

CITY OF FULLERTON, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY THE FINANCE DEPARTMENT

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# CITY OF FULLERTON CALIFORNIA

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014



Douglas B Chaffee, Mayor

Greg Sebourn, Mayor Pro Tem

Bruce Whitaker, Council Member

Jennifer Fitzgerald, Council Member

Jan Flory, Council Member

Joe Felz, City Manager

Julia James

Director of Administrative Services

Don Hoppe

Director of Public Works

Gretchen Beatty

Director of Human Resources

Kirke Warren

Interim Director of Community Development

Wolfgang Knabe

Fire Chief

Dan Hughes

Chief of Police

Maureen Gebelein

Library Director

Hugo Curiel

Parks & Recreation Director

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## CITY OF FULLERTON

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City Manager's Office

December 16, 2014

Honorable Mayor and Members of City Council  
Fullerton, California

We are pleased to present the 2013-14 Comprehensive Annual Financial Report (CAFR) to the City Council. This report is intended to update the City Council and the citizens of Fullerton on the status of the City's financial position and results of operations for the past fiscal year and has been prepared in compliance with all requirements of the Governmental Accounting Standards Board (GASB).

Management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the City of Fullerton has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Fullerton's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Fullerton's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Fullerton's financial statements have been audited by Lance, Soll, & Lunghard, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fullerton for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Fullerton's financial statements for the fiscal year ended June 30, 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 statements of the City of Fullerton was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Fullerton's separately issued single audit report.

### *THE EDUCATION COMMUNITY*



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

## PROFILE OF THE CITY

Fullerton is located approximately 30 miles southeast of the City of Los Angeles and is the seventh largest city in Orange County. Founded in 1887 and incorporated in 1904, Fullerton operates as a general law city, governed by a non-partisan, five-member City Council elected to serve staggered four-year terms. Encompassing 22.2 square miles, the City has a population of 140,131.

The City provides the full range of services normally associated with a municipality, including police and fire protection, highways and streets, parks and recreation, library, planning and zoning, building and engineering, various maintenance services and administration. Parking and airport facilities, water, sewer, and storm drainage are also provided.

The City prepares a two-year budget, but the appropriations are approved by City Council each year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30 through passage of an adopting resolution. The appropriated budget is prepared by fund, department, and program (division within department). The City Manager is authorized to transfer budgeted amounts within departments, within funds. Transfers of appropriations between departments and between funds may be made only by authority of the City Council.

## LOCAL ECONOMY

The City of Fullerton has a diversified tax base of residential, commercial and industrial properties. The median household income is \$75,700 and the median home price is \$529,000. Property taxes are increasing an average of 2% to 3% annually and sales tax is projected to increase 4% this year. Located only a few miles from Disneyland, Fullerton collects over \$2 million in Transient Occupancy Tax annually.

The City's 2013 unemployment rate of 5.9% continues to rank below the State and National average. Major employers include California State University-Fullerton, Fullerton Community College, St. Jude Hospital, Raytheon Systems Company, and Alcoa Fastening Systems. In addition to a diverse manufacturing and industrial base, and a stable retail sales base, the City is a major center of higher education in Orange County. California State University, Fullerton and Fullerton Community College are located within the City, as well as three private colleges/universities for a total enrollment of over 55,000 students.

The City is ideally located for transportation, bounded by 3 major highways and located 15 miles northwest of John Wayne Airport. On an average workday, Fullerton's Transportation Center serves an average of 3,000 commuters on the Metrolink and Amtrak trains.

## LONG-TERM FINANCIAL PLANNING

Despite economic challenges these past few years, the City has maintained a General Fund reserve in excess of the 10% requirement set by City Council policy. This goal has been

achieved through a combination of one-time revenues generated from the dissolution of the Redevelopment Agency, budget cuts, expenditure savings and new revenues. To assist in this effort staff maintains a five-year financial forecast. As costs increase and funding sources fluctuate, this model helps staff to reprioritize goals and objectives and identify new revenue sources needed to maintain the community's quality level of service.

In the upcoming fiscal year, the City staff will hold several workshops with the City Council to prioritize future funding challenges such as increasing pension costs, unfunded liabilities and funding for infrastructure repairs. City management will also be renegotiating labor contracts due to expire on June 30, 2015.

## MAJOR INITIATIVES

The City Council approved an average 3% citywide fee increase in July, 2013. This was the first fee increase for the City in three years and generated an estimated \$350,000.

In September, 2013, the City Council approved a multi-year rate increase for the water system which reflects a 3.5% increase in revenue through fiscal year 2017-18. In addition to funding upgrades to the aging infrastructure, the additional revenue will allow the City to establish two reserves for the water system. An Operation and Maintenance (O&M Reserve) of \$3.36 million will provide working capital for budget shortfalls or cash flow needs and the Renewal Replacement Reserve (3R) of \$4.45 million will provide funding for emergency line replacements.

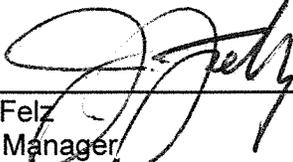
In an effort to provide more transparency in government, the City Council adopted Ordinance 3213 promoting transparency and accountability in labor negotiations. This act will require public disclosure of accepted and rejected offers, the designation of an outside negotiator to represent the City in all negotiations and an independent fiscal analysis of all proposed changes in employee compensation. It is anticipated that this process will cost the City an average of \$100,000 annually.

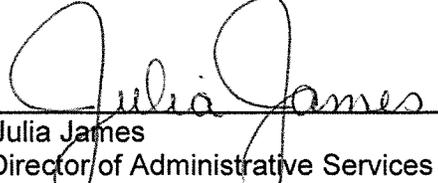
As reflected throughout these financial statements, two major grade separation projects are currently underway on State College Boulevard and Raymond Avenue. The projects will cost a combined \$131 million for right-of-way acquisition and construction of a grade separation at the BNSF Railroad tracks to relieve traffic congestion on these major arterials. Funding will come from Federal, State, Orange County Transportation Authority and local funds on a reimbursement basis. Construction is expected to be complete in late 2016.

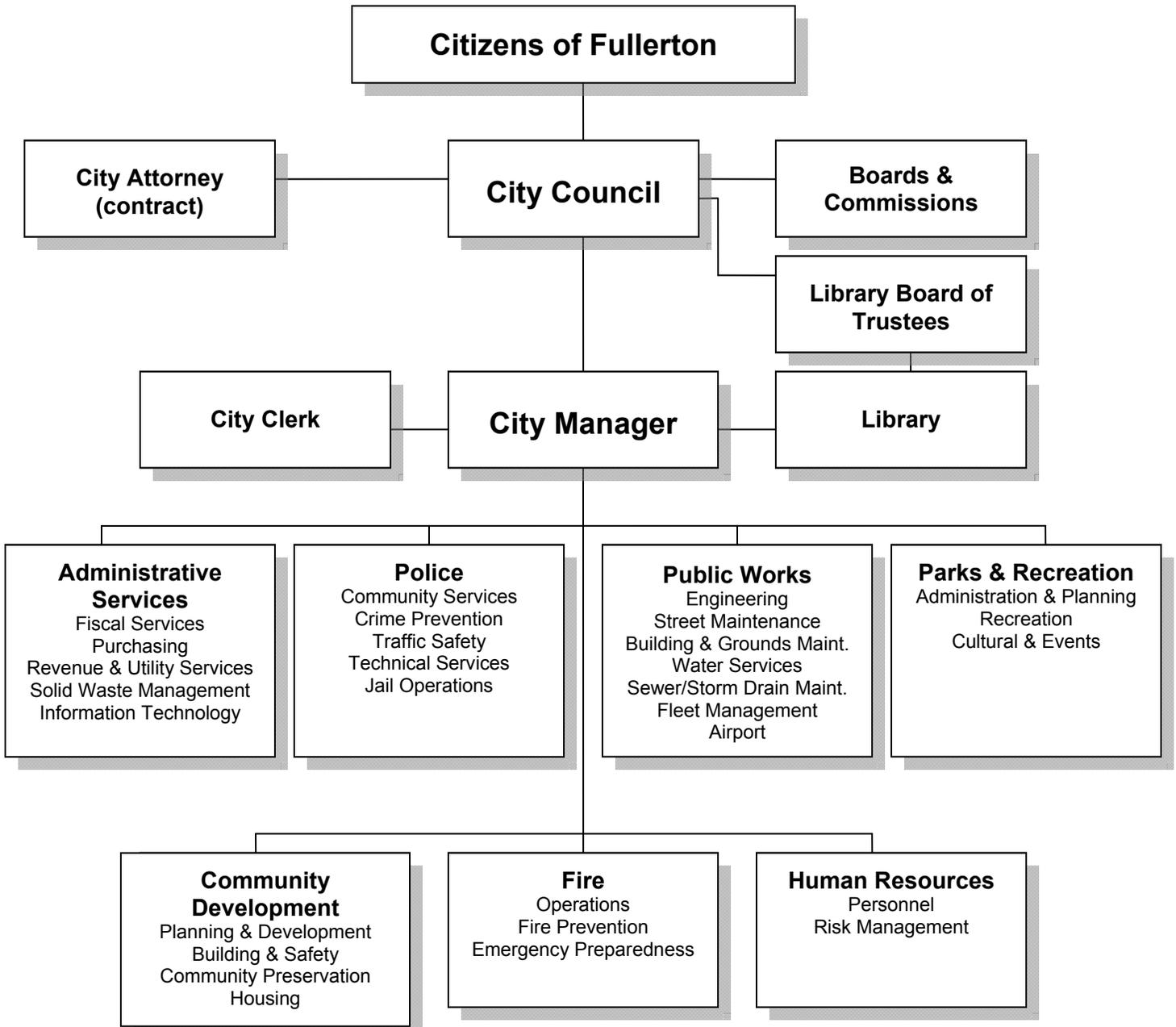
## ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the Administrative Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Respectfully submitted,

  
\_\_\_\_\_  
Joe Felz  
City Manager

  
\_\_\_\_\_  
Julia James  
Director of Administrative Services



## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fullerton, California, as of June 30, 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information for the General Fund, Grant Administration Fund, and Housing Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.



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

**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.

*Lance, Soll & Lughard, LLP*

Brea, California  
December 9, 2014

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## CITY OF FULLERTON Management's Discussion and Analysis

The City of Fullerton offers readers of its financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. The City encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal which can be found on page i of this report.

### Financial Highlights

- The City's net position totaled \$476.2 million at June 30, 2014, representing an increase of \$21.0 million over the previous fiscal year due to other accrued revenue related to the State College and Raymond Avenue grade separation projects. Of the total net position, \$386.5 million is invested in capital assets (net of related debt), while \$31.2 million is restricted for specific governmental operations and \$58.5 million is unrestricted.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39.2 million, a decrease of \$15.2 million in comparison with the prior year. This is due to the delay in receiving grant reimbursements for expenditures related to the State College and the Raymond Avenue grade separation capital projects as reflected in the total Accrued Revenue in the Capital Projects Fund. The General Fund reflected an unassigned fund balance of \$7.9 million and a committed fund balance of \$7.7 million for a combined total of \$15.6 million, representing no change over the previous fiscal year.
- Long-term debt increased by \$10.6 million in fiscal year 2013-14 with the issuance of Judgment Obligation Bonds, Water Revenue Bonds and Capital Leases for equipment purchases.
- Capital assets increased by \$8.9 million due to construction in progress for the State College and Raymond Avenue grade separation projects.

### Overview of the Financial Statements

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

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

**Government-wide financial statements.** The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements include the City, Fullerton Public Financing Authority, Housing Authority, Parking Authority, Northwest Airport Area Corporation and Fullerton Library Building Authority. The last three entities were inactive during the reporting year. Although these entities are legally separate, they function for all practical purposes as part of the City and, therefore, have been included as blended component units as an integral part of the primary government.

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water utility, the airport operation and sewer enterprise, all of which are considered to be major funds of the City. Individual fund data for the other enterprise funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fullerton, assets exceeded liabilities by \$476.2 million at the close of the most recent fiscal year, an increase of \$21.0 million over the previous year.

#### Net Position

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$140,804	\$110,703	\$34,337	\$30,271	\$175,141	\$140,974
Capital assets	311,238	304,361	92,861	90,824	404,099	395,185
Total assets	452,042	415,064	127,198	121,095	579,240	536,159
Long-term liabilities	56,034	44,201	13,321	14,536	69,355	58,737
Other liabilities	25,415	14,523	8,430	7,709	33,845	22,232
Total liabilities	81,449	58,724	21,751	22,245	103,200	80,969
Net position:						
Net investment in capital assets	306,424	302,377	80,109	77,139	386,533	379,516
Restricted	30,585	31,113	556	885	31,141	31,998
Unrestricted	33,585	22,850	24,948	20,826	58,532	43,676
Total net position	\$370,594	\$356,340	\$105,613	\$98,850	\$476,206	\$455,190

The increase in current assets is due to the amount of Other Accrued Revenue in the Capital Projects Fund reflecting grant reimbursements owed the City for the State College and Raymond Avenue grade separation projects. Funded primarily by Federal, State and local grants for a combined total of \$131 million, these projects will provide grade separations at railroad crossings on two major thoroughfares to relieve traffic congestion.

