1, 2004.

The required reserve for the Certificates of Participations Bonds is \$879,400 and as of June 30, 2014 the reserve was only funded at \$874,402. The amount of bonds outstanding at June 30, 2014 is \$8,760,000.

Future requirements to amortize outstanding certificates of participation as of June 30, 2014 are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|---------------------|---------------------|----------------------|
| 2015 | \$ 535,000 | \$ 344,400 | \$ 879,400 |
| 2016 | 550,000 | 325,814 | 875,814 |
| 2017 | 570,000 | 305,929 | 875,929 |
| 2018 | 590,000 | 284,606 | 874,606 |
| 2019 | 615,000 | 260,859 | 875,859 |
| 2020 - 2024 | 3,465,000 | 905,375 | 4,370,375 |
| 2025 - 2027 | 2,435,000 | 167,738 | 2,602,738 |
| | <u>\$ 8,760,000</u> | <u>\$ 2,594,721</u> | <u>\$ 11,354,721</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

5. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Capital Lease Obligations:

The City entered into various agreements to lease fire trucks. Such agreements are, in substance, purchases and are reported as capital lease obligations.

| <u>Description</u> | <u>Date of Agreement</u> | <u>Monthly Installment</u> | <u>Interest Rate</u> | <u>Commencing</u> | <u>Terminating</u> | <u>Acquisition Cost</u> | <u>Accumulated Depreciation</u> |
|--------------------|--------------------------|----------------------------|----------------------|-------------------|--------------------|-------------------------|---------------------------------|
| Fire trucks | 10/28/2005 | \$ 19,313* | 5.18% | 10/01/2007 | 10/01/2015 | \$ 1,417,407 | \$ 1,275,664 |

* - For fiscal years 2014-15 and 2015-16 the monthly installment payment amount is \$9,578.

The lease agreements have been recorded at the present value of the future minimum lease payments as of the date of inception. The outstanding balance of the capital lease obligations at June 30, 2014 was \$218,822, with future scheduled lease payments as follows:

| <u>Fiscal Year Ending</u> | <u>Amount</u> |
|--|-------------------|
| 2015 | \$ 120,579 |
| 2016 | <u>114,945</u> |
| Subtotal | 235,524 |
| Less: amount representing interest | <u>(16,702)</u> |
| Present value of future lease payments | <u>\$ 218,822</u> |

Compensated Absences:

Governmental compensated absences are generally liquidated by the general fund.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

Changes in long-term liabilities for business-type activities for the year ended June 30, 2014 are as follows:

| | Balance at <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | Balance at <u>June 30, 2014</u> | Due Within <u>One Year</u> |
|----------------------------------|-----------------------------------|-------------------|---------------------|------------------------------------|-------------------------------|
| Business-type Activities: | | | | | |
| Note payable | \$ 585,165 | \$ - | \$ (49,880) | \$ 535,285 | \$ 51,626 |
| Compensated absences | <u>118,519</u> | <u>128,163</u> | <u>(121,223)</u> | <u>125,459</u> | <u>98,768</u> |
| | <u>\$ 703,684</u> | <u>\$ 128,163</u> | <u>\$ (171,103)</u> | <u>\$ 660,744</u> | <u>\$ 150,394</u> |

Note Payable:

The Water Utility Fund of the City entered into an agreement with the Orange County Water District (OCWD) in 2003 in a joint effort to improve water supply facilities. This agreement was for the construction of a groundwater production well, including a pump, motor and ancillary surface facilities in the City of Fountain Valley. At June 30, 2014 the amount outstanding on the loan is \$535,285. The interest rate is 3.5%.

The annual requirements to amortize the loan, as of June 30, 2014 are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2015 | \$ 51,626 | \$ 18,735 | \$ 70,361 |
| 2016 | 53,433 | 16,928 | 70,361 |
| 2017 | 55,303 | 15,058 | 70,361 |
| 2018 | 57,239 | 13,122 | 70,361 |
| 2019 | 59,242 | 11,119 | 70,361 |
| 2020 - 2023 | <u>258,442</u> | <u>23,002</u> | <u>281,444</u> |
| | <u>\$ 535,285</u> | <u>\$ 97,964</u> | <u>\$ 633,249</u> |

Compensated Absences:

Business-type compensated absences are generally liquidated by the Water Utility Fund.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

6. CLAIMS AND JUDGMENTS:

Self-Insurance:

At June 30, 2014, the City was self-insured for workers' compensation, employee long-term disability insurance and general liability. Additionally, the City has purchased coverage for individual workers' compensation claims in excess of \$500,000 for general employees and \$1,000,000 for public safety. The City's general and auto liability self-insurance retention is \$25,000, and the balance extending to \$50,000,000 is covered by the use of pooling maintained through the California Joint Powers Insurance Authority (CJPIA). The City also purchases commercial insurance for other risks of loss, including property loss, fidelity and vehicle physical damage.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

6. CLAIMS AND JUDGMENTS (CONTINUED):

Self-Insurance Programs of the Insurance Authority (Continued):

Liability. In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Insurance Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3 million annual aggregate deductible is fully retained by the Insurance Authority. (6) Costs of covered claims from \$15 million to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance, subject to the same annual aggregate deductibles previously stated, and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

6. CLAIMS AND JUDGMENTS (CONTINUED):

Self-Insurance Programs of the Insurance Authority (Continued):

Workers' Compensation (Continued). (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2013-2014.

Changes in Claims and Judgments Payable:

Changes in claims and judgments payable amounts for the past three fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|---|---------------------------|---------------------------|
| 2011-2012 | \$ 3,071,522 | \$ 755,251 | \$ (396,805) | \$ 3,429,968 |
| 2012-2013 | 3,429,968 | 83,283 | (22,463) | 3,490,788 |
| 2013-2014 | 3,490,788 | 493,740 | (903,567) | 3,080,961 |

7. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description:

The City's defined benefit plan provides health care benefits to eligible retirees and qualified family members. The City no longer administers the plan as single-employer. Effective December 1, 2010, the City adopted the Public Agencies Post-Retirement Health Care Plan Trust, for which Union Bank serves as Trustee of the plan. Public Agency Retirement Services (PARS) is now the third party Trust Administrator of the plan. The Trust is a multiple employer trust established to provide economies of scale and efficient of administration to public agencies that adopt it to hold the assets used to fund its OPEB obligation. The Trust is divided into agency accounts to hold the assets of each employer.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Plan Description (Continued):

The assets shall be held in trust for the exclusive purpose of providing post-employment health care and welfare benefits to the eligible employees of the employer. Copies of PARS' annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660. For all covered employees with effective dates of retirement after October 1, 1980 and a minimum of 10-20 years of continuous service, the City contributes the actual cost of insurance up to the amount contributed for active employees. For general, professional and technical employees hired prior to February 16, 1986, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For employees hired after February 16, 1986, benefits with the City will terminate upon reaching age 65. For fire employees hired prior to August 10, 1985, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For fire employees hired after August 10, 1985, benefits with the City will terminate upon reaching age 65. For police employees, insurance with the City will be supplemental to Medicare upon reaching the age of 65. Department Directors receive paid supplemental coverage after the age of 65.

Eligibility:

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|----------------------------|----------------------|---------------|--------------|
| Retirees and beneficiaries | | | |
| receiving benefits | 97 | 65 | 162 |
| Active plan members | <u>123</u> | <u>94</u> | <u>217</u> |
| | <u>220</u> | <u>159</u> | <u>379</u> |

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2013-14, the City contributed \$1,565,233 to the plan for current premiums and there were no additional contributions to the PARS OPEB trust.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

| | <u>Miscellaneous</u> | <u>Safety</u> | <u>Total</u> |
|---|----------------------------|----------------------------|----------------------------|
| Annual required contribution | \$ 1,009,000 | \$ 1,649,000 | \$ 2,658,000 |
| Interest on net OPEB obligation | (36,285) | 84,696 | 48,411 |
| Adjustments to annual required contribution | <u>43,934</u> | <u>(102,552)</u> | <u>(58,618)</u> |
| Annual OPEB cost (expense) | 1,016,649 | 1,631,144 | 2,647,793 |
| Contributions made (including premiums paid) | <u>(657,398)</u> | <u>(907,835)</u> | <u>(1,565,233)</u> |
| Increase in net OPEB obligation | 359,251 | 723,309 | 1,082,560 |
| Net OPEB obligation (asset) - Beginning of year | <u>(604,748)</u> | <u>1,411,605</u> | <u>806,857</u> |
| Net OPEB obligation (asset) - End of year | <u><u>\$ (245,497)</u></u> | <u><u>\$ 2,134,914</u></u> | <u><u>\$ 1,889,417</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) are as follows:

| <u>Miscellaneous</u> | | | |
|-------------------------|------------------------|--|-----------------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
| 6/30/12 | \$ 1,061,283 | 69.46% | \$ (951,645) |
| 6/30/13 | 960,000 | 63.87% | (604,748) |
| 6/30/14 | 1,016,649 | 64.66% | (245,497) |

| <u>Safety</u> | | | |
|-------------------------|------------------------|--|-----------------------------------|
| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
| 6/30/12 | \$ 1,738,955 | 60.18% | \$ 838,878 |
| 6/30/13 | 1,573,000 | 63.59% | 1,411,605 |
| 6/30/14 | 1,631,144 | 55.66% | 2,134,914 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued):

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) (Continued):

| Fiscal Year Ended | Total | | |
|-------------------------|------------------------|--|-----------------------------------|
| | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
| 6/30/12 | \$ 2,800,238 | 63.70% | \$ (112,767) |
| 6/30/13 | 2,533,000 | 63.69% | 806,857 |
| 6/30/14 | 2,647,793 | 59.11% | 1,889,417 |

Funded Status and Funding Progress:

As of January 1, 2012, the most recent actuarial valuation date, the plan was 17.13% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was \$35,418,000 and the actuarial value of assets was \$6,068,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,350,000. Assets were valued using a five-year smoothing formula with a corridor of not less than 80% and not more than 120% of market value. The covered payroll (annual payroll of active employees covered by the plan) was \$18,041,000, and the ratio of the UAAL to the covered payroll was 162.68%.

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 presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Actuarial Methods and Assumptions:

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 6.25% 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 rate established as follows for Non-Medicare/Medicare and HMO/PPO: Between 8.5% and 8.9% in the second year with incrementally decreasing rates reduced to 5.0% in the eighth year and thereafter. A general inflation rate of 3.0% per annum was utilized. The UAAL is being amortized as a level percentage of projected payroll over a 26 year closed period. It is assumed the City's payroll will increase 3.25% per year.

8. DEFINED BENEFIT PENSION PLAN (PERS):

The City participates in the 2.5% at 55 (Tier I Miscellaneous), 3% at 50 (Tier I Safety), 2% at 60 (Tier II Miscellaneous), 3% at 55 (Tier II Safety - Police), 2% at 50 (Tier II Safety - Fire), 2% at 62 (Tier III Miscellaneous PEPRA), 2.7% at 57 (Tier III Safety - Police PEPRA), and 2.0% at 62 (Tier III Safety - Fire PEPRA) Risk Pools of the California Public Employee Retirement System (PERS). As part of a cost-sharing multiple-employer defined benefit plan, PERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

8. DEFINED BENEFIT PENSION PLAN (PERS):

Contributions and Funding Policy:

Active plan members for the Miscellaneous, Safety - Police and Safety - Fire Tier I are required to contribute 8%, 12% and 9% of their annual covered salary, respectively. These plans were closed to new members before the implementation of the California Employees Pension Reform Act (PEPRA) on January 1, 2013. Tier I contains only classic members (Miscellaneous hired prior to December 25, 2010, Safety - Police hired prior to October 30, 2010 and Safety - Fire hired prior to March 31, 2012) for which the City contributes 0%, 6% and 0% of the employee contribution on behalf of the employee while the employee contributes 8%, 6% and 9%, respectively.

Tier II is open to qualified employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in PERS System. Active plan member of Miscellaneous Tier II are required to contribute 7% of their annual covered salaries, Safety - Fire Tier II contributes 9%. The active Tier II Miscellaneous and Safety - Fire are required to contribute the entire employee portion while the City contributes between 3-6% of the 9% employee contribution for Safety - Police Tier II.

Tier III was created by PEPRA as of January 1, 2013 and is open to all new employees who do not qualify for Tier II. Active plan members of Miscellaneous and Safety Tier III are required contribute 6.25% and 11.5%, respectively, of their annual covered salary. PEPRA does not allow the City to pay any portion of the employee required contribution on behalf of the employee.

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members under the California Employees Pension Reform Act (PEPRA) provisions. The actuarial methods and assumption are those adopted by the CalPERS Board of Administration.

The City is required to contribute at an actuarially determined rate. The rate for the years ended June 30, 2012, 2013 and 2014 of annual covered payroll are as follows:

| | <u>June 30, 2012</u> | <u>June 30, 2013</u> | <u>June 30, 2014</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| Tier I Miscellaneous | 17.800% | 20.830% | 21.917% |
| Tier II Miscellaneous | 8.902% | 7.846% | 8.049% |
| Tier III Miscellaneous PEPRA | N/A | 6.250% | 5.609% |
| Tier I Safety | 28.859% | 29.823% | 34.840% (1) |
| Tier II Safety - Police | 20.308% | 20.057% | 20.774% |
| Tier III Safety - Police PEPRA | N/A | 11.500% | 11.500% |
| Tier II Safety - Fire | 19.169% | 19.204% | 19.900% |
| Tier III Safety - Fire PEPRA | N/A | 11.500% | 11.500% |

N/A - plans were not implemented during the fiscal year presented.

(1) - Members of this plan cover 3% of the City's actuarially determined rate.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

8. DEFINED BENEFIT PENSION PLAN (PERS) (CONTINUED):

Contributions and Funding Policy (Continued):

The City's contributions to the Miscellaneous plans for the years ended June 30, 2012, 2013, and 2014 were \$1,595,083, \$1,374,407, and \$1,412,098, respectively, and were equal to the required contributions for each year. The City's contributions to the safety plans for the years ended June 30, 2012, 2013, and 2014 were \$2,740,832, \$2,596,274, and \$3,087,228, respectively, and were equal to the required contributions for each year. The Miscellaneous and Safety employees of the City are included in the CalPERS risk pool which was created for groups of fewer than 100 active members.

9. DEFINED CONTRIBUTION PENSION PLAN (PARS):

As of January 1, 1992, the City implemented a defined contribution pension Plan through PARS for all of its non-regular employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All non-regular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council has 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, 2014, the City's payroll covered by the plan was \$391,658 and the City made employer contributions of \$14,687 (3.75% of current covered payroll).

10. LOANS RECEIVABLE:

The City has outstanding loans to employees to purchase computers. As of June 30, 2014, the outstanding balance is \$3,063.

The City has outstanding rehabilitation and first time home buyer loans receivable totaling \$1,761,132 from qualified applicants. Loans receivable of \$1,565,491 is recorded in the Housing Authority Fund; \$127,398 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$68,243 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules. The loans receivable are offset by unearned revenue.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

10. LOANS RECEIVABLE (CONTINUED):

On October 1, 2002, the City entered into an Affordable Housing Agreement with Fountain Valley Partners, L.P. for the development of an apartment complex for seniors. Under the agreement, the City agreed to loan Fountain Valley Housing Partners, L.P. \$5,606,071 at an interest rate of 2%. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. The loan receivable is offset by unearned revenue. The amount outstanding at June 30, 2014 is \$5,387,704.

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On February 15, 2011 the City elected to serve as the Successor Agency of the Fountain Valley Agency for Community Development.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community did not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets were to be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Housing Authority elected on January 10, 2012 to serve as the Housing Successor Agency.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller (CAC) will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process AB 1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency made payments totaling \$47,594,740 to the CAC as a result of the due diligence review.

The DOF issued a Finding of Completion on April 26, 2013, in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. In addition, the Successor Agency adopted the Long Range Property Management Program (LRPMP) through resolution 24 on June 19, 2014 and subsequently amended through resolution 27 on September 22, 2014.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Finding of Completion and adoption of the LRPMP allowed the placement of loan agreements between the former redevelopment agency and the City on the 14-15A ROPS. A loan payment of \$657,648 was made in fiscal year 2013-2014 as governed by the criteria in the health and safety code section.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011 and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the City or county, or City and county that created an RDA, or any other public agency, and the RDA. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The State Controller's completed its review on October 2, 2013 and did not identify any unallowable transfers of assets that occurred during the audit between the former RDA, the City and or other public agencies that have not already been addressed by the City.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. Any possible loss is not estimable at this time.

12. SUCCESSOR AGENCY DISCLOSURES:

Advances To/From Successor Agency:

The following advances to/from the Successor Agency and the City are as follows:

| <u>Advances To</u> | <u>Advances From</u> | <u>Amount</u> |
|--------------------|----------------------------|---------------------|
| Successor Agency | City Housing Authority (a) | <u>\$ 2,706,802</u> |

(a) Advance from the low and moderate income housing fund of the former Agency for Community Development to help pay for the 2009-2010 Supplemental Education Revenue Augmentation Fund (SERAF) payment. A loan payment of \$657,648 was made in fiscal year 2013-2014 as governed by the criteria in the health and safety code section.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

12. SUCCESSOR AGENCY DISCLOSURES:

Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2014 (including unamortized discounts and refunding costs) are as follows:

| | <u>Balance at</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u> <u>June 30, 2014</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------|--|------------------|------------------|---|--------------------------------------|
| 1998 Tax Allocation Bonds | \$ 5,345,000 | \$ - | \$ (1,715,000) | \$ 3,630,000 | \$ 1,775,000 |

1998 Tax Allocation Bonds:

On November 1, 1998 the Fountain Valley Agency for Community Development issued \$24,225,000 1998 Tax Allocation Refunding Bonds (Industrial Redevelopment Project Area) for the purpose of refunding all of the Agency's Industrial Area Redevelopment Project Tax Allocation Bonds, Issue of 1985 in the amount of \$24,270,000. Interest rates vary from 3.80% to 4.70%. The 1998 Bonds maturing on or after January 1, 2009 are subject to redemption as a whole or in part on any date on or after January 1, 2008 at prices ranging from 100% to 101 % of the principal amount of the bond together with accrued interest thereon to the date of redemption.

The amount of bonds outstanding at June 30, 2014 is \$3,630,000.

The annual requirements to amortize the outstanding bonds as of June 30, 2014 are as follows:

| <u>Fiscal</u> <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 1,775,000 | \$ 170,610 | \$ 1,945,610 |
| 2016 | 1,855,000 | 87,185 | 1,942,185 |
| | <u>\$ 3,630,000</u> | <u>\$ 257,795</u> | <u>\$ 3,887,795</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2014

13. RESTATEMENT OF NET POSITION:

Net Position - July 1, 2013

The Governmental Activities net position for the government-wide financial statements as of July 1, 2013 was restated as follows:

| | |
|--|-----------------------|
| Net position as previously reported as of June 30, 2013 | \$ 163,949,541 |
| Decrease in net position to remove revenue previously recognized that is unearned | (7,421,922) |
| Increase in net position to record capital assets previously not reported | <u>283,484</u> |
| Net position as restated July 1, 2013 | <u>\$ 156,811,103</u> |

Net Position - July 1, 2012

Net position for the government-wide financial statements as of July 1, 2012 was restated as follows:

| | |
|--|-----------------------|
| Net position as previously reported as of June 30, 2012 | \$ 191,348,269 |
| Decrease in net position to remove revenue previously recognized that is unearned | (7,792,684) |
| Increase in net position to record capital assets previously not reported | <u>425,225</u> |
| Net position as restated July 1, 2012 | <u>\$ 183,980,810</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

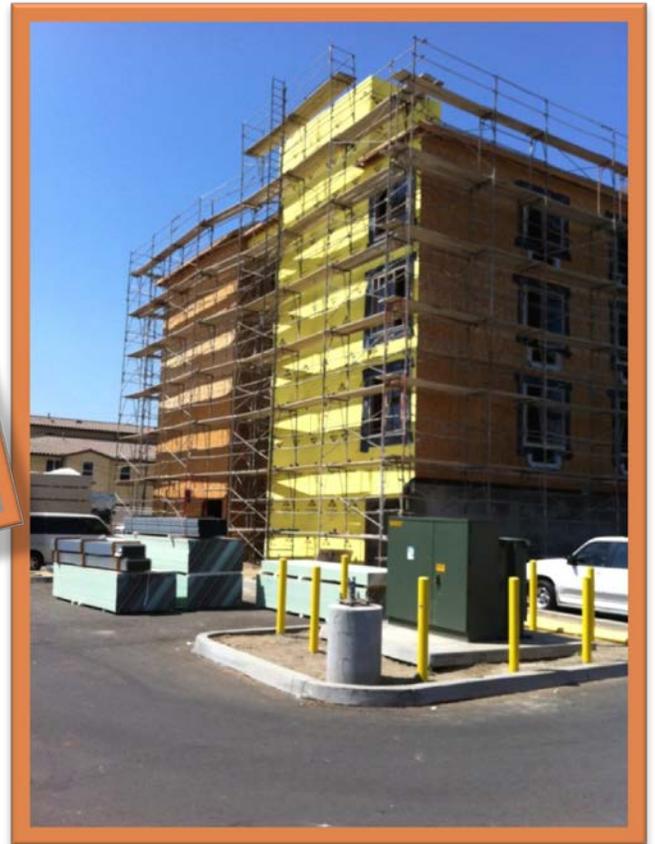
For the year ended June 30, 2014

14. SUBSEQUENT EVENTS:

On December 3, 2014, the Fountain Valley Public Financing Authority (the Authority) will issue approximately \$13,695,000 in Revenue bonds for the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (the 2014 Project) and to refinance the Orange County Water District Note Payable (see Note 5). The Bonds are special limited obligation of the Authority payable solely from Authority revenues, which consist of installment payments to be made by the City to the Authority pursuant to an installment purchase agreement, dated as of December 1, 2014 by and between the City and the Authority. The Bonds are to be secured by installment payments to be made pursuant to an Installment Purchase Agreement, by and between the City and the Authority, to provide for the refinancing of the OCWD Well Loan and the financing of the 2014 Project, which installment payments will be payable from net revenues of the City's water system.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 9, 2014, the date the financial statements were available to be issued.

City of Fountain Valley Required Supplementary Information



Ayres Hotel



Fountain Valley on the Rise

CITY OF FOUNTAIN BALLEY

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2014

OTHER POST-EMPLOYMENT BENEFIT PLAN
(dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Payroll [(b)-(a)]/c] |
|--------------------------------|---|---|--|----------------------------|---------------------------|--|
| 01/01/2010 | \$ - | \$ 34,244 | \$ 34,244 | 0.00% | \$ 17,041 | 200.95% |
| 01/01/2012 | 6,068 | 35,418 | 29,350 | 17.13% | 18,041 | 162.68% |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|--|----------------------|----------------------|----------------------|---|----------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Taxes | \$ 23,254,500 | \$ 23,254,500 | \$ 24,609,300 | \$ 1,354,800 | \$ 30,142,198 |
| Licenses and permits | 1,578,700 | 1,688,700 | 1,834,212 | 145,512 | 2,260,643 |
| Fines and penalties | 823,100 | 823,100 | 751,302 | (71,798) | 799,794 |
| Investment income | 441,000 | 441,000 | 545,720 | 104,720 | (214,632) |
| Rental income | 1,095,000 | 1,095,000 | 1,163,515 | 68,515 | 1,151,228 |
| Intergovernmental | 4,473,000 | 4,524,395 | 4,638,269 | 113,874 | 4,511,960 |
| Charges of services | 3,889,952 | 4,074,521 | 4,172,172 | 97,651 | 4,468,806 |
| Miscellaneous | 1,516,033 | 1,577,718 | 1,385,700 | (192,018) | 2,534,264 |
| TOTAL REVENUES | <u>37,071,285</u> | <u>37,478,934</u> | <u>39,100,190</u> | <u>1,621,256</u> | <u>45,654,261</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 2,890,312 | 3,224,848 | 2,870,199 | 354,649 | 2,919,814 |
| Public safety | 24,233,102 | 24,255,679 | 24,316,705 | (61,026) | 24,836,803 |
| Transportation | 4,649,431 | 4,649,431 | 4,584,382 | 65,049 | 4,593,401 |
| Community development | 2,839,021 | 3,019,021 | 3,015,476 | 3,545 | 3,060,098 |
| Community services | 2,276,646 | 2,336,346 | 2,309,516 | 26,830 | 2,123,704 |
| Capital outlay | 589,325 | 1,153,493 | 1,298,298 | (144,805) | 455,951 |
| Debt service: | | | | | |
| Principal | - | - | 232,414 | (232,414) | 217,422 |
| TOTAL EXPENDITURES | <u>37,477,837</u> | <u>38,638,818</u> | <u>38,626,990</u> | <u>11,828</u> | <u>38,207,193</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(406,552)</u> | <u>(1,159,884)</u> | <u>473,200</u> | <u>1,633,084</u> | <u>7,447,068</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 425,000 | 680,428 | 480,341 | (200,087) | 522,352 |
| Transfers out | (1,373,552) | (1,373,552) | (981,317) | 392,235 | (644,833) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(948,552)</u> | <u>(693,124)</u> | <u>(500,976)</u> | <u>192,148</u> | <u>(122,481)</u> |
| EXTRAORDINARY LOSS: | | | | | |
| Payment to successor agency for disallowed expenses | - | - | - | - | (5,708,772) |
| NET CHANGE IN FUND BALANCE | <u>(1,355,104)</u> | <u>(1,853,008)</u> | <u>(27,776)</u> | <u>1,825,232</u> | <u>1,615,815</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>42,591,535</u> | <u>42,591,535</u> | <u>42,591,535</u> | <u>-</u> | <u>40,975,720</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 41,236,431</u> | <u>\$ 40,738,527</u> | <u>\$ 42,563,759</u> | <u>\$ 1,825,232</u> | <u>\$ 42,591,535</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY
 BUDGETARY COMPARISON SCHEDULE
 HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2014
 (with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|---------------------|---------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 199,582 | \$ 199,582 | \$ 138,168 | \$ (61,414) | \$ 115,042 |
| Miscellaneous | 100,450 | 100,450 | 247,162 | 146,712 | 296,678 |
| TOTAL REVENUES | 300,032 | 300,032 | 385,330 | 85,298 | 411,720 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | 299,132 | 299,132 | 16,309 | 282,823 | 229,397 |
| TOTAL EXPENDITURES | 299,132 | 299,132 | 16,309 | 282,823 | 229,397 |
| EXCESS OF REVENUES OVER UNDER EXPENDITURES | 900 | 900 | 369,021 | 368,121 | 182,323 |
| FUND BALANCE - BEGINNING OF YEAR | 7,471,466 | 7,471,466 | 7,471,466 | - | 7,289,143 |
| FUND BALANCE - END OF YEAR | <u>\$ 7,472,366</u> | <u>\$ 7,472,366</u> | <u>\$ 7,840,487</u> | <u>\$ 368,121</u> | <u>\$ 7,471,466</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2014

1. BUDGETS AND BUDGETARY DATA:

The adopted budget of the City consists of the presentation of a Council action request in the form of a staff report specifying the total appropriation for each departmental activity, (e.g., Police Administration, Street Maintenance, etc.).

Total appropriations for each fund may only be increased by the City Council by the approval of a staff report requesting to amend the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the Finance Director is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose.

The City Manager has the authority to adjust the amounts appropriated between the departments and activities of a fund, objects within each departmental activity and between accounts within the objects, provided, however, that the total appropriations for each fund does not exceed the amounts provided in the original Council action formally adopting the budget.

The level at which expenditures may not legally exceed appropriations is the fund level.

All appropriations lapse at fiscal year-end unless City Council takes formal action in the form of an adopted staff report that allows the appropriation to continue into the following fiscal year.

Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types with the exception of the HOME Grant Special Revenue Fund.

2. DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS:

The City elected to use the modified approach in reporting its street pavement infrastructure network. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met.