## Changes in Net Position

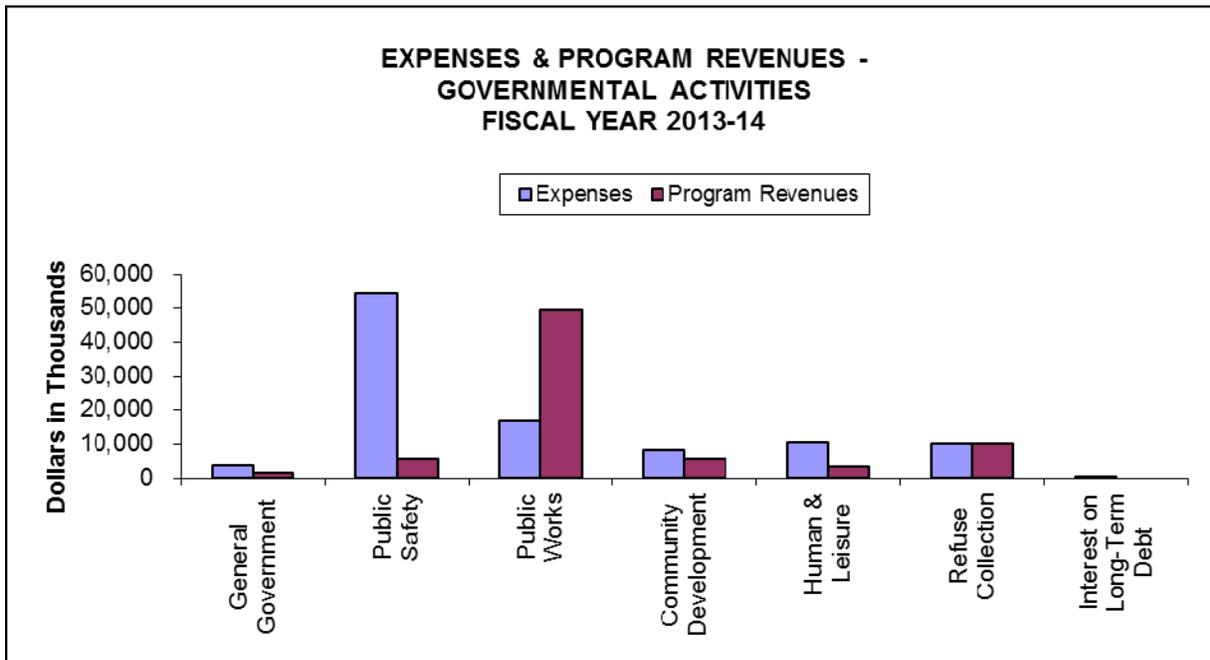
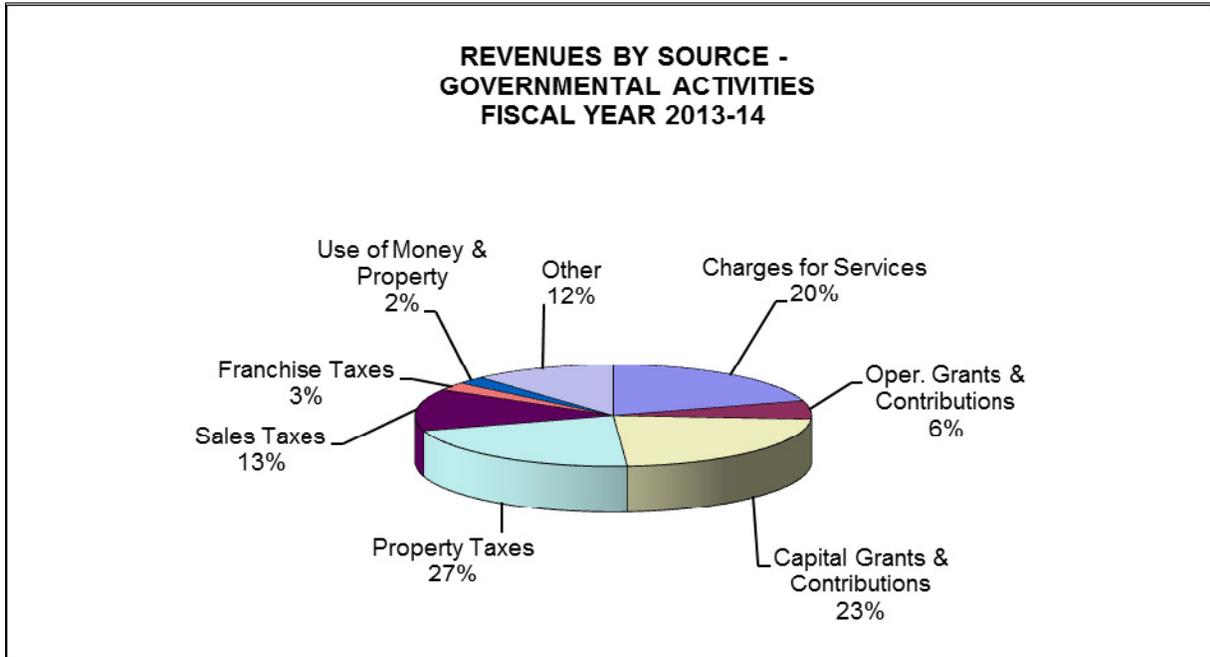
(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$31,482	\$27,830	\$41,423	\$37,070	\$72,905	\$64,900
Operating grants and contributions	8,990	8,033			8,990	8,033
Capital grants and contributions	35,283	16,206	79	520	35,362	16,726
General revenues:						
Property taxes	32,950	37,226	93	63	33,043	37,289
Sales taxes	20,582	19,704			20,582	19,704
Franchise taxes	3,971	3,929			3,971	3,929
Use of Money & Property	3,635	1,676	80	43	3,715	1,719
Extraordinary gain/(loss)	-22,359				-22,359	
Other	4,284	3,339	244	214	4,528	3,553
Total revenues	118,818	117,943	41,919	37,910	160,737	155,853
Expenses:						
General government	3,607	11,135			3,607	11,135
Public safety	54,469	52,627			54,469	52,627
Public works	17,039	20,571			17,039	20,571
Community development	8,074	7,975			8,074	7,975
Human and leisure	10,661	9,729			10,661	9,729
Refuse collection	10,011	9,964			10,011	9,964
Interest on long-term debt	533	259			533	259
Water utility			27,929	24,892	27,929	24,892
Airport			1,517	1,396	1,517	1,396
Parking facilities			51	25	51	25
Brea Dam recreational facilities			2,899	2,983	2,899	2,983
Sewer enterprises			2,384	3,886	2,384	3,886
CNG			412	65	412	65
Total expenses	104,394	112,260	35,192	33,247	139,586	145,507
Change in net position before transfers	14,424	5,682	6,727	4,663	21,151	10,345
Transfers	-36	-34	36	34		
Change in net position	14,388	5,648	6,763	4,697	21,151	10,345
Net position - beginning	356,340	350,692	98,850	94,339	455,190	445,031
Restatement of net position	-134			-185	-134	-185
Net position - ending	\$370,594	\$356,340	\$105,613	\$98,850	\$476,207	\$455,190

**Governmental activities.** The net position for governmental activities increased by \$14.3 million over the prior year.

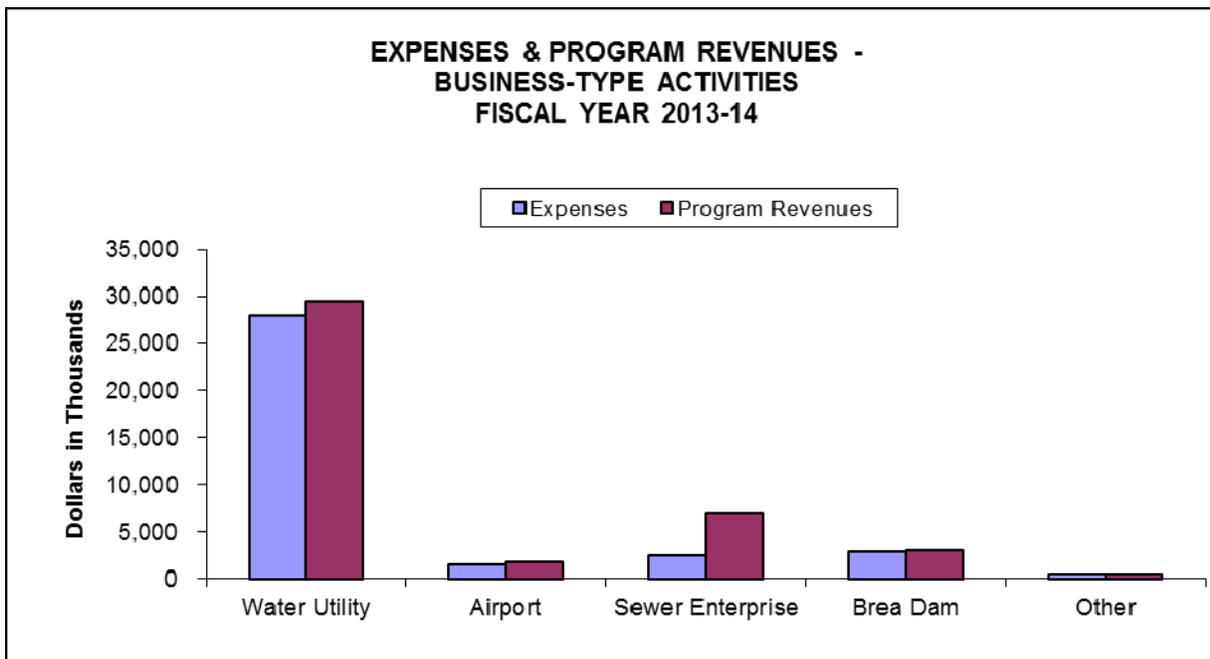
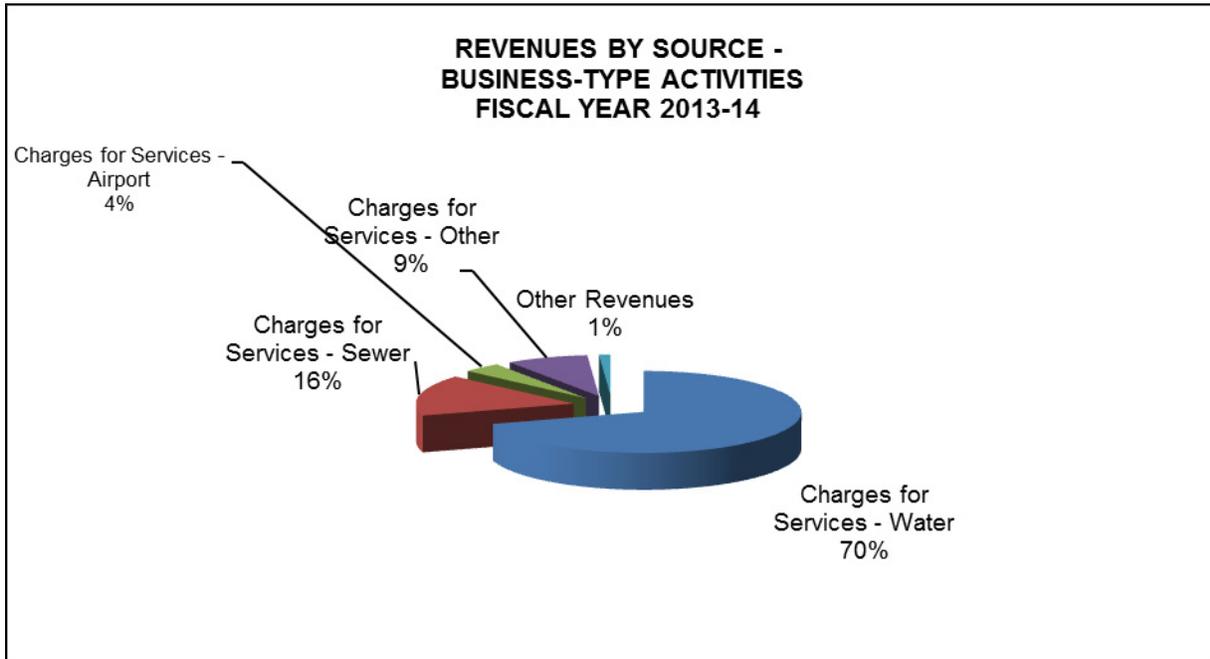
Total revenues increased by a net \$875,000 between 2013 and 2014. While revenue increased in nearly every category, the gain was nearly completely offset by an extraordinary loss of \$22.4 million due to the City's transfer of unallowable assets back to the Successor Agency (see Note 17). Charges for Service increased by \$3.7 million, with \$3 million of the gain attributable to new housing development projects and the remainder resulting from fee increases approved this fiscal year. Capital grants and contributions increased by \$19.1 million from the receipt of grant funds related to the grade separation projects discussed earlier in this report. Property taxes decreased by \$4.3 million as the previous year included one-time revenue resulting from the dissolution of the Redevelopment Agency. Use of Money and Property

increased by nearly \$2 million due to the gain on investments and the total \$1.5 million property lease and right-of-way use payments from the water utility to the General Fund.

Total expenses decreased by nearly \$7.5 million from the prior year in the General Government category. The reduction is attributable to higher expenses in Fiscal Year 2012-13 due primarily to nearly \$3 million in liability claims expenses and a one-time rebate of \$3 million in water rates to customers.



**Business-type activities.** The Business-type activities reported an increase in net position of \$6.8 million for 2014. The \$4 million increase in revenue is due to an increase in the water utility charge, combined with an increase in consumption this fiscal year. The \$3 million increase in water utility expenses reflects a \$1.5 million payment to the General Fund for property lease and right-of-way use and also reflects an increase in the rates charged to the City for purchase of water from the water districts. The \$1.5 million decrease in the sewer activity is a result of the completion of sewer reconstruction projects.



## Financial Analysis of the City's Funds

As noted earlier, the City of Fullerton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As mentioned previously in this discussion, the City's governmental funds reported combined ending fund balances of \$39.2 million, a decrease of \$15.2 million in comparison with the prior year. Of that total, \$17.8 million is nonspendable because it represents inventory, prepaid costs or long-term amounts; \$10.5 million represents monies legally restricted by external agencies for debt service or specific programs or projects and \$21.5 million represents funds committed by the City Council for specific programs or projects. The total unassigned fund balance of -\$10.6 million constitutes unreserved fund balance, which is available for spending at the City's discretion but within legal requirements.