First, the government must manage the eligible infrastructure assets using an asset management system that has the following characteristics:

- An up-to-date inventory of eligible infrastructure assets,
- Annual condition assessments of the eligible infrastructure assets and summaries of the results using a measurement scale, and
- Estimates of the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2014

2. DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS (CONTINUED):

Second, the government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

Streets:

The condition of the City’s roadway pavements is measured using the CarteGraph Pavement Management System. The system uses a measurement scale that is based on a Pavement Condition Index (PCI) ranging from zero for a very poor pavement to 100 for a pavement in very good condition. The City’s road system is divided into roadway segments according to the classifications of Primary, Major and Secondary routes, which are combined for reporting purposes as Master Plan of Arterial Highways (MPAH) and Locals. Field condition surveys of the pavement surface are conducted using 19 pavement distress types and a five level measurement scale to develop the PCI for each roadway segment and an overall pavement network rating. The five levels are: Very Good (86-100), Good (75-85), Fair (60-74), Poor (41-59), and Very Poor (0-40). Field condition surveys are undertaken and PCI ratings are compiled bi-annually for MPAH’s and Locals. It is the City’s policy to maintain a weighted average of all roadway segments at a PCI of 65 or better. The following table shows the results of the field condition surveys:

| <u>Condition</u> | <u>PCI Range</u> | <u>MPAH</u> | <u>Locals</u> | <u>Total Mi.</u> | <u>% of Network</u> |
|------------------|------------------|-------------|---------------|------------------|---------------------|
| Very Good | (86-100) | 21.2 | 60.1 | 81.3 | 49% |
| Good | (75-85) | 24.2 | 17.7 | 41.9 | 25% |
| Fair | (60-74) | 7.4 | 17.1 | 24.5 | 15% |
| Poor | (41-59) | 0.8 | 14.2 | 15.0 | 9% |
| Very Poor | (0-40) | 0.0 | 2.9 | 2.9 | 2% |
| Totals | | <u>53.6</u> | <u>112.0</u> | <u>165.6</u> | <u>100%</u> |

The overall condition of the City’s pavement network based on the most recent complete assessment performed in fiscal year 2014 was “Good” with a weighted average PCI of 81.4 based on the surface area of each segment. The City’s three assessments performed previously in fiscal years 2012, 2010, and 2009 were “Very Good” with a weighted average Overall Condition Index (OCI) of 80.8, 74, and 72.3, respectively.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2014

2. DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS (CONTINUED):

Sidewalks:

The City's maintenance standards for sidewalks are based upon the various vertical offset criteria listed below:

Sidewalk Maintenance

- 0" to 1/2" - will be flagged for identification purposes, however will be excluded from the budgetary section of the report. These distress locations are potential hazards and should be considered for future maintenance.
- 1/2" to 1" - will be flagged for grinding maintenance.
- 1" to 2"- will be flagged for ramping maintenance.
- >2" caused by a tree - will be flagged as ramp maintenance until the tree is removed. Then the City will remove the deficient sidewalk and/or curbs and gutter.

It is the City's policy to perform maintenance on sidewalks consistent with the above criteria.

Curbs and Gutters:

The City's maintenance standards for curbs and gutters requires that sections of curbs and gutters that experience a vertical offset of 1-1/2" inches or greater which create "standing" water shall be placed on a schedule for removal and replacement consistent with existing City Council policy. To the greatest extent possible, removal and replacement of curbs and gutters meeting the above criteria shall be performed in conjunction with street resurfacing projects within which the deficient curbs and gutters sections are located.

Comparison of Needed-to-Actual Maintenance/Preservation:

| | <u>Fiscal Year</u> <u>2013-2014</u> |
|-------------------------------|--|
| Sidewalks, Curbs and Gutters: | |
| Budgeted | \$ - |
| Actual | - |
| Roadway Classification: | |
| Arterial and Collectors: | |
| Budgeted | 2,842,640 |
| Actual | 1,974,449 |
| Residential Roadway: | |
| Budgeted | 2,000,000 |
| Actual | 1,682,019 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2014

2. DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS (CONTINUED):

Comparison of Needed-to-Actual Maintenance/Preservation (Continued):

| | <u>Fiscal Year 2012-2013</u> |
|-------------------------------|----------------------------------|
| Sidewalks, Curbs and Gutters: | |
| Budgeted | \$ - |
| Actual | - |
| Roadway Classification: | |
| Arterial and Collectors: | |
| Budgeted | 2,988,847 |
| Actual | 1,185,542 |
| Residential Roadway: | |
| Budgeted | 4,047,725 |
| Actual | 2,098,638 |

| | <u>Fiscal Year 2011-2012</u> |
|-------------------------------|----------------------------------|
| Sidewalks, Curbs and Gutters: | |
| Budgeted | \$ 412,901 |
| Actual | 408,767 |
| Roadway Classification: | |
| Arterial and Collectors: | |
| Budgeted | 2,797,183 |
| Actual | 1,134,362 |
| Residential Roadway: | |
| Budgeted | 4,550,000 |
| Actual | 2,572,988 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2014

2. DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS (CONTINUED):

Comparison of Needed-to-Actual Maintenance/Preservation (Continued):

| | <u>Fiscal Year 2010-2011</u> |
|-------------------------------|----------------------------------|
| Sidewalks, Curbs and Gutters: | |
| Budgeted | \$ 877,700 |
| Actual | 221,177 |
| Roadway Classification: | |
| Arterial and Collectors: | |
| Budgeted | 4,587,275 |
| Actual | 2,672,156 |
| Residential Roadway: | |
| Budgeted | 1,600,000 |
| Actual | 126,116 |

| | <u>Fiscal Year 2009-2010</u> |
|-------------------------------|----------------------------------|
| Sidewalks, Curbs and Gutters: | |
| Budgeted | \$ 500,000 |
| Actual | 7,300 |
| Roadway Classification: | |
| Arterial and Collectors: | |
| Budgeted | 3,581,308 |
| Actual | 1,152,292 |
| Residential Roadway: | |
| Budgeted | 1,660,000 |
| Actual | 1,602,559 |

See independent auditors' report.

City of Fountain Valley Supplementary Schedules



Hyundai Building



Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS

June 30, 2014

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue sources that are legally restricted to or otherwise assigned for specific purposes.

Criminal Activities - This fund is used to account for receipts and disbursements of seized and forfeited assets used for sale of controlled substances and to account for state monies to be used for policing activities.

Gas Tax - This fund is used to account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

Abandoned Vehicle Abatement - This fund is used to account for abatement of abandoned or disabled vehicles illegally parked in the City.

Traffic Improvement - This fund is used to account for Measure M revenues received by the City. These funds may be used for street projects to improve traffic.

Pollution Reduction - This fund is used to account for South Coast Air Quality Management District revenues received by the City. These funds may be used for various programs to reduce air pollution.

HOME Grant - This fund is used to account for federal HOME Grant funds.

Measure M2 - This fund is used to account for Measure M2 revenue and interest earnings. These funds are transferred out for traffic improvement related projects.

Community Development Block Grant - This fund is used to account for federal Housing and Community Development Block Grant funds.

DEBT SERVICE FUND

The debt service fund is used to account for resources restricted or assigned for expenditure of principal and interest.

Fountain Valley Financing Authority - This fund is used to account for the repayment of principal and interest on the indebtedness of the City.

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CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2014

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for resources restricted or assigned for capital improvements.

Drainage - This fund is used to account for the implementation of goals and objectives of the master drainage plan and to mitigate water runoff impacts of new development in the drainage area.

Sewer Assessment - This fund is used to account for the development impact fees used to pay for the development fair share of improvements.

Fountain Valley Financing Authority - This fund is used to account for the construction of certain improvements associated with the issuance of the 2003 Certificates of Participation.

CITY OF FOUNTAIN VALLEY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2014
 (with comparative totals as of June 30, 2013)

| | Special Revenue Funds | | | | |
|---|------------------------|---------------------|-----------------------------------|------------------------|------------------------|
| | Criminal Activities | Gas Tax | Abandoned Vehicle Abatement | Traffic Improvement | Pollution Reduction |
| ASSETS | | | | | |
| Cash and investments | \$ 1,061,306 | \$ 2,201,656 | \$ 76,049 | \$ 286,660 | \$ 292,074 |
| Cash and investments with fiscal agents | - | - | - | - | - |
| Receivables: | | | | | |
| Accounts | 20,592 | 175,213 | - | - | - |
| Loans | - | - | - | - | - |
| TOTAL ASSETS | \$ 1,081,898 | \$ 2,376,869 | \$ 76,049 | \$ 286,660 | \$ 292,074 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 20,795 | \$ 8,352 | \$ - | \$ 36,180 | \$ - |
| Deposits payable | - | 71,738 | - | 58,413 | - |
| Unearned revenue | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Advance from other funds | 372,593 | - | - | - | - |
| TOTAL LIABILITIES | 393,388 | 80,090 | - | 94,593 | - |
| DEFERRED INFLOWS OF RESOURCES: | | | | | |
| Unavailable revenues | 10,592 | - | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 403,980 | 80,090 | - | 94,593 | - |
| FUND BALANCES: | | | | | |
| Restricted for: | | | | | |
| Public safety | 677,918 | - | - | - | 292,074 |
| Transportation | - | 2,296,779 | 76,049 | 192,067 | - |
| Housing | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| TOTAL FUND BALANCES | 677,918 | 2,296,779 | 76,049 | 192,067 | 292,074 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,081,898 | \$ 2,376,869 | \$ 76,049 | \$ 286,660 | \$ 292,074 |

See independent auditors' report.

| Special Revenue Funds (Continued) | | | Debt Service Fund | Capital Projects Funds | | | Totals | |
|-----------------------------------|---------------------|-----------------------------------|-------------------------------------|------------------------|---------------------|-------------------------------------|----------------------|----------------------|
| HOME Grant | Measure M2 | Community Development Block Grant | Fountain Valley Financing Authority | Drainage | Sewer Assessment | Fountain Valley Financing Authority | 2014 | 2013 |
| \$ 205,178 | \$ 1,106,637 | \$ 6,613 | \$ - | \$ 193,430 | \$ 3,789,905 | \$ - | \$ 9,219,508 | \$ 10,569,441 |
| - | - | - | 874,403 | - | - | 1,642,009 | 2,516,412 | 2,533,880 |
| - | 173,244 | 80,960 | - | - | 246,956 | - | 696,965 | 531,620 |
| 68,243 | - | 127,398 | - | - | - | - | 195,641 | 222,331 |
| <u>\$ 273,421</u> | <u>\$ 1,279,881</u> | <u>\$ 214,971</u> | <u>\$ 874,403</u> | <u>\$ 193,430</u> | <u>\$ 4,036,861</u> | <u>\$ 1,642,009</u> | <u>\$ 12,628,526</u> | <u>\$ 13,857,272</u> |
| \$ - | \$ - | \$ 11,593 | \$ - | \$ 99,792 | \$ 238,500 | \$ - | \$ 415,212 | \$ 324,246 |
| - | - | - | - | - | 60,450 | - | 190,601 | - |
| 68,243 | - | 127,399 | - | - | - | - | 195,642 | 222,331 |
| - | - | - | - | - | - | - | - | 2,442 |
| - | - | - | - | - | - | - | 372,593 | - |
| 68,243 | - | 138,992 | - | 99,792 | 298,950 | - | 1,174,048 | 549,019 |
| - | - | - | - | - | - | - | 10,592 | 4,431 |
| 68,243 | - | 138,992 | - | 99,792 | 298,950 | - | 1,184,640 | 553,450 |
| - | - | - | - | - | - | - | 969,992 | 1,391,512 |
| - | 1,279,881 | - | - | - | - | - | 3,844,776 | 4,414,795 |
| 205,178 | - | - | - | - | - | - | 205,178 | 204,172 |
| - | - | 75,979 | - | - | - | - | 75,979 | 56,971 |
| - | - | - | 874,403 | - | - | 1,642,009 | 2,516,412 | 889,600 |
| - | - | - | - | 93,638 | 3,737,911 | - | 3,831,549 | 6,346,772 |
| 205,178 | 1,279,881 | 75,979 | 874,403 | 93,638 | 3,737,911 | 1,642,009 | 11,443,886 | 13,303,822 |
| <u>\$ 273,421</u> | <u>\$ 1,279,881</u> | <u>\$ 214,971</u> | <u>\$ 874,403</u> | <u>\$ 193,430</u> | <u>\$ 4,036,861</u> | <u>\$ 1,642,009</u> | <u>\$ 12,628,526</u> | <u>\$ 13,857,272</u> |

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

| | Special Revenue Funds | | | | |
|---|------------------------|---------------------|-----------------------------------|------------------------|------------------------|
| | Criminal Activities | Gas Tax | Abandoned Vehicle Abatement | Traffic Improvement | Pollution Reduction |
| REVENUES: | | | | | |
| Investment income | \$ 5,325 | \$ 7,694 | \$ 391 | \$ 46 | \$ 1,301 |
| Intergovernmental | 285,259 | 1,953,338 | - | 396,000 | 51,560 |
| Charges for services | - | - | - | 158,571 | - |
| Miscellaneous | 13,320 | - | - | 6,300 | - |
| TOTAL REVENUES | 303,904 | 1,961,032 | 391 | 560,917 | 52,861 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | 296,858 | - | - | - | 2,639 |
| Transportation | - | 1,709,525 | - | 2,152,801 | - |
| Community development | - | - | - | - | - |
| Community services | - | - | 12,191 | - | - |
| Capital outlay | 478,788 | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| TOTAL EXPENDITURES | 775,646 | 1,709,525 | 12,191 | 2,152,801 | 2,639 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (471,742) | 251,507 | (11,800) | (1,591,884) | 50,222 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | 216,947 | - | 1,500,433 | - |
| Transfers out | - | (418,347) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (201,400) | - | 1,500,433 | - |
| EXTRAORDINARY GAIN (LOSS): | | | | | |
| Removal of disallowed advance | - | - | - | - | - |
| NET CHANGE IN FUND BALANCES | (471,742) | 50,107 | (11,800) | (91,451) | 50,222 |
| FUND BALANCES - BEGINNING OF YEAR | 1,149,660 | 2,246,672 | 87,849 | 283,518 | 241,852 |
| FUND BALANCES - END OF YEAR | \$ 677,918 | \$ 2,296,779 | \$ 76,049 | \$ 192,067 | \$ 292,074 |

See independent auditors' report.

| Special Revenue Funds (Continued) | | | Debt Service Fund | Capital Projects Funds | | | Totals | |
|-----------------------------------|--------------|-----------------------------------|-------------------------------------|------------------------|------------------|-------------------------------------|---------------|---------------|
| HOME Grant | Measure M2 | Community Development Block Grant | Fountain Valley Financing Authority | Drainage | Sewer Assessment | Fountain Valley Financing Authority | 2014 | 2013 |
| \$ 1,006 | \$ 10,493 | \$ 12,167 | \$ 94 | \$ - | \$ 21,871 | \$ 171 | \$ 60,559 | \$ 84,084 |
| - | 955,175 | 210,378 | - | - | - | - | 3,851,710 | 3,554,541 |
| - | - | - | - | 6,197 | 1,788,058 | - | 1,952,826 | 2,084,090 |
| - | - | 27,060 | - | - | - | - | 46,680 | 366,911 |
| 1,006 | 965,668 | 249,605 | 94 | 6,197 | 1,809,929 | 171 | 5,911,775 | 6,089,626 |
| - | - | - | - | - | - | - | 299,497 | 234,707 |
| - | - | - | - | - | - | - | 3,862,326 | 3,490,733 |
| - | - | 230,597 | - | - | 726,757 | - | 957,354 | 1,160,361 |
| - | - | - | - | - | - | - | 12,191 | - |
| - | - | - | - | 99,793 | 1,763,877 | - | 2,342,458 | 738,527 |
| - | - | - | 515,000 | - | - | - | 515,000 | 500,000 |
| - | - | - | 363,661 | - | - | - | 363,661 | 381,711 |
| - | - | 230,597 | 878,661 | 99,793 | 2,490,634 | - | 8,352,487 | 6,506,039 |
| 1,006 | 965,668 | 19,008 | (878,567) | (93,596) | (680,705) | 171 | (2,440,712) | (416,413) |
| - | - | - | 863,370 | - | - | - | 2,580,750 | 880,013 |
| - | (1,482,543) | - | - | - | (99,084) | - | (1,999,974) | (684,592) |
| - | (1,482,543) | - | 863,370 | - | (99,084) | - | 580,776 | 195,421 |
| - | - | - | - | - | - | - | - | (9,275,000) |
| 1,006 | (516,875) | 19,008 | (15,197) | (93,596) | (779,789) | 171 | (1,859,936) | (9,495,992) |
| 204,172 | 1,796,756 | 56,971 | 889,600 | 187,234 | 4,517,700 | 1,641,838 | 13,303,822 | 22,799,814 |
| \$ 205,178 | \$ 1,279,881 | \$ 75,979 | \$ 874,403 | \$ 93,638 | \$ 3,737,911 | \$ 1,642,009 | \$ 11,443,886 | \$ 13,303,822 |

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CRIMINAL ACTIVITIES SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|-------------------|-------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 100 | \$ 100 | \$ 5,325 | \$ 5,225 | \$ 6,703 |
| Intergovernmental | 217,869 | 363,137 | 285,259 | (77,878) | 431,031 |
| Miscellaneous | 15,000 | 15,000 | 13,320 | (1,680) | 14,100 |
| TOTAL REVENUES | 232,969 | 378,237 | 303,904 | (74,333) | 451,834 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | 281,751 | 423,168 | 296,858 | 126,310 | 234,054 |
| Capital outlay | - | 891,745 | 478,788 | 412,957 | - |
| TOTAL EXPENDITURES | 281,751 | 1,314,913 | 775,646 | 539,267 | 234,054 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (48,782) | (936,676) | (471,742) | 464,934 | 217,780 |
| OTHER FINANCING SOURCES: | | | | | |
| Transfers in | 23,591 | 23,591 | - | (23,591) | - |
| TOTAL OTHER FINANCING SOURCES | 23,591 | 23,591 | - | (23,591) | - |
| NET CHANGE IN FUND BALANCE | (25,191) | (913,085) | (471,742) | 441,343 | 217,780 |
| FUND BALANCE - BEGINNING OF YEAR | 1,149,660 | 1,149,660 | 1,149,660 | - | 931,880 |
| FUND BALANCE - END OF YEAR | \$ 1,124,469 | \$ 236,575 | \$ 677,918 | \$ 441,343 | \$ 1,149,660 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|---------------------|---------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 17,817 | \$ 17,817 | \$ 7,694 | \$ (10,123) | \$ 13,237 |
| Intergovernmental | 1,539,747 | 1,539,747 | 1,953,338 | 413,591 | 1,638,451 |
| TOTAL REVENUES | 1,557,564 | 1,557,564 | 1,961,032 | 403,468 | 1,651,688 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Transportation | 2,064,000 | 2,388,314 | 1,709,525 | 678,789 | 2,248,899 |
| Capital outlay | 25,000 | 25,000 | - | 25,000 | - |
| TOTAL EXPENDITURES | 2,089,000 | 2,413,314 | 1,709,525 | 703,789 | 2,248,899 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (531,436) | (855,750) | 251,507 | 1,107,257 | (597,211) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 611,000 | 611,000 | 216,947 | (394,053) | 583,506 |
| Transfers out | (425,000) | (425,000) | (418,347) | 6,653 | (517,104) |
| TOTAL OTHER FINANCING SOURCES (USES) | 186,000 | 186,000 | (201,400) | (387,400) | 66,402 |
| NET CHANGE IN FUND BALANCE | (345,436) | (669,750) | 50,107 | 719,857 | (530,809) |
| FUND BALANCE - BEGINNING OF YEAR | 2,246,672 | 2,246,672 | 2,246,672 | - | 2,777,481 |
| FUND BALANCE - END OF YEAR | \$ 1,901,236 | \$ 1,576,922 | \$ 2,296,779 | \$ 719,857 | \$ 2,246,672 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ABANDONED VEHICLE ABATEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|-----------|-----------|---|-----------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ - | \$ - | \$ 391 | \$ 391 | \$ 641 |
| Intergovernmental | - | - | - | - | 11,555 |
| TOTAL REVENUES | - | - | 391 | 391 | 12,196 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community services | 75,653 | 75,653 | 12,191 | 63,462 | - |
| TOTAL EXPENDITURES | 75,653 | 75,653 | 12,191 | 63,462 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (75,653) | (75,653) | (11,800) | 63,853 | 12,196 |
| FUND BALANCE - BEGINNING OF YEAR | 87,849 | 87,849 | 87,849 | - | 75,653 |
| FUND BALANCE - END OF YEAR | \$ 12,196 | \$ 12,196 | \$ 76,049 | \$ 63,853 | \$ 87,849 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|----------------|-------------|---|-------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 14,000 | \$ 14,000 | \$ 46 | \$ (13,954) | \$ 5,612 |
| Intergovernmental | 396,000 | 396,000 | 396,000 | - | - |
| Charges for services | 10,000 | 10,000 | 158,571 | 148,571 | 64,008 |
| Miscellaneous | - | - | 6,300 | 6,300 | 130,758 |
| TOTAL REVENUES | 420,000 | 420,000 | 560,917 | 140,917 | 200,378 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Transportation | 2,245,000 | 3,390,710 | 2,152,801 | 1,237,909 | 1,241,834 |
| TOTAL EXPENDITURES | 2,245,000 | 3,390,710 | 2,152,801 | 1,237,909 | 1,241,834 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,825,000) | (2,970,710) | (1,591,884) | 1,378,826 | (1,041,456) |
| OTHER FINANCING SOURCES: | | | | | |
| Transfers in | 1,086,409 | 1,086,409 | 1,500,433 | 414,024 | 109,540 |
| TOTAL OTHER FINANCING SOURCES | 1,086,409 | 1,086,409 | 1,500,433 | 414,024 | 109,540 |
| NET CHANGE IN FUND BALANCE | (738,591) | (1,884,301) | (91,451) | 1,792,850 | (931,916) |
| FUND BALANCE - BEGINNING OF YEAR | 283,518 | 283,518 | 283,518 | - | 1,215,434 |
| FUND BALANCE - END OF YEAR | \$ (455,073) | \$ (1,600,783) | \$ 192,067 | \$ 1,792,850 | \$ 283,518 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

POLLUTION REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|------------|------------|---|------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 1,190 | \$ 1,190 | \$ 1,301 | \$ 111 | \$ 2,113 |
| Intergovernmental | 65,000 | 65,000 | 51,560 | (13,440) | 67,325 |
| TOTAL REVENUES | 66,190 | 66,190 | 52,861 | (13,329) | 69,438 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | 2,656 | 2,656 | 2,639 | 17 | 653 |
| TOTAL EXPENDITURES | 2,656 | 2,656 | 2,639 | 17 | 653 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 63,534 | 63,534 | 50,222 | (13,312) | 68,785 |
| OTHER FINANCING USES: | | | | | |
| Transfers out | (40,000) | (40,000) | - | 40,000 | (100,000) |
| TOTAL OTHER FINANCING USES | (40,000) | (40,000) | - | 40,000 | (100,000) |
| NET CHANGE IN FUND BALANCE | 23,534 | 23,534 | 50,222 | 26,688 | (31,215) |
| FUND BALANCE - BEGINNING OF YEAR | 241,852 | 241,852 | 241,852 | - | 273,067 |
| FUND BALANCE - END OF YEAR | \$ 265,386 | \$ 265,386 | \$ 292,074 | \$ 26,688 | \$ 241,852 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE M2 SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|---------------------|---------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ - | \$ - | \$ 10,493 | \$ 10,493 | \$ 9,801 |
| Intergovernmental | 1,111,409 | 1,147,085 | 955,175 | (191,910) | 989,802 |
| TOTAL REVENUES | <u>1,111,409</u> | <u>1,147,085</u> | <u>965,668</u> | <u>(181,417)</u> | <u>999,603</u> |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,111,409</u> | <u>1,147,085</u> | <u>965,668</u> | <u>(181,417)</u> | <u>999,603</u> |
| OTHER FINANCING USES: | | | | | |
| Transfers out | <u>(1,111,409)</u> | <u>(1,147,085)</u> | <u>(1,482,543)</u> | <u>(335,458)</u> | <u>-</u> |
| TOTAL OTHER FINANCING USES | <u>(1,111,409)</u> | <u>(1,147,085)</u> | <u>(1,482,543)</u> | <u>(335,458)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | - | - | (516,875) | (516,875) | 999,603 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,796,756</u> | <u>1,796,756</u> | <u>1,796,756</u> | <u>-</u> | <u>797,153</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,796,756</u> | <u>\$ 1,796,756</u> | <u>\$ 1,279,881</u> | <u>\$ (516,875)</u> | <u>\$ 1,796,756</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|--------------------|------------------|---|------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ - | \$ - | \$ 12,167 | \$ 12,167 | \$ 6,548 |
| Intergovernmental | 256,574 | 279,382 | 210,378 | (69,004) | 416,377 |
| Miscellaneous | - | - | 27,060 | 27,060 | 13,669 |
| TOTAL REVENUES | 256,574 | 279,382 | 249,605 | (29,777) | 436,594 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | 556,574 | 379,382 | 230,597 | 148,785 | 418,218 |
| TOTAL EXPENDITURES | 556,574 | 379,382 | 230,597 | 148,785 | 418,218 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (300,000) | (100,000) | 19,008 | 119,008 | 18,376 |
| OTHER FINANCING USES: | | | | | |
| Transfers out | - | - | - | - | (5,248) |
| TOTAL OTHER FINANCING USES | - | - | - | - | (5,248) |
| NET CHANGE IN FUND BALANCE | (300,000) | (100,000) | 19,008 | 119,008 | 13,128 |
| FUND BALANCE - BEGINNING OF YEAR | 56,971 | 56,971 | 56,971 | - | 43,843 |
| FUND BALANCE - END OF YEAR | \$ (243,029) | \$ (43,029) | \$ 75,979 | \$ 119,008 | \$ 56,971 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOUNTAIN VALLEY FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|------------|------------|---|-------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 120 | \$ 120 | \$ 94 | \$ (26) | \$ 47 |
| Miscellaneous | - | - | - | - | 194,715 |
| TOTAL REVENUES | 120 | 120 | 94 | (26) | 194,762 |
| EXPENDITURES: | | | | | |
| Debt service: | | | | | |
| Principal | 515,000 | 515,000 | 515,000 | - | 500,000 |
| Interest | 374,021 | 374,021 | 363,661 | 10,360 | 381,711 |
| TOTAL EXPENDITURES | 889,021 | 889,021 | 878,661 | 10,360 | 881,711 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (888,901) | (888,901) | (878,567) | 10,334 | (686,949) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 888,961 | 888,961 | 863,370 | (25,591) | 186,967 |
| Transfers out | (60) | (60) | - | 60 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 888,901 | 888,901 | 863,370 | (25,531) | 186,967 |
| EXTRAORDINARY LOSS: | | | | | |
| Removal of disallowed advance | - | - | - | - | (9,275,000) |
| NET CHANGE IN FUND BALANCE | - | - | (15,197) | (15,197) | (9,774,982) |
| FUND BALANCE - BEGINNING OF YEAR | 889,600 | 889,600 | 889,600 | - | 10,664,582 |
| FUND BALANCE - END OF YEAR | \$ 889,600 | \$ 889,600 | \$ 874,403 | \$ (15,197) | \$ 889,600 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DRAINAGE CAPITAL PROJECTS FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|------------|-----------|---|------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 785 | \$ 785 | \$ - | \$ (785) | \$ - |
| Charges for services | 2,500 | 2,500 | 6,197 | 3,697 | 34,739 |
| TOTAL REVENUES | 3,285 | 3,285 | 6,197 | 2,912 | 34,739 |
| EXPENDITURES: | | | | | |
| Capital outlay | 125,000 | 125,000 | 99,793 | 25,207 | - |
| TOTAL EXPENDITURES | 125,000 | 125,000 | 99,793 | 25,207 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (121,715) | (121,715) | (93,596) | 28,119 | 34,739 |
| OTHER FINANCING SOURCES: | | | | | |
| Transfers in | 100,000 | 100,000 | - | (100,000) | - |
| TOTAL OTHER FINANCING SOURCES | 100,000 | 100,000 | - | (100,000) | - |
| NET CHANGE IN FUND BALANCE | (21,715) | (21,715) | (93,596) | (71,881) | 34,739 |
| FUND BALANCE - BEGINNING OF YEAR | 187,234 | 187,234 | 187,234 | - | 152,495 |
| FUND BALANCE - END OF YEAR | \$ 165,519 | \$ 165,519 | \$ 93,638 | \$ (71,881) | \$ 187,234 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER ASSESSMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|---------------------|---------------------|---------------------|---|---------------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 2,139 | \$ 2,139 | \$ 21,871 | \$ 19,732 | \$ 30,787 |
| Charges for services | 1,713,900 | 1,713,900 | 1,788,058 | 74,158 | 1,985,343 |
| TOTAL REVENUES | 1,716,039 | 1,716,039 | 1,809,929 | 93,890 | 2,016,130 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Community development | 751,675 | 751,675 | 726,757 | 24,918 | 742,143 |
| Capital outlay | 1,715,000 | 2,275,906 | 1,763,877 | 512,029 | 738,527 |
| TOTAL EXPENDITURES | 2,466,675 | 3,027,581 | 2,490,634 | 536,947 | 1,480,670 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (750,636) | (1,311,542) | (680,705) | 630,837 | 535,460 |
| OTHER FINANCING USES: | | | | | |
| Transfers out | (127,734) | (127,734) | (99,084) | 28,650 | (62,240) |
| TOTAL OTHER FINANCING USES | (127,734) | (127,734) | (99,084) | 28,650 | (62,240) |
| NET CHANGE IN FUND BALANCE | (878,370) | (1,439,276) | (779,789) | 659,487 | 473,220 |
| FUND BALANCE - BEGINNING OF YEAR | 4,517,700 | 4,517,700 | 4,517,700 | - | 4,044,480 |
| FUND BALANCE - END OF YEAR | \$ 3,639,330 | \$ 3,078,424 | \$ 3,737,911 | \$ 659,487 | \$ 4,517,700 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOUNTAIN VALLEY FINANCING AUTHORITY CAPITAL PROJECTS FUND

For the year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)

| | 2014 | | | Variance with Final Budget Positive (Negative) | 2013 |
|---|------------------|--------------|--------------|---|--------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | | | |
| REVENUES: | | | | | |
| Investment income | \$ 80 | \$ 80 | \$ 171 | \$ 91 | \$ 88 |
| TOTAL REVENUES | 80 | 80 | 171 | 91 | 88 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 1,400 | 1,400 | - | 1,400 | - |
| TOTAL EXPENDITURES | 1,400 | 1,400 | - | 1,400 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,320) | (1,320) | 171 | 1,491 | 88 |
| FUND BALANCE - BEGINNING OF YEAR | 1,641,838 | 1,641,838 | 1,641,838 | - | 1,641,750 |
| FUND BALANCE - END OF YEAR | \$ 1,640,518 | \$ 1,640,518 | \$ 1,642,009 | \$ 1,491 | \$ 1,641,838 |

See independent auditors' report.