The City reports four major governmental funds:

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund remained at \$15.6 million. Of that amount, \$7.7 million was committed to a contingency reserve as required by the City Council's policy to maintain a reserve equal to 10% of total General Fund expenditures each year. Another \$7.9 million is unassigned. Revenues totaled \$76.5 million, while expenditures totaled \$76.8 million, resulting in a deficiency of revenues over expenditures of \$256,115. A total of \$228,723 in other financing sources represented transfers in from other funds.

The Grants Administration Fund reflected a deficit fund balance of -\$234,881 due to unbilled receivables as of June 30, 2014.

The Housing Fund was created in 2012 to account for the activities of the City's Housing Authority, formed upon the dissolution of the Redevelopment Agency (Agency). The fund balance of \$18.0 million reflects the extraordinary gain of assets from the dissolution of the Agency.

The City Capital Projects fund balance reported a deficit balance of -\$18.3 million, an increase of \$17.0 million from the prior year. The purpose of the fund is for the construction, acquisition, and/or improvements of the City's capital assets. Funding for many of the projects comes from grants that operate on a reimbursement basis that may take longer than the current fiscal year to receive.

Another ten non-major governmental funds are combined for reporting purposes in the government-wide statements and include the Gas Tax; Sewer & Drainage; Traffic Safety; Park Dwelling; Asset Seizure; Refuse Collection; Air Quality Improvement; Sanitation; Measure M and Debt Service Reserve Funds.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City's proprietary funds contain six enterprise funds: water utility, airport, sewer, parking facilities, CNG station and Brea Dam recreational facilities.

Unrestricted net position of the enterprise funds totaled \$24.9 million at the end of the year: \$14.0 million for the Water Utility Fund, \$924,534 for the Airport Fund, \$10.1 million for the Sewer Fund, -\$285,212 for the Brea Dam Fund, and a combined \$194,193 for the parking facilities and CNG funds. The total growth in net position for these funds was \$6.8 million.

**Fiduciary funds.** The City reports four fiduciary funds consisting of three agency funds and one trust fund. The agency funds include the Deposits Fund, which accounts for deposits and other funds held in trust by the City and the Community Facilities District and the Assessment District Funds which account for transactions associated with those Districts. These agency funds have a total of \$2.4 million in assets and

liabilities. The Successor Agency Trust Fund accounts for all transactions associated with the Successor Agency to the Redevelopment Agency. The total net position at June 30, 2014 was -\$20.0 million.

### General Fund Budgetary Highlights

The General Fund ended the fiscal year with a fund balance of \$15.6 million, reflecting no change from the prior year. Total revenues decreased slightly due to the receipt of one-time payments in the previous year, but still reflected gains in most major revenue categories. Expenditures increased \$2.6 million over the prior year due to increases in employee benefits and normal operating costs.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2014 totaled \$404.1 million (net of accumulated depreciation), an increase of \$8.9 million due to the addition of the completed Community Center and Transportation Center parking structure.

#### Capital Assets (net of depreciation)

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$40,870	\$53,494	\$9,128	\$9,128	\$49,998	\$62,622
Buildings	78,044	34,060	6,316	6,506	84,360	40,566
Improvements other than buildings	32,357	35,497	44,433	45,812	76,790	81,309
Machinery and equipment	11,795	12,976	2,235	2,911	14,030	15,887
Leasehold improvements	0	355	57	68	57	423
Infrastructure	97,776	97,033	27,712	23,689	125,488	120,722
Construction in progress	50,397	70,946	2,979	2,710	53,376	73,656
Total	\$311,239	\$304,361	\$92,860	\$90,824	\$404,099	\$395,185

**Long-term debt.** At the end of the current fiscal year, the City has total long-term debt outstanding of \$69.4 million, an increase of \$13.8 million due to the addition of \$7 million in Judgment Obligation Bonds and \$6.8 million in Water Revenue Refunding bonds during the fiscal year.

#### Long-term Debt

(\$ in thousands)	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds			\$9,230	\$2,520	\$9,230	\$2,520
Judgment obligation bonds	6,990				6,990	
Certificates of participation				7,300		7,300
Capital leases	4,815	1,477	2,969	3,421	7,784	4,898
Loans	3,000	3,500		828	3,000	4,328
Compensated absences	3,489	3,822	404	468	3,893	4,290
Claims and judgments	23,907	24,029			23,907	24,029
Net OPEB obligation	13,887	11,373			13,887	11,373
Other	-54		718	-1	664	-1
Total	\$56,034	\$44,201	\$13,321	\$14,536	\$69,355	\$58,737

## **Economic Factors and Next Year's Budget**

The City of Fullerton is showing signs of economic growth with increases in development and tax revenue. Property tax is reflecting annual growth of 2% to 3% and sales tax is increasing an average of 4% annually. We will continue to focus on opportunities for economic development and regionalized services for budget stabilization in future years.

The FY 2014-15 budget will be the second year of a two-year budget. The City has maintained a very conservative approach given the financial difficulties experienced in recent years due to the recession and the dissolution of the Redevelopment Agency. Revenues were budgeted with modest increases while expenditures remained flat, with the exception of employee benefit costs. As we look forward to the next two-year budget cycle for fiscal years 2015-2017, we will direct our focus to funding a portion of our unfunded liabilities, identifying funding sources for infrastructure improvements and renegotiating employee contracts.

## **Requests for Information**

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

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CITY OF FULLERTON

STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 64,524,005	\$ 26,161,223	\$ 90,685,228
Receivables:			
Accounts	11,374,875	3,375,456	14,750,331
Taxes	275,235	-	275,235
Notes and loans	18,946,749	-	18,946,749
Other accrued revenue	29,429,044	4,327,583	33,756,627
Internal balances	224,342	(224,342)	-
Prepaid costs	76,636	111,702	188,338
Deposits	949,810	-	949,810
Inventories	214,615	30,002	244,617
Land held for resale	11,651,456	-	11,651,456
Restricted assets:			
Cash with fiscal agent	3,137,060	555,960	3,693,020
Capital assets not being depreciated	91,266,437	12,107,365	103,373,802
Capital assets, net of depreciation	219,972,110	80,753,318	300,725,428
<b>Total Assets</b>	<b>452,042,374</b>	<b>127,198,267</b>	<b>579,240,641</b>
<b>Deferred Outflow of Resources:</b>			
Deferred charge on refunding	-	165,723	165,723
<b>Total Deferred Outflow of Resources</b>	<b>-</b>	<b>165,723</b>	<b>165,723</b>
<b>Liabilities:</b>			
Accounts payable	9,848,895	6,211,562	16,060,457
Accrued liabilities	1,852,772	131,098	1,983,870
Accrued interest	178,805	156,687	335,492
Unearned revenue	9,540,059	-	9,540,059
Deposits payable	3,535,835	1,930,817	5,466,652
Due to other governments	457,843	-	457,843
Noncurrent liabilities:			
Due within one year	6,638,382	1,058,973	7,697,355
Due in more than one year	49,396,103	12,262,262	61,658,365
<b>Total Liabilities</b>	<b>81,448,694</b>	<b>21,751,399</b>	<b>103,200,093</b>
<b>Net Position:</b>			
Net investment in capital assets	306,423,738	80,108,985	386,532,723
Restricted for:			
Community development projects	18,352,643	-	18,352,643
Public safety	587,649	-	587,649
Public works	11,355,465	-	11,355,465
Debt service	289,419	555,960	845,379
Unrestricted	33,584,766	24,947,646	58,532,412
<b>Total Net Position</b>	<b>\$ 370,593,680</b>	<b>\$ 105,612,591</b>	<b>\$ 476,206,271</b>

CITY OF FULLERTON

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 3,606,947	\$ 547,653	\$ 925,604	\$ -
Public safety	54,468,533	5,139,894	348,230	-
Community development	8,073,680	4,529,614	1,173,332	10,000
Human and leisure	10,661,449	3,287,758	171,682	-
Public works	17,038,622	7,722,670	6,371,134	35,272,971
Refuse collection	10,010,887	10,254,865	-	-
Interest on long-term debt	533,487	-	-	-
<b>Total Governmental Activities</b>	<b>104,393,605</b>	<b>31,482,454</b>	<b>8,989,982</b>	<b>35,282,971</b>
Business-Type Activities:				
Airport	1,517,079	1,643,055	-	79,311
Brea Dam Facilities Recreational	2,899,305	3,016,640	-	-
Water Utility	27,928,938	29,454,476	-	-
Parking Facilities	51,019	-	-	-
Sewer Enterprise	2,384,400	6,798,758	-	-
Compressed Natural Gas Facility Fund	411,940	509,560	-	-
<b>Total Business-Type Activities</b>	<b>35,192,681</b>	<b>41,422,489</b>	<b>-</b>	<b>79,311</b>
<b>Total Primary Government</b>	<b>\$ 139,586,286</b>	<b>\$ 72,904,943</b>	<b>\$ 8,989,982</b>	<b>\$ 35,362,282</b>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Use of money and property

Other

Gain on sale of capital asset

**Extraordinary gain/(loss) - (Note 17)**

**Transfers**

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

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (2,133,690)	\$ -	\$ (2,133,690)
(48,980,409)	-	(48,980,409)
(2,360,734)	-	(2,360,734)
(7,202,009)	-	(7,202,009)
32,328,153	-	32,328,153
243,978	-	243,978
(533,487)	-	(533,487)
<b>(28,638,198)</b>	<b>-</b>	<b>(28,638,198)</b>
-	205,287	205,287
-	117,335	117,335
-	1,525,538	1,525,538
-	(51,019)	(51,019)
-	4,414,358	4,414,358
-	97,620	97,620
<b>-</b>	<b>6,309,119</b>	<b>6,309,119</b>
<b>(28,638,198)</b>	<b>6,309,119</b>	<b>(22,329,079)</b>
32,949,697	93,239	33,042,936
20,581,708	-	20,581,708
3,971,030	-	3,971,030
3,863,116	-	3,863,116
3,635,882	80,259	3,716,141
420,566	193,874	614,440
-	49,608	49,608
(22,359,135)	-	(22,359,135)
(36,460)	36,460	-
<b>43,026,404</b>	<b>453,440</b>	<b>43,479,844</b>
14,388,206	6,762,559	21,150,765
356,340,324	98,850,032	455,190,356
(134,850)	-	(134,850)
<b>\$ 370,593,680</b>	<b>\$ 105,612,591</b>	<b>\$ 476,206,271</b>

CITY OF FULLERTON

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>
	<u>General</u>	<u>Grants</u>		<u>City Capital Projects</u>
		<u>Administration Fund</u>	<u>Housing</u>	
<b>Assets:</b>				
Pooled cash and investments	\$ 8,981,044	\$ 160,134	\$ 144,353	\$ -
Receivables:				
Accounts	1,306,972	351,265	7,376	8,145,766
Taxes	275,235	-	-	-
Notes and loans	-	12,779,184	6,167,565	-
Other accrued revenue	4,474,723	275,966	-	21,891,291
Prepaid costs	4,980	1,823	-	-
Due from other funds	7,298,329	-	-	-
Inventories	5,962	-	-	-
Land held for resale	-	-	11,651,456	-
Restricted assets:				
Cash and investments with fiscal agents	-	135,841	-	-
<b>Total Assets</b>	<b>\$ 22,347,245</b>	<b>\$ 13,704,213</b>	<b>\$ 17,970,750</b>	<b>\$ 30,037,057</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,451,868	\$ 83,654	\$ 2,804	\$ 5,777,869
Accrued liabilities	1,719,404	10,077	207	17,166
Unearned revenues	84,152	498	-	9,389,908
Deposits payable	3,513,229	-	2,100	18,040
Due to other governments	-	457,843	-	-
Due to other funds	-	-	-	7,036,031
<b>Total Liabilities</b>	<b>6,768,653</b>	<b>552,072</b>	<b>5,111</b>	<b>22,239,014</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	13,387,022	-	26,079,251
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>13,387,022</b>	<b>-</b>	<b>26,079,251</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	5,941	-	-	-
Prepaid costs	4,980	1,823	-	-
Land held for resale	-	-	11,651,456	-
Notes and loans	-	-	6,167,565	-
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Housing	-	-	146,618	-
<b>Committed to:</b>				
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Refuse collection	-	-	-	-
Contingency reserve	7,679,283	-	-	-
<b>Unassigned</b>	<b>7,888,388</b>	<b>(236,704)</b>	<b>-</b>	<b>(18,281,208)</b>
<b>Total Fund Balances</b>	<b>15,578,592</b>	<b>(234,881)</b>	<b>17,965,639</b>	<b>(18,281,208)</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 22,347,245</b>	<b>\$ 13,704,213</b>	<b>\$ 17,970,750</b>	<b>\$ 30,037,057</b>