City of Fountain Valley Fiduciary Funds



Yakult



Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY

FIDUCIARY FUNDS

June 30, 2014

PRIVATE PURPOSE TRUST FUNDS

Industrial Area Debt Service - This debt service fund is used to account for tax increment revenue and interest income related to the Industrial Project Area. These funds are used for repayment of principal and interest on the indebtedness of the former Fountain Valley Agency for Community Development.

Industrial Area Capital Projects - This capital projects fund is used to account for the construction of all capital projects located in the Industrial Project Area and financed by the former Fountain Valley Agency for Community Development.

Redevelopment Property Tax Trust - This fund is used to account for Redevelopment Property Tax Trust Funds (RPTTF) received from the County for payment of Department of Finance approved debt.

AGENCY FUNDS

Special Deposit and Receipt - This fund is used to account for receipts of money that the City is holding in deposit on the behalf of other persons or entities that are to be refunded or forfeited at a future period in time.

Developer Agreements - This fund is used to account for activities related to developer agreements and environmental impact studies for future developments.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

June 30, 2014
(with comparative totals as of June 30, 2013)

| | Successor Agency Funds | | | Totals | |
|--|---------------------------------------|---|---|---------------------|---------------------|
| | Industrial Area Debt Service | Industrial Area Capital Projects | Redevelopment Property Tax Trust | 2014 | 2013 |
| ASSETS: | | | | | |
| Cash and investments | \$ 1,952,712 | \$ 9,282,969 | \$ - | \$ 11,235,681 | \$ 11,224,328 |
| Cash and investments with fiscal agents | 2,035,737 | - | - | 2,035,737 | 2,078,655 |
| Accrued interest receivable | - | 4,455 | - | 4,455 | 5,343 |
| TOTAL ASSETS | 3,988,449 | 9,287,424 | - | 13,275,873 | 13,308,326 |
| LIABILITIES: | | | | | |
| Accounts payable | - | 143,264 | - | 143,264 | 181,339 |
| Advances payable: | | | | | |
| Housing Authority | 2,706,802 | - | - | 2,706,802 | 3,364,450 |
| Accrued interest payable | 85,305 | - | - | 85,305 | 124,750 |
| Long-term liabilities: | | | | | |
| Due within one year | 1,775,000 | - | - | 1,775,000 | 1,715,000 |
| Due in more than one year | 1,855,000 | - | - | 1,855,000 | 3,630,000 |
| TOTAL LIABILITIES | 6,422,107 | 143,264 | - | 6,565,371 | 9,015,539 |
| NET POSITION: | | | | | |
| Held in trust for Successor Agency | <u>\$ (2,433,658)</u> | <u>\$ 9,144,160</u> | <u>\$ -</u> | <u>\$ 6,710,502</u> | <u>\$ 4,292,787</u> |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

For the year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

| | Successor Agency Funds | | | Totals | |
|---|---------------------------------------|---|---|--------------|--------------|
| | Industrial Area Debt Service | Industrial Area Capital Projects | Redevelopment Property Tax Trust | 2014 | 2013 |
| ADDITIONS: | | | | | |
| Taxes | \$ - | \$ - | \$ 3,163,136 | \$ 3,163,136 | \$ 3,084,804 |
| Investment income | 9,643 | 19,669 | - | 29,312 | 60,330 |
| TOTAL ADDITIONS | 9,643 | 19,669 | 3,163,136 | 3,192,448 | 3,145,134 |
| DEDUCTIONS: | | | | | |
| Administrative | - | 245,893 | - | 245,893 | 245,975 |
| Community development | - | 318,785 | - | 318,785 | 478,007 |
| Interest | 210,055 | - | - | 210,055 | 351,295 |
| Payment to the County | - | - | - | - | 47,594,740 |
| TOTAL DEDUCTIONS | 210,055 | 564,678 | - | 774,733 | 48,670,017 |
| INCOME (LOSS), BEFORE TRANSFERS AND EXTRAORDINARY ITEMS | (200,412) | (545,009) | 3,163,136 | 2,417,715 | (45,524,883) |
| TRANSFERS AND EXTRAORDINARY ITEMS: | | | | | |
| Transfers from other trust funds | 2,642,703 | 520,433 | - | 3,163,136 | 3,084,804 |
| Transfers to other trust funds | - | - | (3,163,136) | (3,163,136) | (3,084,804) |
| Payment from City for disallowed expenses | - | - | - | - | 6,220,542 |
| Payment from City to remove disallowed advance | - | - | - | - | 9,275,000 |
| TOTAL TRANSFERS AND EXTRAORDINARY ITEMS | 2,642,703 | 520,433 | (3,163,136) | - | 15,495,542 |
| CHANGES IN NET POSITION | 2,442,291 | (24,576) | - | 2,417,715 | (30,029,341) |
| NET POSITION - BEGINNING OF YEAR | (4,875,949) | 9,168,736 | - | 4,292,787 | 34,322,128 |
| NET POSITION - END OF YEAR | \$ (2,433,658) | \$ 9,144,160 | \$ - | \$ 6,710,502 | \$ 4,292,787 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2014

(With comparative totals as of June 30, 2013)

| | Agency Funds | | Totals | |
|----------------------|-----------------------------------|-------------------------|--------------|------------|
| | Special Deposit and Receipt | Developer Agreements | 2014 | 2013 |
| ASSETS: | | | | |
| Cash and investments | \$ 932,386 | \$ 101,871 | \$ 1,034,257 | \$ 967,502 |
| LIABILITIES: | | | | |
| Deposits payable | \$ 932,386 | \$ 101,871 | \$ 1,034,257 | \$ 967,502 |

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

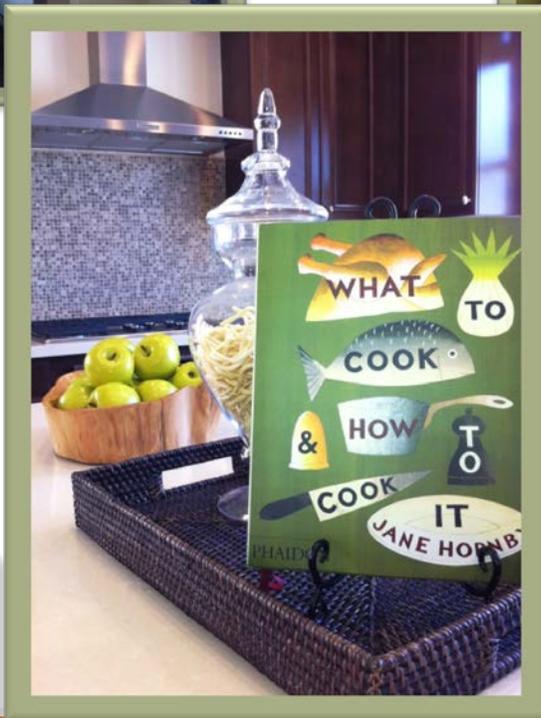
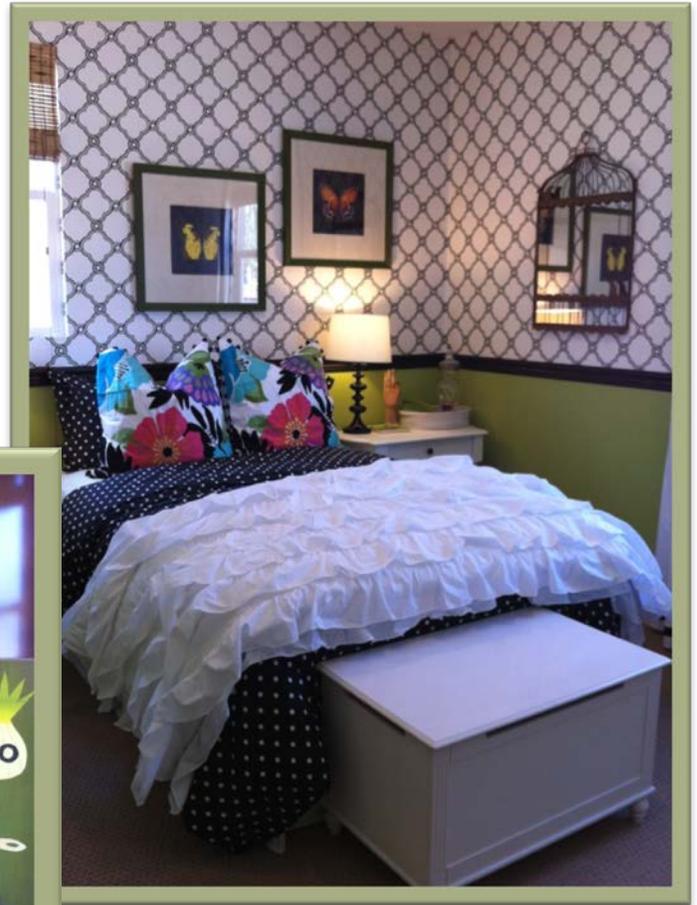
For the year ended June 30, 2014

| | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2014</u> |
|---|---------------------------------------|-------------------|---------------------|--|
| SPECIAL DEPOSIT AND RECEIPT FUND | | | | |
| ASSETS: | | | | |
| Cash and investments | <u>\$ 864,071</u> | <u>\$ 308,826</u> | <u>\$ (240,511)</u> | <u>\$ 932,386</u> |
| LIABILITIES: | | | | |
| Deposits payable | <u>\$ 864,071</u> | <u>\$ 308,826</u> | <u>\$ (240,511)</u> | <u>\$ 932,386</u> |
| REIMBURSEMENT AGREEMENT FUND | | | | |
| ASSETS: | | | | |
| Cash and investments | <u>\$ 103,431</u> | <u>\$ 38,735</u> | <u>\$ (40,295)</u> | <u>\$ 101,871</u> |
| LIABILITIES: | | | | |
| Deposits payable | <u>\$ 103,431</u> | <u>\$ 38,735</u> | <u>\$ (40,295)</u> | <u>\$ 101,871</u> |
| ALL AGENCY FUNDS | | | | |
| ASSETS: | | | | |
| Cash and investments | <u>\$ 967,502</u> | <u>\$ 347,561</u> | <u>\$ (280,806)</u> | <u>\$ 1,034,257</u> |
| LIABILITIES: | | | | |
| Deposits payable | <u>\$ 967,502</u> | <u>\$ 347,561</u> | <u>\$ (280,806)</u> | <u>\$ 1,034,257</u> |

See independent auditors' report.

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City of Fountain Valley Statistical Section



Olson Development
Solana Walk



Fountain Valley on the Rise

CITY OF FOUNTAIN VALLEY

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2014

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

| Contents: | <u>Pages</u> |
|---|--------------|
| Financial Trends - These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. | 106 |
| Revenue Capacity - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax. | 116 |
| Debt Capacity - 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. | 122 |
| Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. | 129 |
| Operating Information - 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. | 131 |

CITY OF FOUNTAIN VALLEY

NET POSITION BY COMPONENT

Last Nine Fiscal Years
(accrual bases of accounting)

| | Fiscal Year Ended June 30, | | | |
|---|----------------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Governmental activities: | | | | |
| Net Investment in Capital Assets | \$ 43,252,159 | \$ 39,422,342 | \$ 48,559,056 | \$ 52,818,364 |
| Restricted | 19,962,740 | 88,910,408 | 82,467,911 | 50,821,452 |
| Unrestricted | 80,165,804 | 26,696,350 | 35,629,136 | 63,661,029 |
| Total governmental activities net position | \$ 143,380,703 | \$ 155,029,100 | \$ 166,656,103 | \$ 167,300,845 |
| Business-type activities: | | | | |
| Net Investment in Capital Assets | \$ 7,125,907 | \$ 6,751,060 | \$ 6,351,432 | \$ 9,308,318 |
| Restricted | - | - | - | - |
| Unrestricted | 8,766,951 | 9,794,116 | 10,429,534 | 8,679,178 |
| Total business-type activity net position | \$ 15,892,858 | \$ 16,545,176 | \$ 16,780,966 | \$ 17,987,496 |
| Primary government: | | | | |
| Net Investment in Capital Assets | \$ 50,378,066 | \$ 46,173,402 | \$ 54,910,488 | \$ 62,126,682 |
| Restricted | 19,962,740 | 88,910,408 | 82,467,911 | 50,821,452 |
| Unrestricted | 88,932,755 | 36,490,466 | 46,058,670 | 72,340,207 |
| Total primary government net position | \$ 159,273,561 | \$ 171,574,276 | \$ 183,437,069 | \$ 185,288,341 |

*The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 74,207,233 | \$ 92,919,149 | \$ 103,091,982 | \$ 99,543,316 | \$ 101,557,748 |
| 55,038,160 | 52,990,041 | 14,475,232 | 14,428,516 | 15,452,824 |
| 56,156,029 | 60,549,852 | 55,985,076 | 42,839,271 | 39,381,257 |
| <u>\$ 185,401,422</u> | <u>\$ 206,459,042</u> | <u>\$ 173,552,290</u> | <u>\$ 156,811,103</u> | <u>\$ 156,391,829</u> |
| | | | | |
| \$ 10,479,014 | \$ 10,945,907 | \$ 11,746,210 | \$ 11,799,936 | \$ 11,878,770 |
| - | - | - | - | - |
| 6,170,774 | 4,531,257 | 6,049,769 | 5,828,113 | 6,467,394 |
| <u>\$ 16,649,788</u> | <u>\$ 15,477,164</u> | <u>\$ 17,795,979</u> | <u>\$ 17,628,049</u> | <u>\$ 18,346,164</u> |
| | | | | |
| \$ 84,686,247 | \$ 103,865,056 | \$ 114,838,192 | \$ 111,343,252 | \$ 113,436,518 |
| 55,038,160 | 52,990,041 | 14,475,232 | 14,428,516 | 15,452,824 |
| 62,326,803 | 65,081,109 | 62,034,845 | 48,667,384 | 45,848,651 |
| <u>\$ 202,051,210</u> | <u>\$ 221,936,206</u> | <u>\$ 191,348,269</u> | <u>\$ 174,439,152</u> | <u>\$ 174,737,993</u> |