CITY OF FULLERTON

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Pooled cash and investments	\$ 21,891,636	\$ 31,177,167
Receivables:		
Accounts	1,521,622	11,333,001
Taxes	-	275,235
Notes and loans	-	18,946,749
Other accrued revenue	2,769,295	29,411,275
Prepaid costs	-	6,803
Due from other funds	-	7,298,329
Inventories	-	5,962
Land held for resale	-	11,651,456
Restricted assets:		
Cash and investments with fiscal agents	-	135,841
<b>Total Assets</b>	<b>\$ 26,182,553</b>	<b>\$ 110,241,818</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,804,338	\$ 9,120,533
Accrued liabilities	57,729	1,804,583
Unearned revenues	65,501	9,540,059
Deposits payable	2,466	3,535,835
Due to other governments	-	457,843
Due to other funds	-	7,036,031
<b>Total Liabilities</b>	<b>1,930,034</b>	<b>31,494,884</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenues	42,832	39,509,105
<b>Total Deferred Inflows of Resources</b>	<b>42,832</b>	<b>39,509,105</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventory	-	5,941
Prepaid costs	-	6,803
Land held for resale	-	11,651,456
Notes and loans	-	6,167,565
<b>Restricted for:</b>		
Community development projects	387,004	387,004
Public safety	587,649	587,649
Public works	9,096,492	9,096,492
Debt service	289,419	289,419
Housing	-	146,618
<b>Committed to:</b>		
Parks and recreation	5,929,854	5,929,854
Public works	7,221,036	7,221,036
Refuse collection	698,233	698,233
Contingency reserve	-	7,679,283
<b>Unassigned</b>	-	(10,629,524)
<b>Total Fund Balances</b>	<b>24,209,687</b>	<b>39,237,829</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 26,182,553</b>	<b>\$ 110,241,818</b>

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CITY OF FULLERTON

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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Fund balances of governmental funds		\$ 39,237,829
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		305,220,804
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Long-Term Liabilities:		
Capital leases	\$ (717,229)	
HUD Section 108 loans	(3,000,000)	
Compensated Absences	(3,488,780)	
Claims payable	(309,943)	
Total Long-Term Liabilities	<u>(7,515,952)</u>	(7,515,952)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability.		(13,887,776)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.		(79,926)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		39,509,105
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>8,109,596</u>
<b>Net position of governmental activities</b>		<b><u>\$ 370,593,680</u></b>

CITY OF FULLERTON

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Special Revenue Funds</b>			<b>Capital</b>
	<b>General</b>	<b>Grants</b>		<b>Projects Funds</b>
		<b>Administration Fund</b>	<b>Housing</b>	<b>City Capital Projects</b>
<b>Revenues:</b>				
Taxes	\$ 57,394,521	\$ -	\$ -	\$ -
Franchise taxes	3,971,030	-	-	-
Licenses and permits	1,765,906	-	-	-
Intergovernmental	271,243	2,517,697	-	15,415,577
Charges for services	7,811,717	-	-	90,461
Investment income	3,239,032	6,255	95,026	-
Fines and forfeitures	1,178,845	-	-	-
Miscellaneous	904,395	83,399	-	460,551
<b>Total Revenues</b>	<b>76,536,689</b>	<b>2,607,351</b>	<b>95,026</b>	<b>15,966,589</b>
<b>Expenditures:</b>				
Current:				
General government	4,544,465	32,334	-	-
Public safety	52,939,057	669,649	-	-
Community development	3,780,629	644,882	120,180	-
Human and leisure	8,464,718	613,535	-	-
Public works	6,853,934	-	-	-
Refuse collection	-	-	-	-
Capital outlay	210,001	7,031	-	38,970,412
Debt service:				
Principal retirement	-	500,000	-	-
Interest and fiscal charges	-	178,000	-	-
<b>Total Expenditures</b>	<b>76,792,804</b>	<b>2,645,431</b>	<b>120,180</b>	<b>38,970,412</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(256,115)	(38,080)	(25,154)	(23,003,823)
<b>Other Financing Sources (Uses):</b>				
Transfers in	403,773	-	27,984	6,076,299
Transfers out	(181,694)	-	(2,830)	(3,270)
Proceeds from sale of capital asset	6,644	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>228,723</b>	<b>-</b>	<b>25,154</b>	<b>6,073,029</b>
Net Change in Fund Balances	(27,392)	(38,080)	-	(16,930,794)
Fund Balances, Beginning of Year, as previously reported	15,605,984	(196,801)	18,100,489	(1,350,414)
Restatements	-	-	(134,850)	-
Fund Balances, Beginning of Year, as restated	15,605,984	(196,801)	17,965,639	(1,350,414)
<b>Fund Balances, End of Year</b>	<b>\$ 15,578,592</b>	<b>\$ (234,881)</b>	<b>\$ 17,965,639</b>	<b>\$ (18,281,208)</b>

CITY OF FULLERTON

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ -	\$ 57,394,521
Franchise taxes	-	3,971,030
Licenses and permits	-	1,765,906
Intergovernmental	6,743,035	24,947,552
Charges for services	19,334,894	27,237,072
Investment income	89,952	3,430,265
Fines and forfeitures	406,939	1,585,784
Miscellaneous	-	1,448,345
<b>Total Revenues</b>	<b>26,574,820</b>	<b>121,780,475</b>
<b>Expenditures:</b>		
Current:		
General government	-	4,576,799
Public safety	300,813	53,909,519
Community development	114,971	4,660,662
Human and leisure	126,736	9,204,989
Public works	6,080,627	12,934,561
Refuse collection	10,010,887	10,010,887
Capital outlay	88,521	39,275,965
Debt service:		
Principal retirement	253,245	753,245
Interest and fiscal charges	39,399	217,399
<b>Total Expenditures</b>	<b>17,015,199</b>	<b>135,544,026</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,559,621	(13,763,551)
<b>Other Financing Sources (Uses):</b>		
Transfers in	337,240	6,845,296
Transfers out	(7,967,757)	(8,155,551)
Proceeds from sale of capital asset	-	6,644
<b>Total Other Financing Sources (Uses)</b>	<b>(7,630,517)</b>	<b>(1,303,611)</b>
Net Change in Fund Balances	1,929,104	(15,067,162)
Fund Balances, Beginning of Year, as previously reported	22,280,583	54,439,841
Restatements	-	(134,850)
Fund Balances, Beginning of Year, as restated	22,280,583	54,304,991
<b>Fund Balances, End of Year</b>	<b>\$ 24,209,687</b>	<b>\$ 39,237,829</b>

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**CITY OF FULLERTON**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

---

Net change in fund balances - total governmental funds \$ (15,067,162)

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

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

Capital outlay	\$ 38,591,162	
Disposal	(46,232)	
Depreciation	<u>(9,276,457)</u>	29,268,473

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

Principal payments	753,245	
Claims expense	<u>22,660</u>	775,905

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

330

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

333,448

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

(2,514,842)

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

19,184,670

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

4,766,519

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

(22,359,135)

**Change in net position of governmental activities**

**\$ 14,388,206**

CITY OF FULLERTON

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Airport</b>	<b>Water Utility</b>	<b>Sewer Enterprise</b>	<b>Other Enterprise Funds</b>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 843,339	\$ 15,467,219	\$ 9,613,663	\$ 237,002
Accounts receivable	131,276	2,426,750	793,001	24,429
Prepaid items	-	54,177	-	57,525
Deposits	-	-	-	-
Inventory	-	-	-	30,002
Other accrued revenue receivable	93,282	3,433,769	797,284	3,248
Restricted:				
Cash with fiscal agent	-	21,692	-	534,268
<b>Total Current Assets</b>	<b>1,067,897</b>	<b>21,403,607</b>	<b>11,203,948</b>	<b>886,474</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	15,724,692	43,924,780	29,812,801	3,398,410
<b>Total Noncurrent Assets</b>	<b>15,724,692</b>	<b>43,924,780</b>	<b>29,812,801</b>	<b>3,398,410</b>
<b>Total Assets</b>	<b>16,792,589</b>	<b>65,328,387</b>	<b>41,016,749</b>	<b>4,284,884</b>
<b>Deferred Outflows of Resources:</b>				
Deferred charge on refunding	-	165,723	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>165,723</b>	<b>-</b>	<b>-</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 16,792,589</b>	<b>\$ 65,494,110</b>	<b>\$ 41,016,749</b>	<b>\$ 4,284,884</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 8,573	\$ 5,020,739	\$ 1,008,436	\$ 173,814
Accrued liabilities	9,582	83,432	32,617	5,467
Accrued interest	39,158	88,336	-	29,193
Deposits payable	40,604	1,890,213	-	-
Due to other funds	-	-	-	224,342
Accrued compensated absences	36,357	227,044	51,323	8,327
Claims payable	-	-	-	-
Bonds, notes, and capital leases	445,922	185,000	-	105,000
<b>Total Current Liabilities</b>	<b>580,196</b>	<b>7,494,764</b>	<b>1,092,376</b>	<b>546,143</b>
Noncurrent:				
Accrued compensated absences	9,089	56,761	12,831	2,082
Claims payable	-	-	-	-
Bonds, notes, and capital leases	2,523,044	7,384,425	-	2,274,030
<b>Total Noncurrent Liabilities</b>	<b>2,532,133</b>	<b>7,441,186</b>	<b>12,831</b>	<b>2,276,112</b>
<b>Total Liabilities</b>	<b>3,112,329</b>	<b>14,935,950</b>	<b>1,105,207</b>	<b>2,822,255</b>
<b>Net Position:</b>				
Net investment in capital assets	12,755,726	36,521,078	29,812,801	1,019,380
Restricted for debt service	-	21,692	-	534,268
Unrestricted	924,534	14,015,390	10,098,741	(91,019)
<b>Total Net Position</b>	<b>13,680,260</b>	<b>50,558,160</b>	<b>39,911,542</b>	<b>1,462,629</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 16,792,589</b>	<b>\$ 65,494,110</b>	<b>\$ 41,016,749</b>	<b>\$ 4,284,884</b>

CITY OF FULLERTON

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Totals</b>	
<b>Assets:</b>		
Current:		
Cash and investments	\$ 26,161,223	\$ 33,346,838
Accounts receivable	3,375,456	41,874
Prepaid items	111,702	69,833
Deposits	-	949,810
Inventory	30,002	208,653
Other accrued revenue receivable	4,327,583	17,769
Restricted:		
Cash with fiscal agent	555,960	3,001,219
<b>Total Current Assets</b>	<b>34,561,926</b>	<b>37,635,996</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	92,860,683	6,017,743
<b>Total Noncurrent Assets</b>	<b>92,860,683</b>	<b>6,017,743</b>
<b>Total Assets</b>	<b>127,422,609</b>	<b>43,653,739</b>
<b>Deferred Outflows of Resources:</b>		
Deferred charge on refunding	165,723	-
<b>Total Deferred Outflows of Resources</b>	<b>165,723</b>	<b>-</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 127,588,332</b>	<b>\$ 43,653,739</b>
<b>Liabilities and Net Position:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 6,211,562	\$ 728,362
Accrued liabilities	131,098	48,189
Accrued interest	156,687	98,879
Deposits payable	1,930,817	-
Due to other funds	224,342	37,956
Accrued compensated absences	323,051	-
Claims payable	-	1,948,816
Bonds, notes, and capital leases	735,922	1,112,844
<b>Total Current Liabilities</b>	<b>9,713,479</b>	<b>3,975,046</b>
Noncurrent:		
Accrued compensated absences	80,763	-
Claims payable	-	21,648,184
Bonds, notes, and capital leases	12,181,499	9,920,913
<b>Total Noncurrent Liabilities</b>	<b>12,262,262</b>	<b>31,569,097</b>
<b>Total Liabilities</b>	<b>21,975,741</b>	<b>35,544,143</b>
<b>Net Position:</b>		
Net investment in capital assets	80,108,985	4,723,512
Restricted for debt service	555,960	-
Unrestricted	24,947,646	3,386,084
<b>Total Net Position</b>	<b>105,612,591</b>	<b>8,109,596</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 127,588,332</b>	<b>\$ 43,653,739</b>

CITY OF FULLERTON

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Airport</b>	<b>Water Utility</b>	<b>Sewer Enterprise</b>	<b>Other Enterprise Funds</b>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 1,643,055	\$ 29,454,476	\$ 6,798,758	\$ 3,526,200
Internal service fund charges	-	-	-	-
Miscellaneous	3,450	116,582	-	-
<b>Total Operating Revenues</b>	<b>1,646,505</b>	<b>29,571,058</b>	<b>6,798,758</b>	<b>3,526,200</b>
<b>Operating Expenses:</b>				
Maintenance, operations, and administration	993,370	9,173,846	1,971,398	3,196,299
Cost of water	-	16,507,603	-	-
Depreciation expense	388,375	1,909,590	413,002	56,477
<b>Total Operating Expenses</b>	<b>1,381,745</b>	<b>27,591,039</b>	<b>2,384,400</b>	<b>3,252,776</b>
Operating Income (Loss)	264,760	1,980,019	4,414,358	273,424
<b>Nonoperating Revenues (Expenses):</b>				
Taxes	93,239	-	-	-
Intergovernmental	79,311	-	-	-
Interest revenue	-	80,026	-	233
Interest expense	(135,334)	(337,899)	-	(109,488)
Gain (loss) on disposal of capital assets	-	49,608	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>37,216</b>	<b>(208,265)</b>	<b>-</b>	<b>(109,255)</b>
Income (Loss) Before Transfers and Contributions	301,976	1,771,754	4,414,358	164,169
Capital contributions	-	73,842	-	-
Transfers in	-	190,000	-	-
Transfers out	(13,210)	(64,210)	(76,120)	-
Changes in Net Position	288,766	1,971,386	4,338,238	164,169
<b>Net Position:</b>				
Beginning of Year	13,391,494	48,586,774	35,573,304	1,298,460
<b>End of Fiscal Year</b>	<b>\$ 13,680,260</b>	<b>\$ 50,558,160</b>	<b>\$ 39,911,542</b>	<b>\$ 1,462,629</b>

CITY OF FULLERTON

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Totals</u>	
<b>Operating Revenues:</b>		
Sales and service charges	\$ 41,422,489	\$ -
Internal service fund charges	-	4,777,761
Miscellaneous	120,032	154,424
<b>Total Operating Revenues</b>	<b><u>41,542,521</u></b>	<b><u>4,932,185</u></b>
<b>Operating Expenses:</b>		
Maintenance, operations, and administration	15,334,913	254,596
Cost of water	16,507,603	-
Depreciation expense	2,767,444	1,074,064
<b>Total Operating Expenses</b>	<b><u>34,609,960</u></b>	<b><u>1,328,660</u></b>
Operating Income (Loss)	<u>6,932,561</u>	<u>3,603,525</u>
<b>Nonoperating Revenues (Expenses):</b>		
Taxes	93,239	-
Intergovernmental	79,311	-
Interest revenue	80,259	205,617
Interest expense	(582,721)	(316,418)
Gain (loss) on disposal of capital assets	49,608	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>(280,304)</u></b>	<b><u>(110,801)</u></b>
Income (Loss) Before Transfers and Contributions	6,652,257	3,492,724
Capital contributions	73,842	-
Transfers in	190,000	2,675,000
Transfers out	(153,540)	(1,401,205)
Changes in Net Position	6,762,559	4,766,519
<b>Net Position:</b>		
Beginning of Year	<u>98,850,032</u>	<u>3,343,077</u>
<b>End of Fiscal Year</b>	<b><u>\$ 105,612,591</u></b>	<b><u>\$ 8,109,596</u></b>

CITY OF FULLERTON

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Airport</b>	<b>Water Utility</b>	<b>Sewer Enterprise</b>	<b>Other Enterprise Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 1,547,446	\$ 30,136,522	\$ 6,586,356	\$ 3,546,095
Cash received from interfund services provided	-	-	-	-
Cash paid to suppliers	(566,138)	(16,259,120)	(630,404)	(50,228)
Cash paid to employees services	(430,646)	(9,221,767)	(1,444,886)	(3,101,722)
Cash (paid) recovered to insurance claims	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>550,662</b>	<b>4,655,635</b>	<b>4,511,066</b>	<b>394,145</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers in	-	190,000	-	-
Cash transfers out	(13,210)	(64,210)	(76,120)	-
Repayment made from other funds	-	-	-	(216,343)
Advance from other funds	-	-	-	-
Taxes received	93,239	-	-	-
Grants received from federal and state	79,311	-	-	-
Proceeds from non-capital related debt	-	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>159,340</b>	<b>125,790</b>	<b>(76,120)</b>	<b>(216,343)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital lease proceeds	-	-	-	-
Acquisition and construction of capital assets	(83,926)	(959,259)	(4,112,832)	(7,480)
Principal paid on capital debt	(428,154)	-	-	(121,661)
Interest paid on capital debt	(140,981)	(526,828)	-	(109,057)
Advance refunding of old debt	-	(600,232)	-	-
Capital lease down payment	-	-	-	-
Proceeds from sales of capital assets	-	49,608	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(653,061)</b>	<b>(2,036,711)</b>	<b>(4,112,832)</b>	<b>(238,198)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	-	80,026	-	(827)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>80,026</b>	<b>-</b>	<b>(827)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>56,941</b>	<b>2,824,740</b>	<b>322,114</b>	<b>(61,223)</b>
Cash and Cash Equivalents at Beginning of Year	786,398	12,664,171	9,291,549	832,493
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 843,339</b>	<b>\$ 15,488,911</b>	<b>\$ 9,613,663</b>	<b>\$ 771,270</b>

CITY OF FULLERTON

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Totals</b>	
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 41,816,419	\$ -
Cash received from interfund services provided	-	4,896,583
Cash paid to suppliers	(17,505,890)	(1,226,620)
Cash paid to employees services	(14,199,021)	-
Cash (paid) recovered to insurance claims	-	(98,059)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>10,111,508</b>	<b>3,571,904</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers in	190,000	2,675,000
Cash transfers out	(153,540)	(1,401,205)
Repayment made from other funds	(216,343)	(805,598)
Advance from other funds	-	37,956
Taxes received	93,239	-
Grants received from federal and state	79,311	-
Proceeds from non-capital related debt	-	7,193,344
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(7,333)</b>	<b>7,699,497</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital lease proceeds	-	3,000,000
Acquisition and construction of capital assets	(5,163,497)	(1,042,856)
Principal paid on capital debt	(549,815)	(619,297)
Interest paid on capital debt	(776,866)	(214,706)
Advance refunding of old debt	(600,232)	-
Capital lease down payment	-	949,810
Proceeds from sales of capital assets	49,608	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(7,040,802)</b>	<b>2,072,951</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	79,199	205,617
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>79,199</b>	<b>205,617</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,142,572</b>	<b>13,549,969</b>
Cash and Cash Equivalents at Beginning of Year	23,574,611	22,798,088
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 26,717,183</b>	<b>\$ 36,348,057</b>

CITY OF FULLERTON

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>			
	<u>Airport</u>	<u>Water Utility</u>	<u>Sewer Enterprise</u>	<u>Other Enterprise Funds</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 264,760	\$ 1,980,019	\$ 4,414,358	\$ 273,424
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	388,375	1,909,590	413,002	-
Taxes	-	-	-	56,477
(Increase) decrease in accounts receivable	(9,210)	45,498	(172,639)	20,298
(Increase) decrease in deposits receivable	-	-	-	-
(Increase) decrease in other accrued revenue receivable	(89,849)	-	(39,763)	(403)
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid expense	-	(54,177)	-	-
Increase (decrease) in accounts payable	(3,228)	302,660	(110,745)	44,509
Increase (decrease) in accrued liabilities	2,231	15,985	9,019	(604)
Increase (decrease) in deposits payable	(3,470)	519,966	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Increase (decrease) in compensated absences	1,053	(63,906)	(2,166)	444
<b>Total Adjustments</b>	<b>285,902</b>	<b>2,675,616</b>	<b>96,708</b>	<b>120,721</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 550,662</b>	<b>\$ 4,655,635</b>	<b>\$ 4,511,066</b>	<b>\$ 394,145</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Capital contributions	\$ -	\$ 73,842	\$ -	\$ -
Amortization of bond premiums/discounts	-	55,016	-	(2,483)
Gain/(Loss) on capital assets	-	49,608	-	-
Deferred charges	-	(27,603)	-	-
Capital Lease Asset	-	-	-	-

CITY OF FULLERTON

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities - Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
	<b>Totals</b>	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 6,932,561	\$ 3,603,525
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	2,710,967	1,074,064
Taxes	56,477	-
(Increase) decrease in accounts receivable	(116,053)	(33,567)
(Increase) decrease in deposits receivable	-	(949,810)
(Increase) decrease in other accrued revenue receivable	(130,015)	(2,296)
(Increase) decrease in inventory	-	(6,189)
(Increase) decrease in prepaid expense	(54,177)	(37,888)
Increase (decrease) in accounts payable	233,196	15,306
Increase (decrease) in accrued liabilities	26,631	7,759
Increase (decrease) in deposits payable	516,496	-
Increase (decrease) in claims and judgments	-	(99,000)
Increase (decrease) in compensated absences	(64,575)	-
<b>Total Adjustments</b>	<b>3,178,947</b>	<b>(31,621)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 10,111,508</b>	<b>\$ 3,571,904</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Capital contributions	\$ 73,842	\$ -
Amortization of bond premiums/discounts	52,533	2,833
Gain/(Loss) on capital assets	49,608	-
Deferred charges	(27,603)	-
Capital Lease Asset	-	295,061

CITY OF FULLERTON

STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	Agency Funds	Private- Purpose Trust Fund Successor Agency of the Former RDA
<b>Assets:</b>		
Pooled cash and investments	\$ 2,374,751	\$ 10,426,238
Receivables:		
Accounts	-	32,986
Notes and loans	-	11,061,256
Other accrued revenue	3	6,118
Land held for resale	-	2,900,768
Restricted assets:		
Cash and investments	-	4,125,000
Cash and investments with fiscal agents	-	37,276,526
Capital assets:		
Capital assets, not being depreciated	-	17,024,620
Capital assets, net of accumulated depreciation	-	4,889,490
<b>Total Assets</b>	<b>\$ 2,374,754</b>	<b>87,743,002</b>
<b>Deferred Outflows of Resources:</b>		
Deferred charge on refunding		447,568
<b>Total Deferred Outflows of Resources</b>		<b>447,568</b>
<b>Liabilities:</b>		
Accounts payable	\$ 153,865	54,070
Accrued liabilities	-	6,969
Accrued interest	-	1,767,975
Deposits payable	2,220,889	55,279
Long-term liabilities:		
Due in one year	-	4,947,167
Due in more than one year	-	101,374,752
<b>Total Liabilities</b>	<b>\$ 2,374,754</b>	<b>108,206,212</b>
<b>Net Position:</b>		
Held in trust for other purposes		(20,015,642)
<b>Total Net Position</b>		<b>\$ (20,015,642)</b>

CITY OF FULLERTON

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	<u>Private-Purpose Trust Fund Successor Agency of the Former RDA</u>
<b>Additions:</b>	
Taxes	\$ 16,479,897
Interest and change in fair value of investments	236,929
Miscellaneous	<u>172,215</u>
<b>Total Additions</b>	<b><u>16,889,041</u></b>
<b>Deductions:</b>	
Administrative expenses	436,332
Contractual services	490,190
Interest expense	5,862,311
Depreciation expense	445,025
Contribution to City	<u>4,400,000</u>
<b>Total Deductions</b>	<b><u>11,633,858</u></b>
Extraordinary gain/(loss) - (Note 17)	<u>22,359,135</u>
<b>Changes in Net Position</b>	<b>27,614,318</b>
Net Position - Beginning of the Year	(47,764,810)
Restatement of Net Position	<u>134,850</u>
<b>Net Position - End of the Year</b>	<b><u>\$ (20,015,642)</u></b>

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**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Summary of Significant Accounting Policies**

**a. Financial Reporting Entity**

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

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

**Blended Component Units**

**FULLERTON LIBRARY BUILDING AUTHORITY**

The Fullerton Library Building Authority was created on November 17, 1970, through a joint exercise of powers agreement between the City of Fullerton and the County of Orange. The Authority's purpose is for the financing of the acquisition of sites and to acquire, construct, maintain, operate and lease public library buildings and related facilities. The Authority is currently inactive since all bonds were retired during 2001-02. The Authority is governed by a commission of five members, three appointed by the City's Council Members and two appointed by the Orange County Board of Supervisors. The Authority remains in place as a financing authority for possible future financings. The Authority provides financing services exclusively to the City.

**PARKING AUTHORITY OF THE CITY OF FULLERTON**

The City of Fullerton formed the Parking Authority of the City of Fullerton on February 1, 1972, for the purpose of financing the construction of parking facilities on sites provided by the City. The Parking Authority is currently inactive since all bonds issued have been retired. The Parking Authority remains in place as a financing authority for possible future financings. The City's Council Members appoint all five members to the Authority's governing commission. The Authority provides financing services exclusively to the City.

**Note 1: Summary of Significant Accounting Policies (Continued)**

NORTHWEST AIRPORT AREA CORPORATION

The Northwest Airport Area Corporation was formed on November 19, 1971, as a non-profit corporation having five members. The Corporation was formed for the purpose of rendering assistance to the City of Fullerton by leasing to the City any asset acquired or improvements to the City's municipal airport. The Corporation bylaws specify that no individual may become a member unless approved by the City of Fullerton. In addition, upon dissolution of the Corporation, its assets and liabilities are to be distributed to the City. In 2001-02, the Corporation retired all the bonds issued. Currently, the Corporation is inactive but remains in place for possible future financings.

CITY OF FULLERTON PUBLIC FINANCING AUTHORITY

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

CITY OF FULLERTON HOUSING AUTHORITY

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

Separate financial statements are not prepared for the Parking Authority, the Library Building Authority, the Northwest Airport Area Corporation, the City of Fullerton Housing Authority, and the City of Fullerton Public Financing Authority.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**b. Basic financial statements - government-wide and fund financial statements**

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

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

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

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**c. Measurement focus, basis of accounting, and financial statement presentation**

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

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The City reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

recovered primarily through user charges and space rentals. Under GASB Statement 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: (1) any activity that has issued debt backed solely by the fees and charges of the activity, (2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

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

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

**d. Assets, deferred outflows, liabilities, deferred inflows and net position**

**1. Cash and Investments**

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

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

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

**2. Receivables and Payables**

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

**3. Property Tax Calendar**

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

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

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

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

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

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

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

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$5,000 (\$25,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

**6. Deferred outflows/inflows of resources**

In addition to assets, the balance sheet or statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has a deferred charge on refunding that qualifies for reporting in this category.

In addition to liabilities, the balance sheet or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as: property taxes, grant revenue, and long-term loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Claims and Judgments**

The City records a liability for litigation, judgments and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the Internal Service Funds that account for the City's self-insurance activities. It is the City's policy that all insurance claims outstanding at June 30, 2014, will be liquidated from expendable available financial resources at June 30, 2014.

**Note 1: Summary of Significant Accounting Policies (Continued)****8. Compensated Absences**

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

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

	Current Portion	Long-Term Portion	Total
Governmental activities	\$ 2,791,023	\$ 697,757	\$ 3,488,780
Business-type activities	323,051	80,763	403,814
	<u>\$ 3,114,074</u>	<u>\$ 778,520</u>	<u>\$ 3,892,594</u>

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The City first implemented GASB Statement 34 for the fiscal year ended June 30, 2003. Bond premiums and discounts are deferred and amortized over the life of the bonds for all the bonds issued after June 30, 2002.

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**10. Fund Equity**

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

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

**11. Net position flow assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**12. Fund balance flow assumptions**

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

**II. STEWARDSHIP****Note 2: Stewardship, Compliance and Accountability****Deficit Fund Balances or Net Position**

The Grants Administration Fund has a fund balance deficit of \$234,881, and the City Capital Projects Funds has a deficit balance of \$18,281,208. The Liability Insurance Fund has a deficit net position of \$6,534,131. The City expects to eliminate these deficits with anticipated future revenues from grants, deferred payments and reimbursements.