CITY OF FOUNTAIN VALLEY
 CHANGES IN NET POSITION
 EXPENSES AND PROGRAM REVENUES

Last Nine Fiscal Years
 (accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|---|----------------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Expenses: | | | | |
| Governmental activities: | | | | |
| General government | \$ 7,316,887 | \$ 4,342,847 | \$ 4,560,162 | \$ 4,708,164 |
| Public safety | 20,923,978 | 22,755,905 | 24,642,618 | 26,816,254 |
| Transportation | 6,405,142 | 6,836,619 | 9,005,540 | 12,923,795 |
| Community development | 3,508,622 | 3,844,623 | 10,457,159 | 3,730,625 |
| Community services | 5,553,845 | 4,746,987 | 4,669,708 | 4,818,069 |
| Capital projects | - | - | - | - |
| Interest and other charges | 2,383,339 | 2,320,615 | 3,445,535 | 3,152,506 |
| Total governmental activities expenses | <u>46,091,813</u> | <u>44,847,596</u> | <u>56,780,722</u> | <u>56,149,413</u> |
| Business-type activity: | | | | |
| Water | 8,859,328 | 8,990,486 | 8,946,570 | 7,530,478 |
| Solid Waste | * | * | * | * |
| Total business-type activity expenses | <u>8,859,328</u> | <u>8,990,486</u> | <u>8,946,570</u> | <u>7,530,478</u> |
| Total primary government expenses | <u>54,951,141</u> | <u>53,838,082</u> | <u>65,727,292</u> | <u>63,679,891</u> |
| Program revenues: | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | - | 1,433,042 | 2,760,778 | 1,841,010 |
| Public safety | 5,926,408 | 2,525,676 | 2,931,907 | 2,619,078 |
| Transportation | - | 1,291,911 | 1,104,839 | - |
| Community development | 2,358,636 | 2,764,799 | 3,398,343 | 2,386,267 |
| Community services | - | 4,991,386 | 2,869,246 | 4,158,532 |
| Interest and other activities | 304,285 | - | - | - |
| Operating grants and contributions | 1,327,846 | 3,571,376 | 4,966,810 | 5,356,881 |
| Capital grants and contributions | 1,555,614 | 489,366 | 8,430,015 | 3,847,667 |
| Total governmental activities program revenues | <u>11,472,789</u> | <u>17,067,556</u> | <u>26,461,938</u> | <u>20,209,435</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water | 8,332,738 | 9,078,937 | 8,659,952 | 8,830,145 |
| Solid Waste | * | * | * | * |
| Total business-type activities program revenues | <u>8,332,738</u> | <u>9,078,937</u> | <u>8,659,952</u> | <u>8,830,145</u> |
| Total primary government program revenues | <u>19,805,527</u> | <u>26,146,493</u> | <u>35,121,890</u> | <u>29,039,580</u> |
| Net revenues (expenses): | | | | |
| Governmental activities | (34,619,024) | (27,780,040) | (30,318,784) | (35,939,978) |
| Business-type activities | (526,590) | 88,451 | (286,618) | 1,299,667 |
| Total net revenues (expenses) | <u>(35,145,614)</u> | <u>(27,691,589)</u> | <u>(30,605,402)</u> | <u>(34,640,311)</u> |

* Solid Waste Funds previously reported in governmental activities

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 4,389,509 | \$ 2,288,544 | \$ 3,623,812 | \$ 3,268,718 | \$ 3,398,739 |
| 25,294,734 | 26,634,914 | 26,039,750 | 26,100,788 | 25,531,715 |
| 10,842,575 | 9,535,081 | 10,486,308 | 8,085,945 | 8,602,763 |
| 3,638,224 | 4,546,691 | 4,709,958 | 5,675,610 | 5,256,405 |
| 4,789,810 | 2,198,738 | 2,520,280 | 2,433,094 | 2,649,541 |
| - | - | - | 401,606 | - |
| 1,446,472 | 1,058,808 | 631,851 | 389,544 | 349,089 |
| <u>50,401,324</u> | <u>46,262,776</u> | <u>48,011,959</u> | <u>46,355,305</u> | <u>45,788,252</u> |
| 10,752,153 | 9,464,335 | 9,640,203 | 11,961,160 | 12,344,634 |
| 2,985,275 | 2,859,051 | 2,912,260 | 2,923,270 | 2,936,437 |
| <u>13,737,428</u> | <u>12,323,386</u> | <u>12,552,463</u> | <u>14,884,430</u> | <u>15,281,071</u> |
| <u>64,138,752</u> | <u>58,586,162</u> | <u>60,564,422</u> | <u>61,239,735</u> | <u>61,069,323</u> |
| 1,986,574 | 1,799,114 | 1,542,780 | 1,313,296 | 1,589,201 |
| 2,261,734 | 2,145,255 | 2,402,968 | 2,551,306 | 2,437,171 |
| - | - | - | - | - |
| 2,696,944 | 2,764,100 | 3,452,877 | 4,570,944 | 3,571,688 |
| 3,085,631 | 1,416,509 | 1,349,743 | 2,865,863 | 1,696,636 |
| - | - | - | - | - |
| 4,500,691 | 20,306,778 | 4,808,433 | 3,763,161 | 4,417,860 |
| 2,478,423 | 380,511 | 703,155 | 255,300 | - |
| <u>17,009,997</u> | <u>28,812,267</u> | <u>14,259,956</u> | <u>15,319,870</u> | <u>13,712,556</u> |
| 8,634,443 | 10,550,050 | 11,434,206 | 12,030,680 | 12,939,652 |
| 3,001,822 | 3,007,925 | 3,221,070 | 3,175,972 | 3,096,014 |
| <u>11,636,265</u> | <u>13,557,975</u> | <u>14,655,276</u> | <u>15,206,652</u> | <u>16,035,666</u> |
| <u>28,646,262</u> | <u>42,370,242</u> | <u>28,915,232</u> | <u>30,526,522</u> | <u>29,748,222</u> |
| (33,391,327) | (17,450,509) | (33,752,003) | (31,035,435) | (32,075,696) |
| (2,101,163) | 1,234,589 | 2,102,813 | 322,222 | 754,595 |
| <u>(35,492,490)</u> | <u>(16,215,920)</u> | <u>(31,649,190)</u> | <u>(30,713,213)</u> | <u>(31,321,101)</u> |

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
GENERAL REVENUES

Last Nine Fiscal Years
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|----------------------|----------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 |
| General revenues and other changes in net position: | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 15,090,054 | \$ 15,827,766 | \$ 19,077,590 | \$ 16,690,555 |
| Franchise taxes | 1,349,173 | 1,449,384 | 1,467,613 | 1,789,533 |
| Sales tax | 11,517,398 | 11,925,716 | 11,967,435 | 9,964,534 |
| Other taxes | 1,274,410 | 1,098,130 | 1,065,886 | 737,630 |
| Revenue from other governmental agencies | 4,316,227 | 4,232,595 | 5,104,203 | 4,787,550 |
| Other revenue | 1,891,451 | - | - | - |
| Investment income | 4,770,235 | 5,648,819 | 3,134,116 | 3,751,641 |
| Assessments | 143,422 | - | - | - |
| Transfers | (132,601) | (132,670) | (67,609) | 344,796 |
| Gain (loss) on sale of property | (485,826) | 701,933 | 196,553 | 2,733 |
| Miscellaneous | - | - | - | - |
| Extraordinary gain (loss) | - | - | - | - |
| Total governmental activities | <u>39,733,943</u> | <u>40,751,673</u> | <u>41,945,787</u> | <u>38,068,972</u> |
| Business-type activities: | | | | |
| Investment income | 299,804 | 431,197 | 454,799 | 251,659 |
| Transfers | 132,601 | 132,670 | 67,609 | (344,796) |
| Miscellaneous | - | - | - | - |
| Extraordinary Gain (Loss) | - | - | - | - |
| Total business-type activities | <u>432,405</u> | <u>563,867</u> | <u>522,408</u> | <u>(93,137)</u> |
| Total primary government | <u>40,166,348</u> | <u>41,315,540</u> | <u>42,468,195</u> | <u>37,975,835</u> |
| Changes in net position: | | | | |
| Governmental activities | 5,114,919 | 12,971,633 | 11,627,003 | 2,128,994 |
| Business-type activities | (94,185) | 652,318 | 235,790 | 1,206,530 |
| Total primary government | <u>\$ 5,020,734</u> | <u>\$ 13,623,951</u> | <u>\$ 11,862,793</u> | <u>\$ 3,335,524</u> |

*The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|----------------------|------------------------|-----------------------|-------------------|
| \$ 13,753,615 | \$ 16,259,507 | \$ 14,247,327 | \$ 16,071,106 | \$ 10,423,211 |
| 1,660,650 | 1,710,195 | 1,775,922 | 1,712,754 | 1,628,690 |
| 9,179,402 | 10,328,426 | 10,948,760 | 11,407,422 | 11,442,672 |
| 616,375 | 732,375 | 744,079 | 2,632,282 | 2,739,433 |
| 4,623,154 | 4,792,704 | 4,468,380 | 4,587,172 | 4,569,352 |
| - | - | - | - | - |
| 2,003,963 | 1,222,953 | 552,828 | (65,914) | 707,717 |
| - | - | - | - | - |
| - | 2,489,616 | 824,382 | 72,940 | 79,800 |
| - | 577 | 3,612 | 2,404 | 32,419 |
| 208,667 | 971,776 | 550,830 | 225,313 | 33,128 |
| - | - | (33,237,247) | (14,983,772) | - |
| <u>32,045,826</u> | <u>38,508,129</u> | <u>878,873</u> | <u>21,661,707</u> | <u>31,656,422</u> |
| 120,820 | 82,403 | 54,604 | 50,416 | 33,905 |
| 318,176 | (2,489,616) | (824,382) | (72,940) | (79,800) |
| - | - | - | 44,142 | 9,415 |
| - | - | - | (511,770) | - |
| <u>438,996</u> | <u>(2,407,213)</u> | <u>(769,778)</u> | <u>(490,152)</u> | <u>(36,480)</u> |
| <u>32,484,822</u> | <u>36,100,916</u> | <u>109,095</u> | <u>21,171,555</u> | <u>31,619,942</u> |
| (1,345,501) | 21,057,620 | (32,873,130) | (9,373,728) | (419,274) |
| (1,662,167) | (1,172,624) | 1,333,035 | (167,930) | 718,115 |
| <u>\$ (3,007,668)</u> | <u>\$ 19,884,996</u> | <u>\$ (31,540,095)</u> | <u>\$ (9,541,658)</u> | <u>\$ 298,841</u> |

CITY OF FOUNTAIN VALLEY
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|------------------------------------|----------------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| General fund: | | | | |
| Reserved | \$ 605,117 | \$ 1,508,003 | \$ 458,346 | \$ 346,140 |
| Unreserved | 40,267,890 | 40,383,858 | 43,417,603 | 41,451,520 |
| Total general fund | <u>\$ 40,873,007</u> | <u>\$ 41,891,861</u> | <u>\$ 43,875,949</u> | <u>\$ 41,797,660</u> |
| | | | | |
| All other governmental funds: | | | | |
| Reserved | \$ 38,367,528 | \$ 25,203,749 | \$ 40,193,043 | \$ 33,890,215 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 3,032,273 | 5,275,957 | (4,886,262) | 5,482,130 |
| Debt service funds | 2,160,176 | 2,814,283 | 2,814,230 | 2,814,116 |
| Capital projects funds | 28,978,088 | 47,785,563 | 37,123,954 | 32,279,931 |
| Total all other governmental funds | <u>\$ 72,538,065</u> | <u>\$ 81,079,552</u> | <u>\$ 75,244,965</u> | <u>\$ 74,466,392</u> |
| | | | | |
| General fund: | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| All other governmental funds: | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - |
| Assigned | - | - | - | - |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Note: GASB 54 was implement in fiscal year 2010, prior years have no comparable data.

The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006. Information prior to the implementation of GASB 44 is not available.

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| <u>\$ -</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ -</u> |
| \$ 2,360,972 | \$ 2,271,395 | \$ 1,831,432 | \$ 1,846,323 | \$ 1,966,451 |
| - | - | - | - | 12,100,000 |
| <u>38,233,080</u> | <u>40,563,646</u> | <u>38,916,288</u> | <u>40,745,212</u> | <u>28,497,308</u> |
| <u>\$ 40,594,052</u> | <u>\$ 42,835,041</u> | <u>\$ 40,747,720</u> | <u>\$ 42,591,535</u> | <u>\$ 42,563,759</u> |
| \$ 10,755,520 | \$ 10,260,000 | \$ 17,219,367 | \$ 7,216,367 | \$ - |
| 56,518,979 | 53,968,387 | 7,258,865 | 7,212,149 | 15,452,824 |
| 7,152,709 | 7,243,162 | 5,838,725 | 6,346,772 | 3,831,549 |
| <u>\$ 74,427,208</u> | <u>\$ 71,471,549</u> | <u>\$ 30,316,957</u> | <u>\$ 20,775,288</u> | <u>\$ 19,284,373</u> |

CITY OF FOUNTAIN VALLEY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Revenues: | | | | |
| Taxes | \$ 29,977,510 | \$ 31,253,588 | \$ 32,068,803 | \$ 30,214,810 |
| Licenses and permits | 1,445,694 | 1,710,162 | 1,904,415 | 1,798,630 |
| Fines and forfeitures (penalties) | 871,895 | 934,538 | 919,127 | 871,673 |
| Revenue from use of money and property | 4,592,912 | 916,066 | 894,371 | 978,415 |
| Investment income | (188,890) | 5,648,819 | 5,288,416 | 3,750,171 |
| Intergovernmental | 7,563,236 | 8,038,196 | 15,394,421 | 12,389,425 |
| Charges for services | 5,962,499 | 7,002,326 | 9,109,895 | 8,312,658 |
| Miscellaneous | 2,467,174 | 2,024,241 | 4,118,932 | 1,880,004 |
| Total revenues | <u>52,692,030</u> | <u>57,527,936</u> | <u>69,698,380</u> | <u>60,195,786</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 5,900,370 | 3,382,349 | 4,440,714 | 4,189,795 |
| Public safety | 20,698,380 | 22,445,780 | 24,899,666 | 25,400,083 |
| Transportation | 6,405,142 | 6,836,619 | 9,036,928 | 13,290,929 |
| Community development | 2,613,673 | 2,544,831 | 10,445,502 | 2,983,448 |
| Community services | 5,360,791 | 4,481,599 | 4,463,218 | 4,607,806 |
| Capital outlay | 3,882,308 | 2,574,732 | 15,774,107 | 4,737,265 |
| Debt service: | | | | |
| Principal retirement | 1,854,880 | 1,715,000 | 1,883,385 | 2,018,023 |
| Interest and fiscal charges | 1,887,647 | 2,562,763 | 2,620,715 | 2,180,617 |
| Pass-through payments | 510,659 | 579,303 | 644,577 | 1,032,558 |
| Total expenditures | <u>49,113,850</u> | <u>47,122,976</u> | <u>74,208,812</u> | <u>60,440,524</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>3,578,180</u> | <u>10,404,960</u> | <u>(4,510,432)</u> | <u>(244,738)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 2,400,930 | 2,775,567 | 9,799,212 | 8,380,744 |
| Transfers out | (2,533,531) | (2,908,237) | (9,866,821) | (9,619,948) |
| Issuance of leases | - | 611,288 | 457,541 | 381,332 |
| Total other financing sources (uses) | <u>(132,601)</u> | <u>478,618</u> | <u>389,932</u> | <u>(857,872)</u> |
| Net change in fund balances, before extraordinary item | 3,445,579 | 10,883,578 | (4,120,500) | (1,102,610) |
| Extraordinary gain (loss) | - | - | - | - |
| Net change in fund balances | <u>\$ 3,445,579</u> | <u>\$ 10,883,578</u> | <u>\$ (4,120,500)</u> | <u>\$ (1,102,610)</u> |
| Debt service as a percentage of noncapital expenditures | 9.4% | 10.9% | 8.8% | 9.4% |