**III. DETAILED NOTES ON ALL FUNDS****Note 3: Cash and Investments**

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

Statement of net position:	
Cash and investments	\$ 90,685,228
Restricted cash and investments	3,693,020
Fiduciary funds:	
Cash and investments	12,800,989
Restricted cash and investments	41,401,526
Total cash and investments	<u>\$ 148,580,763</u>

Cash and investments as of June 30, 2014, consist of the following:

Demand accounts and cash	
on hand Investments	\$ (194,435)
Investments	144,650,198
Escrow accounts	4,125,000
Total cash and investments	<u>\$ 148,580,763</u>

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

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

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 3: Cash and Investments (Continued)**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	60%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	None
Repurchase Agreements	30 days	10%	None
Medium-Term Notes	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	60%	None

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

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 3: Cash and Investments (Continued)**

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City monitors the interest rate inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations in respect to this metric with:

	Remaining Investment Maturities			Fair Value
	12 months or less	1 to 3 years	3 to 5 years	
Investments:				
Local Agency Investment Fund	\$ 47,611,753	\$ -	\$ -	\$ 47,611,753
Certificates of Deposit	994,579	3,720,623	1,445,917	6,161,119
Corporate Notes	-	-	1,963,482	1,963,482
U.S. Government Sponsored				
Enterprise Securities:				
FFCB	2,025,640	6,483,815	15,476,405	23,985,860
FHLB	2,011,460	7,500,015	10,428,230	19,939,705
FHLMC	-	-	3,012,380	3,012,380
FNMA	-	-	1,003,350	1,003,350
Total Cash Investments	<u>52,643,432</u>	<u>17,704,453</u>	<u>33,329,764</u>	<u>103,677,649</u>
Investments with Fiscal Agents:				
Money Market Mutual Funds	36,952,710	-	-	36,952,710
Commercial Paper	4,019,839	-	-	4,019,839
Total Investments with Fiscal Agent	<u>40,972,549</u>	<u>-</u>	<u>-</u>	<u>40,972,549</u>
Total Investments	<u>\$ 93,615,981</u>	<u>\$ 17,704,453</u>	<u>\$ 33,329,764</u>	<u>\$ 144,650,198</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not 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.

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 3: Cash and Investments (Continued)**

Presented below is the minimum rating as required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year-end for each investment type:

Investment Type	Total as of June 30, 2014	Minimum Legal Rating	Minimum		Not Required to be Rated
			AA+	AA	
Local Agency Investment Fund	\$ 47,611,753	N/A	\$ -	\$ -	\$ 47,611,753
Certificates of Deposit	6,161,119	N/A	-	-	6,161,119
Corporate Notes	1,963,482	AA	977,673	985,809	-
Federal agency securities	47,941,295	N/A	47,941,295	-	-
Held by bond trustee:					
Money Market Fund	36,952,710	N/A	-	-	36,952,710
Commercial Paper	4,019,839	N/A	-	-	4,019,839
<b>Total</b>	<b>\$ 144,650,198</b>		<b>\$ 48,918,968</b>	<b>\$ 985,809</b>	<b>\$ 94,745,421</b>

**Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal agency securities	\$23,985,860
Federal Home Loan Bank	Federal agency securities	19,939,705

**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.

As of June 30, 2014, none of the City's deposits or investments were exposed to custodial credit risk. As of June 30, 2014, \$40,972,549 in investments are purchased and held by the bond trustee.

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 3: 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 California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawals is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

1. Allocation of interest income among funds

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

2. Restricted cash and investments

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

**Note 4: Other Accrued Revenue Receivable**

The other accrued revenue receivable as of June 30, 2014, for the City's major and other funds are as follows:

<b>Governmental Funds:</b>	<b>General</b>	<b>Federal, State and Other Grants</b>	<b>City Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Receivables:					
Rental revenue	\$ 146,111	\$ -	\$ -	\$ -	\$ 146,111
Unbilled reimbursable cost	301,655	-	-	-	301,655
Interest revenue	54,016	-	-	7,902	61,918
Transient occupancy tax	409,923	-	-	-	409,923
Unbilled grants and entitlements	3,318,363	275,966	21,891,291	892,877	26,378,497
Unbilled water and refuse collection franchise tax	122,958	-	-	5,641	128,599
Unbilled refuse collection revenue	-	-	-	1,059,858	1,059,858
Unbilled paramedic revenue	121,697	-	-	-	121,697
Unbilled sanitation revenue	-	-	-	803,017	803,017
<b>Total receivables</b>	<b>\$ 4,474,723</b>	<b>\$ 275,966</b>	<b>\$ 21,891,291</b>	<b>\$ 2,769,295</b>	<b>\$ 29,411,275</b>

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 4: Other Accrued Revenue Receivable (Continued)**

<b>Proprietary Funds:</b>	<b>Airport</b>	<b>Water Utility</b>	<b>Sewer Enterprise</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
Receivables:						
Unbilled water revenue	\$ -	\$ 3,433,769	\$ -	\$ -	\$ 3,433,769	\$ -
Rental revenue	-	-	-	2,845	2,845	-
Unbilled sewer revenue	-	-	797,284	-	797,284	-
Unbilled other revenue	93,282	-	-	403	93,685	1,466
Interest revenue	-	-	-	-	-	16,303
<b>Total receivables</b>	<b>\$ 93,282</b>	<b>\$ 3,433,769</b>	<b>\$ 797,284</b>	<b>\$ 3,248</b>	<b>\$ 4,327,583</b>	<b>\$ 17,769</b>

**Note 5: Notes and loans receivable**

**Housing Fund**

**a. Affordable Housing Loan Program**

The former Redevelopment Agency Low and Moderate Housing fund offered low interest loans to owners and developers providing affordable housing to low and moderate income tenants. The loans have various interest rates and terms of repayment. These activities have been transferred to the City and are accounted for in the Housing Fund. The outstanding balance at June 30, 2014, is \$3,858,142.

**b. DAP – Down Payment Assistance Program**

The loans are given in amounts not to exceed \$45,000 per applicant. The loans are payable after 15 years interest free. The balance outstanding at June 30, 2014, is \$2,309,423.

The Housing Fund notes and loans receivable total \$6,167,565.

**Grants Administration Fund**

CDBG Loans:

**c. Housing and Community Development Loan program**

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

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

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

**Note 5: Notes and loans receivable (Continued)**

The rehabilitation loans are recorded in Grants Administration Fund as Notes Receivable and Deferred Revenue. All HUD cash held for rehabilitation loans is reflected in an Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as liabilities. The outstanding balance at June 30, 2014, is \$1,290,980.

HOME Fund - Notes Receivable:

**d. Civic Center Barrio Housing**

On July 19, 1994, an Owner Participation Agreement was issued for the acquisition and rehabilitation of affordable rental housing projects located at Garnet Lane Apartments at a simple interest rate of 3%. These loans are due in 30 years commencing July 19, 2024. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$844,944 with accrued interest of \$496,015, totaling \$1,340,959 at June 30, 2014.

On December 14, 2000, a 30 year loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnerships Program for the project located at 436 & 442 W. Valencia Drive. Original amount loaned was \$444,281 at a simple interest rate of 3%. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$444,281 with accrued interest of \$170,298, totaling \$614,579 at June 30, 2014.

On February 22, 2001, a 30 year loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnerships Program for the project located at 461 West Avenue for \$314,477 at a simple interest rate of 3%. Repayments are due in installment amounts, starting December 14, 2001. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$308,065 with accrued interest of \$119,177, totaling \$427,242 at June 30, 2014.

**e. Fullerton Interfaith Housing**

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

**Note 5: Notes and loans receivable (Continued)**

Repayments are due in installments every August 1, starting August 1, 1998. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The outstanding principal balance is \$165,000 with accrued interest of \$316,221, totaling \$481,221 at June 30, 2014.

**f. Neighborhood Services**

On November 5, 1996, an Owner Participation and HOME Program Participation Agreement was between the City and La Habra Neighborhood Housing Services, Inc. which a loan was granted for the acquisition and rehabilitation of an affordable rental housing project serving very low income households through funds the City received from HOME Investment Partnership Program for the project located at Garnet Lane Apartments "B" up to \$565,000 at a simple interest rate of 3%. Repayments are due in installments every August 1, starting August 1, 1998. The installments are equal to the percentage of the "Net Operating Income After Debt Service", if any, for the period from the Note Date through the end of the full calendar year preceding the first installment payment that is equal to the percentage of the total costs of acquiring the Site and developing the Project, that is financed by the City. The note matures on November 27, 2026 at which time the loan will become due in full. The outstanding principal balance is \$565,000 with accrued interest of \$298,205, totaling \$863,205 at June 30, 2014.

**g. Richman Court, LP**

On November 23, 2010, the City agreed to loan \$1,750,000 as a purchase assistance program for the Roberta Apartments, which was later amended to an additional \$250,000 for a rehabilitation loan. The loan matures over 55 years at a simple interest of 1.5%. Annual payments equal to 50% of project cash flow will begin on November 23, 2030. The outstanding principal balance is \$2,019,560 with accrued interest of \$101,521, totaling \$2,121,081 at June 30, 2014.

On August 16, 2010, the City agreed to loan \$1,985,000 as a purchase assistance program for the Home Apartments, which an additional loan was granted on April 30, 2012 for \$176,416 as an additional construction loan. The loan matures over 45 years at a simple interest rate of 3%. The loan will begin to receive loan reductions of \$48,032 annually starting one year after the Release of the Construction Covenants which occurred April 11, 2012. The outstanding principal balance is \$2,065,353 with accrued interest of \$245,344, totaling \$2,310,697 at June 30, 2014.

**h. Neighborhood Housing Services**

On February 17, 2004, the City agreed to loan \$550,000 as a purchase assistance program for the 3810 and 3830 Franklin Avenue Apartments, which an additional loan was granted for \$953,337 on July 31, 2006. The loan matures over 30 years with a simple interest rate of 3% annually. The loan began loan reductions as forgiveness starting September 19, 2007 of \$55,000 annually. Any unpaid portion will be payable on the Maturity Date. The outstanding principal is \$1,127,504 with accrued interest of \$360,084, totaling \$1,487,588 at June 30, 2014.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 5: Notes and loans receivable (Continued)**

On November 5, 2004, the City agreed to loan \$146,663 as a development assistance program for 3810 and 3830 Franklin Avenue Apartments. \$50,000 was issued on November 5, 2004, and \$96,993 was issued on September 14, 2007. The loan matures over 30 years with a simple interest rate of 3% annually. The outstanding principal is \$146,663 with accrued interest of \$34,195, totaling \$180,858 at June 30, 2014.

Notes Receivable totaled \$9,827,430 at June 30, 2014.

HOME Rehabilitation program:

The City uses HOME Grant funding to offer interest free deferred loans to low and moderate income owner/occupants. Deferred loans are payable upon the sale or transfer of the property and are reviewed every fifteen years to ensure that income qualifications are met. The outstanding balance at June 30, 2014, is \$725,535.

DAP – Down Payment Assistance Program:

The down payment assistance program is funded by HOME Grants. The loans are given in amounts not to exceed \$45,000 per applicant. The loans are payable after 15 years interest free. The balance outstanding at June 30, 2014, is \$729,165.

NSP – Neighborhood Stabilization Program:

The neighborhood stabilization program is funded by HOME Grants. The loans are issued for the acquisitions and rehabilitation of property. No interest shall accrue on the loan. Repayment of the loan will concurrently occur upon the transfer of the Property to an eligible homebuyer following the completion of the rehabilitation project and in compliance with the NSP Agreement. The amount paid shall be equal to the resale price of the property. Any outstanding balance, if any, shall be forgiven. The balance outstanding at June 30, 2014, was \$206,074.

The Grants Administration Fund notes and loans receivable total \$12,779,184.

**Note 6: Deposits Payable**

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

Customer Deposits Held By:	
Airport	\$ 40,604
Water Utility	1,890,213
	<hr/>
Total Deposits payable	\$ 1,930,817
	<hr/>

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 7: Capital Assets**

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

	Beginning Balance	Increases	Decreases	Transfers	Transfers to Successor Agency	Ending Balance
Capital assets, not being depreciated:						
Land	\$ 53,494,476	\$ -	\$ -	\$ -	\$ (12,624,620)	\$ 40,869,856
Construction in progress	70,946,298	33,525,340	-	(49,675,057)	(4,400,000)	50,396,581
Total capital assets, not being depreciated	124,440,774	33,525,340	-	(49,675,057)	(17,024,620)	91,266,437
Capital assets, being depreciated:						
Buildings	47,265,060	-	-	44,957,157	(136,203)	92,086,014
Improvements other than buildings	52,093,679	2,698,326	-	708,880	(7,700,813)	47,800,072
Machinery and equipment	35,038,635	1,433,869	(284,144)	-	(730,214)	35,458,146
Leasehold improvements	1,837,445	-	-	-	(546,500)	1,290,945
Infrastructure	264,020,174	1,975,662	(1,695,719)	4,009,020	-	268,309,137
Total capital assets, being depreciated	400,254,993	6,107,857	(1,979,863)	49,675,057	(9,113,730)	444,944,314
Less accumulated depreciation for:						
Buildings	(13,204,635)	(907,122)	-	-	69,723	(14,042,034)
Improvements other than buildings	(16,597,452)	(1,904,163)	-	-	3,058,617	(15,442,998)
Machinery and equipment	(22,063,153)	(2,344,086)	284,144	-	459,600	(23,663,495)
Leasehold improvements	(1,482,220)	-	-	-	191,275	(1,290,945)
Infrastructure	(166,987,069)	(5,195,150)	1,649,487	-	-	(170,532,732)
Total accumulated depreciation	(220,334,529)	(10,350,521)	1,933,631	-	3,779,215	(224,972,204)
Total capital assets being depreciated, net	179,920,464	(4,242,664)	(46,232)	49,675,057	(5,334,515)	219,972,110
Governmental activities capital assets, net	\$304,361,238	\$29,282,676	\$ (46,232)	\$ -	\$ (22,359,135)	\$311,238,547

Governmental activities depreciation expense for capital assets for the year ended June 30, 2014, is as follows:

General government	\$ 178,170
Public Safety	785,760
Public Works	3,383,029
Community development	3,463,035
Human and Leisure	1,466,463
Equipment replacement	978,677
Equipment maintenance	28,724
Information technology	55,516
Building maintenance	3,342
Facility capital repair	7,805
Total depreciation expense - governmental activities	<u>\$ 10,350,521</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Note 7: Capital Assets (Continued)

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

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 9,128,423	\$ -	\$ -	\$ -	\$ 9,128,423
Construction in progress	2,709,537	(2,358,654)	2,628,059	-	2,978,942
Total capital assets, not being depreciated	11,837,960	(2,358,654)	2,628,059	-	12,107,365
Capital assets, being depreciated:					
Buildings	7,931,412	-	-	-	7,931,412
Improvements other than buildings	72,135,044	-	16,123	-	72,151,167
Machinery and equipment	12,721,498	-	91,136	-	12,812,634
Leasehold improvements	468,140	-	-	-	468,140
Infrastructure	24,963,326	2,358,654	2,068,949	-	29,390,929
Total capital assets, being depreciated	118,219,420	2,358,654	2,176,208	-	122,754,282
Less accumulated depreciation for:					
Buildings	(1,425,315)	-	(190,074)	-	(1,615,389)
Improvements other than buildings	(26,323,132)	-	(1,394,554)	-	(27,717,686)
Machinery and equipment	(9,810,523)	-	(767,131)	-	(10,577,654)
Leasehold improvements	(400,196)	-	(11,134)	-	(411,330)
Infrastructure	(1,274,354)	-	(404,551)	-	(1,678,905)
Total accumulated depreciation	(39,233,520)	-	(2,767,444)	-	(42,000,964)
Total capital assets being depreciated, net	78,985,900	2,358,654	(591,236)	-	80,753,318
Business-type activities capital assets, net	\$ 90,823,860	\$ -	\$ 2,036,823	\$ -	\$ 92,860,683

Business-type activities depreciation expense for capital assets for the year ended June 30, 2014, is as follows:

Airport	\$ 388,375
Brea Dam Facilities Recreational	56,477
Water Utility	1,909,590
Sewer Enterprise	413,002
Total depreciation expense - business-type activities	<u>\$ 2,767,444</u>

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 8: Interfund Transactions**

The composition of interfund balances as of June 30, 2014, is as follows:

**a. Due To and Due From Funds**

	Due To Other Funds			
	City Capital Projects Fund	Internal Service Funds	Brea Dam Facilities Recreational	Total
Due From Other Funds:				
General Fund	\$ 7,036,031	\$ 37,956	\$ 224,342	\$ 7,298,329

The above amounts resulted from temporary reclassifications made at June 30, 2014, to cover cash shortfalls.

**b. Transfers To and From Other Funds**

Transfers In:	Transfers Out:								Total
	Governmental Funds:				Proprietary Funds:				
	General Fund	Housing Fund	City Capital Projects Fund	Nonmajor Governmental Funds	Airport Fund	Water Utility Fund	Sewer Enterprise Fund	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 403,773	\$ -	\$ -	\$ -	\$ -	\$ 403,773
Housing Fund	27,984	-	-	-	-	-	-	-	27,984
City Capital Projects Fund	25,000	-	-	5,825,094	-	-	-	226,205	6,076,299
Nonmajor Governmental Funds	128,710	2,830	3,270	48,890	13,210	64,210	76,120	-	337,240
Water Utility Fund	-	-	-	190,000	-	-	-	-	190,000
Internal Service Funds	-	-	-	1,500,000	-	-	-	1,175,000	2,675,000
<b>Total</b>	<b>\$ 181,694</b>	<b>\$ 2,830</b>	<b>\$ 3,270</b>	<b>\$ 7,967,757</b>	<b>\$ 13,210</b>	<b>\$ 64,210</b>	<b>\$ 76,120</b>	<b>\$ 1,401,205</b>	<b>\$ 9,710,296</b>

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

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt**

**a. Governmental Activities Long-Term Debt**

The following is a summary of governmental activities long-term debt for the year ended June 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
2013 Taxable Judgment					
Obligation Bonds	\$ -	\$ 7,250,000	\$ (260,000)	\$ 6,990,000	\$ 265,000
Capital leases:					
Governmental Funds	970,474	-	(253,245)	717,229	264,584
Internal Service Funds	507,067	3,949,810	(359,297)	4,097,580	847,844
HUD Section 108 loans	3,500,000	-	(500,000)	3,000,000	500,000
Compensated absences	3,822,228	2,128,845	(2,462,293)	3,488,780	2,791,023
Net OPEB obligation	11,372,934	3,928,937	(1,414,095)	13,887,776	-
Claims and judgments:					
Governmental Funds	332,603	-	(22,660)	309,943	24,058
Internal Service Funds	23,696,000	1,816,112	(1,915,112)	23,597,000	1,945,873
<b>Total</b>	<b>\$ 44,201,306</b>	<b>\$ 19,073,704</b>	<b>\$ (7,186,702)</b>	<b>\$ 56,088,308</b>	<b>\$ 6,638,382</b>
Unamortized Bond Discount	\$ -	\$ (56,656)	\$ 2,833	\$ (53,823)	
	<b>\$ 44,201,306</b>	<b>\$ 19,017,048</b>	<b>\$ (7,183,869)</b>	<b>\$ 56,034,485</b>	

**Taxable Obligation Bonds**

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

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

Bond repayment commenced on April 1, 2014, with interest rates ranging from 1.00% to 6.10%. The final maturity date is April 1, 2033. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$6,990,000.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt (Continued)**

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 265,000	\$ 322,625	\$ 587,625
2016	270,000	319,180	589,180
2017	275,000	314,725	589,725
2018	280,000	308,813	588,813
2019	285,000	301,533	586,533
2020-2024	1,585,000	1,352,293	2,937,293
2025-2029	1,990,000	946,215	2,936,215
2030-2033	2,040,000	315,000	2,355,000
Total	<u>\$ 6,990,000</u>	<u>\$ 4,180,384</u>	<u>\$ 11,170,384</u>

**Capital Leases**

As of June 30, 2014, total future minimum lease obligations and the net present value of these minimum lease payments, are summarized as follows:

Year Ending June 30,	Total
2015	\$ 1,216,016
2016	1,151,512
2017	970,920
2018	761,791
2019	535,470
2020-2023	483,412
Total minimum lease payments	5,119,121
Less: amounts representing interest	(304,312)
Present value of minimum lease payments	<u>\$ 4,814,809</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 6,307,516
Less: accumulated depreciation	(3,514,896)
Total	<u>\$ 2,792,620</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt (Continued)**

In April 2005, the City entered into a lease agreement with Municipal Finance Corporation for the acquisition of a vacuum truck and closed caption television van at a cost of \$525,000. The lease meets the capitalization policy and the vehicles have been recorded as assets of the Governmental Funds. The interest rate on the lease is 3.93%. The term of the lease is ten years. Payments are due annually under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$62,063.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 62,063	\$ 2,439	\$ 64,502
Total	<u>\$ 62,063</u>	<u>\$ 2,439</u>	<u>\$ 64,502</u>

In July 2007, the City entered into a lease agreement with Suntrust Equipment Finance Corporation for an enterprise resource planning system at a cost of \$3,500,000. The lease meets the capitalization policy and the system has been recorded as an asset of the Governmental Funds. The interest rate on the lease is 4.55%. The term of the lease is ten years. Payments are due monthly under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$655,166.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 202,520	\$ 25,621	\$ 228,141
2016	211,929	16,212	228,141
2017	221,776	6,366	228,142
2018	18,941	72	19,013
Total	<u>\$ 655,166</u>	<u>\$ 48,271</u>	<u>\$ 703,437</u>

In October 2005, the City entered into a lease agreement with Suntrust Equipment Finance Corporation for the acquisition of a fire truck and battalion chief vehicle at a cost of \$550,000. The lease meets the capitalization policy and the vehicles have been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 5.77%. The term of the lease is ten years. Payments are due annually under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$126,556.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 62,128	\$ 4,688	\$ 66,816
2016	64,428	2,387	66,815
Total	<u>\$ 126,556</u>	<u>\$ 7,075</u>	<u>\$ 133,631</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt (Continued)**

In May 2011, the City entered into a lease agreement with Pinnacle Public Finance for the acquisition of two street sweepers at a cost of \$516,745. The lease meets the capitalization policy and the vehicles have been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 3.91%. The term of the lease is five years. Payments are due quarterly under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$217,865.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 106,814	\$ 6,965	\$ 113,779
2016	111,051	2,728	113,779
Total	<u>\$ 217,865</u>	<u>\$ 9,693</u>	<u>\$ 227,558</u>

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

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 94,258	\$ 26,595	\$ 120,853
2016	96,897	23,955	120,852
2017	99,610	21,242	120,852
2018	102,399	18,453	120,852
2019	105,267	15,586	120,853
2020-2023	451,379	32,033	483,412
Total	<u>\$ 949,810</u>	<u>\$ 137,864</u>	<u>\$ 1,087,674</u>

In March 2014, the City entered into a lease agreement with Suntrust Equipment Finance & Leasing Corporation for the acquisition various computer network and phone system upgrade at a cost of \$3,000,000. The lease meets the capitalization policy and the equipment has been recorded as assets of the Equipment Replacement Internal Services Fund. The interest rate on the lease is 1.47%. The term of the lease is five years. Payments are due monthly under the terms of the lease agreement with the first payment due on March 27, 2014. At June 30, 2014, the outstanding balance was \$2,803,349.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt (Continued)**

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 584,645	\$ 37,281	\$ 621,926
2016	593,297	28,628	621,925
2017	602,078	19,848	621,926
2018	610,988	10,937	621,925
2019	412,341	2,276	414,617
Total	<u>\$ 2,803,349</u>	<u>\$ 98,970</u>	<u>\$ 2,902,319</u>

**Other Long-Term Obligations**

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

On June 30, 2004, the City entered into an agreement with the Secretary of Housing and Urban Development to receive a loan in the amount of \$7,500,000 under Section 108 of the Housing and Community Development Act for the Richman Park Area Capital Improvements project. The term of the loan is fifteen years. Loan repayment commenced February 2006, with an interest rate of 4.65%. Interest and principal are payable semiannually and annually, respectively, under terms of the loan agreement. As of June 30, 2014, the amount outstanding is \$3,000,000.

Loan debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 500,000	\$ 152,325	\$ 652,325
2016	500,000	125,950	625,950
2017	500,000	98,850	598,850
2018	500,000	71,175	571,175
2019	500,000	43,000	543,000
2020	500,000	14,400	514,400
Total	<u>\$ 3,000,000</u>	<u>\$ 505,700</u>	<u>\$ 3,505,700</u>

Compensated Absences

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

Net OPEB Obligation

The City's policies relating to other post employment benefits are described in Note 14 of the Notes to Financial Statements. The liability will be paid in future years by the General Fund.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 9: Long-Term Debt (Continued)**

Claims and Judgments

The City's liability regarding the Internal Service Funds self-insurance is described in Note 12 of the Notes to Financial Statements. The liability will be paid in future year from the Liability Insurance Fund and the Workers' Compensation Fund.

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

On May 13, 1993 the City entered into an agreement with a claimant for the settlement of an injury claim involving the Water Department. The annual interest rate on the lease is 6.00%. The term of the settlement is thirty-one years. Payments are due monthly under the terms of the settlement agreement. At June 30, 2014, the outstanding balance was \$309,943.