The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|-----------------------|------------------------|-----------------------|-----------------------|
| \$ 29,746,135 | \$ 30,796,616 | \$ 27,551,121 | \$ 30,142,198 | \$ 24,609,300 |
| 1,510,769 | 1,597,034 | 1,661,600 | 2,260,643 | 1,834,212 |
| 810,868 | 915,314 | 771,860 | 799,794 | 751,302 |
| 1,377,236 | 1,488,521 | 1,445,466 | 1,151,228 | 1,163,515 |
| 1,879,310 | 1,219,533 | 800,796 | (15,506) | 744,447 |
| 9,167,306 | 8,798,365 | 9,301,515 | 8,066,501 | 8,489,979 |
| 4,923,766 | 5,213,090 | 6,047,713 | 6,552,896 | 6,124,998 |
| 1,219,229 | 2,623,945 | 1,792,391 | 3,197,853 | 1,679,542 |
| <u>50,634,619</u> | <u>52,652,418</u> | <u>49,372,462</u> | <u>52,155,607</u> | <u>45,397,295</u> |
| 3,893,528 | 4,431,120 | 3,174,656 | 2,919,814 | 2,870,199 |
| 23,478,042 | 28,612,844 | 24,797,114 | 25,071,510 | 24,616,202 |
| 9,081,940 | 9,011,091 | 9,853,602 | 8,084,134 | 8,446,708 |
| 4,107,181 | 4,658,578 | 3,885,966 | 4,449,856 | 3,989,139 |
| 1,736,105 | 2,014,282 | 2,249,853 | 2,123,704 | 2,321,707 |
| 772,615 | 1,047,498 | 4,147,242 | 1,194,478 | 3,640,756 |
| 2,114,535 | 2,205,258 | 2,285,397 | 717,422 | 747,414 |
| 1,761,157 | 1,103,263 | 798,958 | 381,711 | 363,661 |
| 4,536,093 | 1,888,001 | - | - | - |
| <u>51,481,196</u> | <u>54,971,935</u> | <u>51,192,788</u> | <u>44,942,629</u> | <u>46,995,786</u> |
| <u>(846,577)</u> | <u>(2,319,517)</u> | <u>(1,820,326)</u> | <u>7,212,978</u> | <u>(1,598,491)</u> |
| 3,818,818 | 16,787,826 | 2,040,038 | 1,402,365 | 3,061,091 |
| (4,003,456) | (16,003,210) | (2,944,656) | (1,329,425) | (2,981,291) |
| 112,882 | - | - | - | - |
| <u>(71,756)</u> | <u>784,616</u> | <u>(904,618)</u> | <u>72,940</u> | <u>79,800</u> |
| (918,333) | (1,534,901) | (2,724,944) | 7,285,918 | (1,518,691) |
| - | - | (40,483,347) | (14,983,772) | - |
| <u>\$ (918,333)</u> | <u>\$ (1,534,901)</u> | <u>\$ (43,208,291)</u> | <u>\$ (7,697,854)</u> | <u>\$ (1,518,691)</u> |
| 16.6% | 9.6% | 6.4% | 2.5% | 2.6% |

CITY OF FOUNTAIN VALLEY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Nine Fiscal Years

| Fiscal Year Ended June 30, | City | | | Taxable Assessed Value |
|----------------------------------|------------------|----------------|---------------------|------------------------------|
| | Secured | Unsecured | Less: Exemptions | |
| 2006 | \$ 5,349,309,112 | \$ 257,922,331 | \$ - | \$ 5,607,231,443 |
| 2007 | 5,784,953,429 | 287,232,798 | - | 6,072,186,227 |
| 2008 | 6,310,344,079 | 284,437,291 | - | 6,594,781,370 |
| 2009 | 6,382,947,330 | 287,957,315 | - | 6,670,904,645 |
| 2010 | 6,482,764,941 | 287,619,118 | - | 6,770,384,059 |
| 2011 | 6,679,192,884 | 302,119,850 | - | 6,981,312,734 |
| 2012 | 6,777,682,538 | 259,218,249 | - | 7,036,900,787 |
| 2013 | 6,922,510,895 | 241,861,867 | - | 7,164,372,762 |
| 2014 | 7,131,038,979 | 295,542,241 | - | 7,426,581,220 |

Notes:

Amounts are shown net of exemptions

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

*The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

City of Fountain Valley Successor Agency to the Redevelopment Agency

| <u>Secured</u> | <u>Unsecured</u> | <u>Less: Exemptions</u> | <u>Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|----------------|------------------|-----------------------------|---------------------------------------|--------------------------------------|
| \$ 631,721,712 | \$ 151,356,552 | \$ - | \$ 783,078,264 | 1.00000% |
| 667,800,630 | 167,311,063 | - | 835,111,693 | 1.00000% |
| 749,222,135 | 156,285,338 | - | 905,507,473 | 1.00000% |
| 785,238,123 | 150,717,223 | - | 935,955,346 | 1.00000% |
| 802,335,858 | 145,996,675 | - | 948,332,533 | 1.00000% |
| 813,208,044 | 159,430,374 | - | 972,638,418 | 1.00000% |
| 830,549,168 | 125,833,546 | - | 956,382,714 | 1.00000% |
| 836,994,525 | 116,634,319 | - | 953,628,844 | 1.00000% |
| 871,690,984 | 183,678,328 | - | 1,055,369,312 | 1.00000% |

CITY OF FOUNTAIN VALLEY

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate per \$100 of taxable value)

Last Ten Fiscal Years

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|----------------|----------------|----------------|
| | 2005 | 2006 | 2007 | 2008 |
| City Direct Rate: | | | | |
| City basic rate | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Overlapping Rates: | | | | |
| Fountain Valley El Tax Override - 1970 SSBA | 0.06371 | 0.06588 | 0.00592 | N/A |
| Huntington Beach High School 2004 - Bond 2004A | 0.02999 | 0.02388 | 0.02197 | 0.02366 |
| Coast Community College | 0.01383 | 0.01545 | 0.01599 | 0.01472 |
| Metro Water District of Orange County | 0.01371 | 0.00520 | 0.00470 | 0.00430 |
| Huntington Beach High School 2004 - Bond 2005 | 0.00580 | 0.00151 | 0.00008 | 0.00232 |
| Huntington Beach High School 2004 - Bond 2007 | N/A | N/A | N/A | 0.00024 |
| Total Direct Rate | <u>1.12704</u> | <u>1.11192</u> | <u>1.04866</u> | <u>1.04524</u> |

Notes:

In 1978 the voters of the State of California passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

| Fiscal Year Ended June 30, | | | | | |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| N/A | N/A | N/A | N/A | N/A | |
| 0.02522 | 0.02605 | 0.02617 | 0.02726 | 0.02605 | 0.02271 |
| 0.01673 | 0.17500 | 0.01754 | 0.01881 | 0.01750 | 0.02899 |
| 0.00430 | 0.00370 | 0.00370 | 0.00350 | 0.00370 | 0.00350 |
| 0.00260 | 0.00265 | 0.00266 | 0.00275 | 0.00265 | 0.00001 |
| 0.00159 | 0.00144 | 0.00143 | 0.00142 | 0.00144 | 0.00132 |
| <u>1.05044</u> | <u>1.20884</u> | <u>1.05150</u> | <u>1.05374</u> | <u>1.05134</u> | <u>1.05653</u> |

CITY OF FOUNTAIN VALLEY
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

| Taxpayer | 2014 | | 2005 | |
|------------------------------------|------------------------------|--|------------------------------|--|
| | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| Fountain Valley Reg Hosp & Med Ctr | \$ 146,543,177 | 1.97% | \$ 123,235,211 | 2.35% |
| Orange Coast Memorial Medical Ctr | 137,317,080 | 1.85% | - | 0.00% |
| JKS-CMFV LLC | 95,413,681 | 1.28% | 69,016,459 | 1.32% |
| Fountain Valley City Center LLC | 46,932,444 | 0.63% | - | 0.00% |
| SHEA Center Crystal Springs | 41,971,780 | 0.57% | - | 0.00% |
| Hyundai Motor America | 40,799,530 | 0.55% | 29,416,837 | 0.56% |
| Fountain Valley Senior Housing | 39,099,848 | 0.53% | 34,541,930 | 0.69% |
| US Millennium | 36,208,047 | 0.49% | - | 0.00% |
| Fountain Valley MHP Associates | 34,837,267 | 0.47% | - | 0.00% |
| MTSC-Lake Elsinore Partners | 34,278,431 | 0.46% | - | 0.00% |
| Arden Realty Limited Partnership | - | 0.00% | 37,849,284 | 0.72% |
| 17665 Newhope Manufacturing LLC | - | 0.00% | 23,421,896 | 0.45% |
| Price Company | - | 0.00% | 23,043,343 | 0.44% |
| Chandler Real Properties | - | 0.00% | 20,278,292 | 0.39% |
| Priceland Properties International | - | 0.00% | 14,663,672 | 0.28% |
| Arden Realty Finance III LLC | - | 0.00% | 11,575,551 | 0.22% |
| | <u>\$ 653,401,285</u> | <u>9.12%</u> | <u>\$ 387,042,475</u> | <u>7.42%</u> |

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

CITY OF FOUNTAIN VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS

Last Nine Fiscal Years

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of Levy | | Collections in Subsequent Years** | Total Collections to Date | |
|----------------------------------|--|---|--------------------|---|---------------------------|--------------------|
| | | Amount* | Percent of Levy | | Amount | Percent of Levy |
| 2006 | \$ 7,137,294 | \$ 7,188,146 | 100.71% | \$ 86,440 | \$ 7,274,586 | 101.92% |
| 2007 | 7,597,511 | 7,501,066 | 98.73% | 148,589 | 7,649,655 | 100.69% |
| 2008 | 8,449,522 | 8,353,866 | 98.87% | 264,181 | 8,618,047 | 101.99% |
| 2009 | 8,271,990 | 8,306,058 | 100.41% | 146,890 | 8,452,948 | 102.19% |
| 2010 | 8,249,362 | 8,671,222 | 105.11% | 58,017 | 8,729,239 | 105.82% |
| 2011 | 8,506,281 | 8,607,874 | 101.19% | 45,028 | 8,652,902 | 101.72% |
| 2012 | 8,546,953 | 8,643,889 | 101.13% | 79,327 | 8,723,216 | 102.06% |
| 2013 | 8,844,898 | 9,657,475 | 109.19% | 48,937 | 9,706,412 | 109.74% |
| 2014 | 9,227,976 | 10,330,113 | 111.94% | 40,888 | 10,371,001 | 112.39% |

Note:

*The amounts presented include City property taxes only.

**These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent

CITY OF FOUNTAIN VALLEY
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Nine Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | | Total Governmental Activities |
|----------------------------------|-------------------------|----------------------------|------------------|---|--|-------------------------------------|
| | Leases Payable | Tax Allocation Bonds | Notes Payable | Certificates of Participation (1) | Other Post Employment Benefits (3) | |
| 2006 | \$ 791,893 | \$ 15,520,000 | \$ 17,904,551 | \$ 12,505,000 | \$ - | \$ 46,721,444 |
| 2007 | 63,797 | 14,235,000 | 18,452,805 | 12,075,000 | - | 44,826,602 |
| 2008 | 1,373,218 | 12,900,000 | 18,910,346 | 11,635,000 | - | 44,818,564 |
| 2009 | 1,219,811 | 11,510,000 | 19,262,062 | 11,190,000 | 1,423,271 | 44,605,144 |
| 2010 | 1,124,313 | 10,065,000 | 16,536,398 | 10,730,000 | 2,875,654 | 41,331,365 |
| 2011 | 899,055 | 8,555,000 | - | 10,260,000 | - | 19,714,055 |
| 2012 | 668,658 | - | - | 9,775,000 | - | 10,443,658 |
| 2013 | 451,236 | - | - | 9,275,000 | 806,857 | 10,533,093 |
| 2014 | 218,822 | - | - | 8,760,000 | 1,889,417 | 10,868,239 |

*The City of Fountain Valley implemented GASB 44 for the fiscal year ended June 30, 2006.
Information prior to the implementation of GASB 44 is not available.*

- (1) On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of \$13,270,000.
- (2) These ratios are calculated using personal income and population for the prior calendar year.
- (3) Added in accordance with GASB 45

Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

| Business-type Activities | Loans Payable | Total Primary Government | Percentage of Personal Income | Debt per Capita (2) |
|-----------------------------|------------------|--------------------------------|-------------------------------------|---------------------------|
| | \$ 890,160 | \$ 47,611,604 | 1.82% | \$ 829 |
| | 850,955 | 45,677,557 | 1.73% | 795 |
| | 810,377 | 45,628,941 | 1.62% | 788 |
| | 768,379 | 45,373,523 | 1.58% | 778 |
| | 724,912 | 42,056,277 | 1.60% | 716 |
| | 679,923 | 20,393,978 | 0.73% | 369 |
| | 633,359 | 11,077,017 | 0.38% | 197 |
| | 585,165 | 11,118,258 | 0.37% | 197 |
| | 535,285 | 11,403,524 | 0.35% | 201 |

CITY OF FOUNTAIN VALLEY
RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Nine Fiscal Years

| Fiscal Year Ended June 30, | Certificates of Participation | Percent of Assessed Value (1) | Per Capita |
|----------------------------------|-------------------------------------|-------------------------------------|---------------|
| 2006 | \$ 15,520,000 | 0.28% | \$ 270 |
| 2007 | 14,235,000 | 0.23% | 248 |
| 2008 | 11,635,000 | 0.18% | 201 |
| 2009 | 11,190,000 | 0.17% | 192 |
| 2010 | 10,730,000 | 0.16% | 183 |
| 2011 | 10,260,000 | 0.15% | 185 |
| 2012 | 9,775,000 | 0.14% | 174 |
| 2013 | 9,275,000 | 0.13% | 164 |
| 2014 | 8,760,000 | 0.12% | 154 |

The City of Fountain Valley has elected to show only nine years of data for this schedule.

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds.

- (1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

CITY OF FOUNTAIN VALLEY
DIRECT AND OVERLAPPING DEBT
June 30, 2014

2013-2014 City Assessed Valuation:
Total Assessed Valuation

\$ 7,426,581,220

| | Percentage Applicable (1) | Total Debt June 30, 2014 | City's Share of Debt June 30, 2014 |
|---|------------------------------|--------------------------------|---|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Metropolitan Water District | 0.339% | \$ 132,275,000 | \$ 448,412 |
| Coast Community College District | 6.786% | 632,413,698 | 42,915,594 |
| Rancho Santiago Community College District | 0.321% | 285,430,201 | 916,231 |
| Garden Grove Unified School District | 11.722% | 244,995,160 | 28,718,333 |
| Huntington Beach Union High School District | 11.780% | 206,874,998 | 24,369,875 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | <u>\$ 1,501,989,057</u> | <u>\$ 97,368,445</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Orange County General Fund Obligations | 1.679% | 145,476,000 | 2,442,542 |
| Orange County Pension Obligations | 1.679% | 32,195,288 | 540,559 |
| Orange County Board of Education Certificates of Participation | 1.675% | 15,500,000 | 260,245 |
| Municipal Water District of Orange County Water Facilities Corporation | 2.008% | 7,775,000 | 156,122 |
| Huntington Beach Union High School District Certificates of Participation | 11.780% | 59,921,090 | 7,058,704 |
| Fountain Valley School District Certificates of Participation | 73.116% | 7,585,000 | 5,545,849 |
| Ocean View School District Certificates of Participation | 0.963% | 15,720,000 | 151,384 |
| City of Fountain Valley Certificates of Participation | 100.000% | 8,760,000 | 87,600,000 |
| | | <u>\$ 292,932,378</u> | |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | 24,915,405 |
| Less: MWDOC Water Facilities Corporation (100% self-supporting) | | | 156,122 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 24,759,283</u> |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u> | 100.000% | \$3,630,000 | 3,630,000 |
| TOTAL DIRECT DEBT | | | <u>\$ 87,600,000</u> |
| TOTAL GROSS COMBINED TOTAL DEBT | | | \$ 117,153,850 |
| TOTAL NET COMBINED TOTAL DEBT | | | \$ 116,997,728 |
| GROSS COMBINED TOTAL DEBT (2) | | | \$ 125,913,850 |
| NET COMBINED TOTAL DEBT | | | \$ 125,757,728 |

(1) Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to 2013-14 Assessed Valuation:

| | |
|--|--------------|
| Total Overlapping Tax and Assessment Debt..... | 1.31% |
| Total Direct Debt (\$8,760,000)..... | 0.12% |
| Gross Combined Total Debt..... | 1.70% |
| Net Combined Total Debt..... | 1.69% |

Ratios to Redevelopment Incremental Valuation (\$1132848165):

| | |
|---|-------|
| Total Overlapping Tax Increment Debt..... | 0.32% |
|---|-------|

Source: California Municipal Statistics, Inc. (July 31, 2014)

CITY OF FOUNTAIN VALLEY
LEGAL DEBT MARGIN INFORMATION

Last Nine Fiscal Years

| | Fiscal Year Ended June 30, | | | |
|--|----------------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Assessed valuation | \$ 5,607,231,443 | \$ 6,072,186,227 | \$ 6,594,781,370 | \$ 6,670,904,645 |
| Conversion percentage | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 1,401,807,861 | 1,518,046,557 | 1,648,695,343 | 1,667,726,161 |
| Debt limit percentage | 15% | 15% | 15% | 15% |
| Debt limit | 210,271,179 | 227,706,984 | 247,304,301 | 250,158,924 |
| Total net debt applicable to limitation: General obligation bonds | - | - | - | - |
| Legal debt margin | <u>\$ 210,271,179</u> | <u>\$ 227,706,984</u> | <u>\$ 247,304,301</u> | <u>\$ 250,158,924</u> |
| Total debt applicable to the limit as a percentage of debt limit | 0.0% | 0.0% | 0.0% | 0.0% |

The City of Fountain Valley has elected to show only nine years of data for this schedule.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year Ended June 30,

| 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 6,770,384,059 | \$ 6,981,312,734 | \$ 7,036,900,784 | \$ 7,164,372,762 | \$ 7,426,581,220 |
| <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> | <u>25%</u> |
| 1,692,596,015 | 1,745,328,184 | 1,759,225,196 | 1,791,093,191 | 1,856,645,305 |
| <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> | <u>15%</u> |
| 253,889,402 | 261,799,228 | 263,883,779 | 268,663,979 | 278,496,796 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>\$ 253,889,402</u> | <u>\$ 261,799,228</u> | <u>\$ 263,883,779</u> | <u>\$ 268,663,979</u> | <u>\$ 278,496,796</u> |
| 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

CITY OF FOUNTAIN VALLEY
PLEDGED-REVENUE COVERAGE

Last Nine Fiscal Years

| Fiscal Year Ended June 30, | Tax Allocation Bonds | | | | Coverage |
|----------------------------------|----------------------|--------------|------------|------|----------|
| | Tax Increment | Debt Service | | | |
| | | Principal | Interest | | |
| 2006 | \$ 6,065,995 | \$ 1,235,000 | \$ 728,678 | 3.09 | |
| 2007 | 6,241,917 | 1,285,000 | 680,513 | 3.18 | |
| 2008 | 7,086,966 | 1,335,000 | 629,113 | 3.61 | |
| 2009 | 7,170,290 | 1,390,000 | 575,713 | 3.65 | |
| 2010 | 7,477,137 | 1,445,000 | 518,773 | 3.81 | |
| 2011 | 7,484,250 | 1,510,000 | 457,310 | 3.80 | |
| 2012 | 4,245,463 | 1,570,000 | 392,380 | 2.16 | |
| 2013 | 1,926,400 | 1,640,000 | 323,300 | 0.98 | |
| 2014 | 1,925,055 | 1,715,000 | 210,055 | 1.00 | |

Notes:

The City of Fountain Valley has elected to show only nine years of data for this schedule.

Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

Beginning with fiscal year 2013, the "Tax Increment" amount represents the deposit into the successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) by the County Auditor-Controller. The deposit in the RPTTF is used to paying to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

CITY OF FOUNTAIN VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

| Calendar Year | Population (1) | Personal Income (in millions) (2) | Per Capita Personal Income (2) | Unemployment Rate (3) |
|------------------|-------------------|---|---|-----------------------------|
| 2005 | 57,149 | \$ 133,032 | \$ 44,453 | 3.10% |
| 2006 | 57,405 | 14,700 | 45,638 | 3.00% |
| 2007 | 57,475 | 147,800 | 45,969 | 4.80% |
| 2008 | 57,925 | 154,800 | 48,523 | 7.70% |
| 2009 | 58,309 | 161,700 | 49,298 | 11.90% |
| 2010 | 58,741 | 145,100 | 44,789 | 12.10% |
| 2011 * | 55,313 | 159,000 | 50,372 | 11.80% |
| 2012 | 56,153 | 168,800 | 51,770 | 9.60% |
| 2013 | 56,464 | 172,400 | 53,320 | 9.20% |
| 2014 | 56,707 | 180,700 | 56,697 | 7.10% |

Sources:

(1) California State Department of Finance/2013 U.S. Bureau of Labor Statistics: City of F.V, (estimates: last updated 2014)

(2) California Department of Transportation - Division of Planning (data shown is forecasted for Orange County: last updated 9/2014)

(3) State of California Employment Development Department/U.S. Bureau of Labor Statistics (last updated 9/2014)

* State of California, Department of Finance, E-4 Estimates for Cities, Counties and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, CA Sept. 2011

CITY OF FOUNTAIN VALLEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| Employer | 2014 | | 2005 | |
|--------------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
| | Number of Employees | Percent of Total Employment (1) | Number of Employees | Percent of Total Employment (2) |
| Fountain Valley Regional Hospital | 1,667 | 7.79% | 1744 | N/A |
| Orange Coast Memorial Medical Center | 967 | 4.52% | 880 | N/A |
| Kingston Technology Corporation | 651 | 3.04% | 738 | N/A |
| Memorial Health Services | 554 | 2.59% | N/A | N/A |
| Surefire, LLC | 422 | 1.97% | 350 | N/A |
| *Hyundai Motor America | 421 | 1.97% | 406 | N/A |
| Snelling | 382 | 1.78% | N/A | N/A |
| Costco Wholesale, # 411 | 322 | 1.50% | 399 | N/A |
| Ceridian Tax Service, Inc. | 285 | 1.33% | 513 | N/A |
| Sam's Club #6615 | 264 | 1.23% | N/A | N/A |
| Manor Care of Fountain Valley | 204 | 0.95% | N/A | N/A |
| D-Link Systems, Inc. | 192 | 0.90% | 281 | N/A |
| Holly Graphics | | | 350 | N/A |
| Fry's Electronics | | | 292 | N/A |
| Coastline Community College | | | 200 | N/A |
| Ultimate Maintenance Service | | | 200 | N/A |

(1) Excludes transient business including: Landscape/gardeners, pool, contractors, pest control.

(2) Historical Percent values for whole city are not available until 2006

* Business license temporarily inactive in Fountain Valley due to construction of new building, Hyundai will return 2013-14

CITY OF FOUNTAIN VALLEY
 FULL-TIME CITY EMPLOYEES
 BY DEPARTMENT
 Last Ten Fiscal Years

| Department | Fiscal Year Ended June 30, | | | | | | | | | |
|--------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Administration | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 |
| City Clerk | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 |
| Finance | 14.0 | 14.0 | 15.0 | 15.0 | 12.0 | 11.0 | 11.0 | 10.6 | 10.6 | 10.6 |
| Information services | * | * | * | * | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Personnel | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Planning/Building | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Public works | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Field services | 50.0 | 48.0 | 48.0 | 45.0 | 45.0 | 32.0 | 31.5 | 32.0 | 31.0 | 28.0 |
| Fire | 50.0 | 47.0 | 47.0 | 47.0 | 47.0 | 43.0 | 43.0 | 43.0 | 43.0 | 43.0 |
| Police | 92.0 | 90.0 | 89.0 | 89.0 | 89.0 | 78.0 | 78.0 | 78.0 | 79.0 | 85.0 |
| Community services | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 4.0 | 5.0 | 5.0 | 6.0 | 6.0 |
| Utilities (water and sew | 14.0 | 17.0 | 17.0 | 21.0 | 21.0 | 21.0 | 22.0 | 22.0 | 22.0 | 22.0 |
| Total | <u>257.0</u> | <u>251.0</u> | <u>251.0</u> | <u>252.0</u> | <u>252.0</u> | <u>215.5</u> | <u>217.0</u> | <u>218.1</u> | <u>219.1</u> | <u>223.1</u> |

* Information services in prior years was included in the Finance Department
 Building Department was part of the Fire Department prior to 2010

CITY OF FOUNTAIN VALLEY

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

| Function | Fiscal Year Ended June 30, | | | |
|---|----------------------------|--------|--------|--------|
| | 2005 | 2006 | 2007 | 2008 |
| Police: | | | | |
| Arrests | 1,736 | 1,764 | 2,380 | 2,230 |
| Parking citations issued | 11,230 | 10,134 | 12,532 | 11,534 |
| Fire: | | | | |
| Number of emergency calls | 4,142 | 4,064 | 4,247 | 4,661 |
| Inspections | 13,700 | 14,000 | 16,033 | 12,890 |
| Public works: | | | | |
| Street resurfacing (miles) | 20 | 20 | 22 | 26 |
| Parks and recreation: | | | | |
| Number of recreation classes | 629 | 738 | 752 | 1,098 |
| Number of facility rentals | 151 | 289 | 172 | 184 |
| Water: | | | | |
| New connections | 1,306 | 1,046 | 1,119 | 1,027 |
| Average daily consumption (thousands of gallons) | 12,209 | 12,230 | 10,340 | 10,064 |

Source: City of Fountain Valley

| Fiscal Year Ended June 30, | | | | | | |
|----------------------------|--------|--------|-------|-------|-------|--|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| 2,134 | 2,037 | 1,779 | 1,563 | 1,649 | 1,636 | |
| 10,550 | 9,562 | 8,143 | 8,138 | 7,209 | 7,373 | |
| 5,042 | 4,260 | 4,260 | 4,366 | 4,557 | 4,638 | |
| 11,582 | 13,346 | 16,126 | 7,902 | 7,885 | 2,542 | |
| 14 | 11 | 11 | 14 | 11 | 9 | |
| - | 1,140 | 1,169 | 1,143 | 1,257 | 1,103 | |
| - | 453 | 1,760 | 1,642 | 1,108 | 3,768 | |
| 1,080 | 1,512 | 399 | 107 | 21 | 340 | |
| 8,866 | 8,222 | 7,995 | 8,110 | 7,775 | 7,876 | |

CITY OF FOUNTAIN VALLEY

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

| Function | Fiscal Year Ended June 30, | | | |
|--|----------------------------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 |
| Police: | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Fire: | | | | |
| Fire stations | 2 | 2 | 2 | 2 |
| Public works: | | | | |
| Street (miles) | 141.30 | 141.30 | 141.30 | 141.30 |
| Streetlights** | N/A | N/A | N/A | N/A |
| Traffic signals | 49 | 53 | 52 | 52 |
| Parks and recreation: | | | | |
| Parks | 19 | 19 | 19 | 19 |
| Community centers | 2 | 2 | 2 | 2 |
| Water: | | | | |
| Water mains (miles) | 183.80 | 183.80 | 184.00 | 184.00 |
| Maximum daily capacity (thousands of gallons) | 18,000,000 | 18,000,000 | 18,000,000 | 18,000,000 |

**Streetlights are owned by So. Cal Edison

| Fiscal Year Ended June 30, | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|-----|
| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 141.30 | 141.30 | 141.30 | 141.30 | 165.00 | 165.00 | |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 53 | 53 | 53 | 53 | 53 | 54 | |
| 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 185.00 | 185.00 | 187.00 | 187.00 | 202.00 | 202.00 | |
| 18,000,000 | 18,000,000 | 15,000,000 | 12,500,000 | 13,500,000 | 13,500,000 | |

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