Settlement debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 24,058	\$ 17,942	\$ 42,000
2016	25,542	16,458	42,000
2017	27,117	14,883	42,000
2018	29,290	13,210	42,500
2019	36,764	11,236	48,000
2020-2023	167,172	20,828	188,000
Total	<u>\$ 309,943</u>	<u>\$ 94,557</u>	<u>\$ 404,500</u>

**b. Business-Type Activities Long-Term Debt**

The following is a summary of business-type activities long-term debt for the year ended June 30, 2014:

	Beginning Balance	Defeased	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>						
<b>Revenue Bonds</b>						
2014 Water Revenue Refunding Bonds	\$ -	\$ -	\$ 6,810,000	\$ -	\$ 6,810,000	\$ 185,000
2010 Lease Revenue Bonds, Series A	2,520,000	-	-	(100,000)	2,420,000	105,000
<b>Certificates of Participation</b>						
2004 Water Revenue COP	7,300,000	(7,300,000)	-	-	-	-
<b>Loan Payable</b>						
OCWD Water Well Loan	827,523	-	-	(827,523)	-	-
<b>Capital Leases</b>						
Hangar Lease	3,397,120	-	-	(428,154)	2,968,966	445,922
Golf Equipment	24,144	-	-	(24,144)	-	-
Compensated Absences	468,389	-	163,857	(228,432)	403,814	323,051
Total	<u>\$ 14,537,176</u>	<u>\$ (7,300,000)</u>	<u>\$ 6,973,857</u>	<u>\$ (1,608,253)</u>	<u>\$12,602,780</u>	<u>\$ 1,058,973</u>
Unamortized bond premium	\$ 42,144	\$ -	\$ 772,297	\$ (55,016)	\$ 759,425	
Unamortized bond discount	(43,453)	-	-	2,483	(40,970)	
Total Long-Term Debt	<u>\$ 14,535,867</u>	<u>\$ (7,300,000)</u>	<u>\$ 7,746,154</u>	<u>\$ (1,660,786)</u>	<u>\$13,321,235</u>	

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 9: Long-Term Debt (Continued)****Revenue Bond**

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

On December 22, 2010, the City of Fullerton issued 2010 Lease Revenue Bonds, Series A in the amount of \$2,705,000. The bonds were issued as "Taxable Recovery Zone Economic Development Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the City expects to receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on or about each interest payment date. The subsidy payment is pledged under the indenture to payment of interest. Issuance of the debt was for the purpose of financing the acquisition and construction of certain capital improvements for the City of Fullerton and refinancing certain outstanding obligations of the City. Bond repayment commenced on May 1, 2011, with interest rates ranging from 6.50% to 7.75%. The final maturity date is May 1, 2031. Interest and principal payments are due semiannually and annually, respectively, under terms on the bond agreement. At June 30, 2014, the outstanding balance was \$2,420,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 105,000	\$ 179,050	\$ 284,050
2016	105,000	172,225	277,225
2017	110,000	165,400	275,400
2018	115,000	158,250	273,250
2019	120,000	150,775	270,775
2020-2024	670,000	621,538	1,291,538
2025-2029	815,000	341,775	1,156,775
2030-2031	380,000	44,563	424,563
Total	<u>\$ 2,420,000</u>	<u>\$ 1,833,576</u>	<u>\$ 4,253,576</u>

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

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

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

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 9: Long-Term Debt (Continued)**

The 2014 Water Revenue Refunding Bonds are secured by a pledge of net revenues of the City's water system. Bond repayment will commence on September 1, 2014, with interest rates ranging from 3.00% to 5.00%. The final maturity date is September 1, 2033. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$6,810,000.

The certificates of participation debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 185,000	\$ 134,329	\$ 319,329
2016	350,000	278,913	628,913
2017	360,000	268,413	628,413
2018	370,000	257,613	627,613
2019	380,000	246,513	626,513
2020-2024	1,460,000	1,082,365	2,542,365
2025-2029	1,625,000	770,513	2,395,513
2030-2034	2,080,000	322,500	2,402,500
Total	<u>\$ 6,810,000</u>	<u>\$ 3,361,159</u>	<u>\$ 10,171,159</u>

**Certificates of Participation**

2004 Water Revenue Certificates of Participation (Debt Serviced by the Water Utility Fund)

On September 1, 2004, the City of Fullerton issued 2004 Water Revenue Certificates of Participation in the amount of \$8,730,000. Issuance of the debt was for the purpose of financing certain water facilities of the City of Fullerton. The 2004 Water Revenue Certificates of Participation are secured by a pledge of the net revenues of the City's water system. Bond repayment commenced on March 1, 2005, with interest rates ranging from 2.00% to 5.00%. The final maturity date is September 1, 2034. Interest and principal payments are due semiannually and annually, respectively, under terms on the bond agreement. At June 30, 2014, the outstanding balance was defeased with the issuance of the 2014 Water Revenue Refunding Bonds.

**Loan Payable**

OCWD Water Well Development Master Plan Loan (Debt Serviced by the Water Utility Fund)

On April 16, 1991, the City entered into an agreement with the Orange County Water District for the construction of three groundwater production wells. Construction costs of \$2,211,785 were advanced by the Orange County Water District. Loan repayment commenced in September 1999, with an interest rate of 3.50%. The term of the loan is twenty years. The final maturity date is September 15, 2018. Payments are due annually under terms on the loan agreement. At June 30, 2014, the outstanding balance was paid off with the issuance of the 2014 Water Revenue Refunding Bonds.

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Note 9: Long-Term Debt (Continued)

Capital Leases

As of June 30, 2014, total future minimum lease obligations and the net present value of these minimum lease payments, are summarized as follows:

Year Ending June 30,	Business-Type Activities
2015	\$ 569,134
2016	569,134
2017	569,134
2018	569,134
2019	569,135
2020	569,135
Total minimum lease payments	3,414,806
Less: amounts representing interest	(445,840)
Present value of minimum lease payments	<u>\$ 2,968,966</u>

The assets acquired through capital leases are as follows:

Asset:	Business-Type Activities
Machinery and equipment	\$ 5,862,900
Less: accumulated depreciation	(1,185,752)
Total	<u>\$ 4,677,148</u>

On December 3, 2004, the City entered into a lease agreement with Citizens Business Bank for the acquisition and construction of eighteen tee-hangars and forty-three executive and airport wash hangars at a cost of \$6,262,000. The lease meets the capitalization policy and the hangars have been recorded as assets of the Enterprise Funds. The interest rate on the lease is 4.15%. The term of the lease is fifteen years. Payments are due annually under the terms of the lease agreement. At June 30, 2014, the outstanding balance was \$2,968,966.

Lease debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 445,922	\$ 123,212	\$ 569,134
2016	464,428	104,706	569,134
2017	483,702	85,433	569,135
2018	503,776	65,359	569,135
2019	524,682	44,452	569,134
2020	546,456	22,678	569,134
Total	<u>\$ 2,968,966</u>	<u>\$ 445,840</u>	<u>\$ 3,414,806</u>

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 9: Long-Term Debt (Continued)**

In February 2011, the City entered into a lease agreement with American Golf Corporation for the acquisition of golf course equipment at a cost of \$108,650. The lease meets the capitalization policy and the equipment has been recorded as assets of the Enterprise Funds. The interest rate on the lease is 0.00%. The term of the lease is three years. Payments are due monthly under the terms of the lease agreement. At June 30, 2014, the outstanding balance was paid off.

**Note 10: Special Assessment Debt with No City Commitment**

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

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

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

At June 30, 2014, non-committal debt amounts issued and outstanding are as follows:

<u>Non-committal Debt Issues:</u>		<u>Amount of Issue</u>	<u>Outstanding June 30, 2014</u>
92-01	Assessment District	\$ 3,027,229	\$ 135,000
95-01	Assessment District	<u>6,310,000</u>	<u>623,000</u>
Total Non-committal Debt Issues:		<u>\$ 9,337,229</u>	<u>\$ 758,000</u>

**Note 11: Operating Lease**

Pursuant to a third party independent study, it was determined that several facilities currently being used by the Water Department, which is reported as an Enterprise fund, were constructed and financed by the City and are considered to be part of the Capital Assets of the Governmental Activities (Note 7). As a result, the Water Fund entered into an agreement with the General Fund on May 7, 2013, approved by City Council through Resolution No. 2013-24, to make property lease payments for the use of these facilities. At June 30, 2014 the lease payment to the General Fund totaled \$1,132,560. These rates were established as part of the study and are based on the space occupied by the Water Department and the going rate per square foot for comparable locations.

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 11: Operating Lease (Continued)**

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Base Rent Payment	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000
Rent Increase*	-	137,400	137,400	137,400	137,400
Total Annual Rent Payment	<u>\$ 1,374,000</u>	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>	<u>\$ 1,511,400</u>

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

**IV. OTHER INFORMATION**

**Note 12: Self-Insurance Program**

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

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

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

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

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

The total insurance claims liability as of June 30, 2014, is \$23,597,000 as established by the City's contract insurance administrator, and the City's Risk Manager. An estimate for incurred but not reported (IBNR) claims has been recorded as a liability as of June 30, 2014.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**
**Note 12: Self-Insurance Program (Continued)**

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

	Public Liability	Workers' Compensation	Total
Unpaid claims, June 30, 2012	\$ 7,963,000	\$ 12,970,000	\$ 20,933,000
Incurred claims (including IBNRs)	4,323,810	3,669,921	5,450,810
Claim payments	<u>(2,687,810)</u>	<u>(2,542,921)</u>	<u>(2,687,810)</u>
Unpaid claims, June 30, 2013	\$ 9,599,000	\$ 14,097,000	\$ 23,696,000
Incurred claims (including IBNRs)	220,384	1,870,604	2,090,988
Claim payments	<u>(689,384)</u>	<u>(1,500,604)</u>	<u>(2,189,988)</u>
Unpaid claims, June 30, 2014	<u>\$ 9,130,000</u>	<u>\$ 14,467,000</u>	<u>\$ 23,597,000</u>

**Note 13: City Employees' Retirement Plans****a. PERS Defined Benefit Pension Plan**

## Plan Description

The City of Fullerton contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

## Funding Policy

Participants are required to contribute 7% (9 % for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rate for 2013-14 was 12.301% for miscellaneous employees of the City of annual covered payroll. The employer rate for police employees and fire employees was 34.681% of which safety employees contribute 2.252% (Police) and 2.557% (Fire). The contribution requirements of plan members and the City are established and may be amended by PERS.

## Annual Pension Cost

For 2014, the City's annual pension cost of \$14,521,179 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return, net of administrative expenses, (b) projected annual salary increases that vary from 3.30 percent to 14.20 percent by duration of service, and (c) 3.00 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 13: City Employees' Retirement Plans (Continued)**

2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liabilities are normally amortized as a level percentage of projected payroll on a closed basis over a 30 year period. There were unfunded liabilities for safety employees and miscellaneous employees at June 30, 2014, in the amounts of \$118,109,073 and \$50,688,937, respectively.

The following is a summary of the trend information for PERS for the three year period ended June 30, 2014.

THREE-YEAR TREND INFORMATION FOR PERS  
 (Amounts in Thousands)

Year Ending June 30,	Cost (APC) Misc.	Cost (APC) Safety	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 4,446	\$ 8,992	100.00%	\$ -
2013	4,509	9,248	100.00%	-
2014	4,528	9,993	100.00%	-

Funded Status and Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratios	Annual Covered Payroll	UL as a \$ of Payroll
<b><u>SAFETY</u></b>						
6/30/2011	\$ 360,077,203	\$ 290,314,363	\$ 69,762,840	80.6%	\$ 23,521,398	296.59%
6/30/2012	372,812,731	296,723,845	76,088,886	79.6%	22,589,519	336.80%
6/30/2013	386,672,265	268,563,192	118,109,073	69.5%	22,433,854	526.50%
<b><u>MISC.</u></b>						
6/30/2011	\$ 221,054,622	\$ 200,638,497	\$ 20,416,125	90.8%	\$ 25,044,094	81.52%
6/30/2012	227,961,576	204,542,656	23,418,920	89.7%	23,872,244	98.10%
6/30/2013	235,549,685	184,860,748	50,688,937	78.5%	23,216,883	218.30%

**b. Defined Contribution Pension Plan**

The City provides pension benefits for all of its non-regular employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the City's 457 plan. All non-regular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5 percent to a retirement plan, and City Council resolved to match the employees' contributions of 3.75 percent. 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 \$117,552. The City made employer contributions of \$58,776 (3.75 percent of current covered payroll), and employees contributed \$58,776 (3.75 percent of current covered payroll). These amounts are now held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

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**Note 14: Post-Employment Healthcare Plan**

Plan Description

The City administers a single-employer defined benefit healthcare plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 10 years of service (5 years for Executive, Management and Confidential employees), and are eligible for a PERS pension. As of June 30, 2014, there were 174 retired employees receiving these healthcare benefits. The City reports the financial activity of the plan as part of the General Fund, and no separate report is prepared.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) of \$3,928,937 is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed thirty years. The City's net OPEB obligation is typically liquidated from all funds with the majority being liquidated from the General Fund. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2014</u>
Annual required contribution	\$ 4,128,334
Interest on net OPEB obligation	398,053
Adjustment to annual required contribution	<u>(597,450)</u>
Annual OPEB cost (expense)	3,928,937
Contributions made	<u>1,414,095</u>
Increase in net OPEB obligation	2,514,842
Net OPEB obligation - beginning of year	<u>11,372,934</u>
Net OPEB obligation - end of year	<u>\$ 13,887,776</u>

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 14: Post-Employment Healthcare Plan (Continued)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2012	\$ 3,872,775	37.60%	\$ 9,089,825
2013	3,877,097	41.10%	11,372,934
2014	3,928,937	36.00%	13,887,776

Funded Status and Progress

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

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

Schedule of Funding Progress for OPEB  
 (Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2009	\$ -	\$ 29,987	\$ (29,987)	- %	\$ 45,200	66.3 %
1/1/2011	-	37,778	(37,778)	- %	45,200	83.6 %
1/1/2013	-	36,703	(36,703)	- %	45,200	81.2 %

Actuarial Cost Method and Assumptions

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

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions included a 3.5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend that conforms to the Getzen Model, with an expectation of the final medical component to be 4.00 percent to be used in projecting the minimum

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

**Note 14: Post-Employment Healthcare Plan (Continued)**

required contribution the City contributes on behalf of retirees enrolled in CalPERS sponsored medical plans. Both rates included a 4.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. The remaining amortization period at June 30, 2014, was twenty five years.

**Note 15: Commitments and Contingencies**

As of June 30, 2014, the City is a party to various lawsuits involving eminent domain and inverse condemnation proceedings. In the opinion of counsel, the anticipated ultimate liability for the acquisition of these properties will not exceed the City's appraisals. There are certain personal injury lawsuits, which have been denied by the City Council. The outcome and eventual liability to the City, if any, in these cases are not known at this time. After reviewing these lawsuits with legal counsel, management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

The following material construction commitments existed at June 30, 2014:

Project Name	Contract Amount	Expenditures to date as of June 30, 2014	Remaining Commitments
State College Grade Separation	\$ 38,094,278	\$ 769,879	\$ 37,324,399
Raymond Avenue Grade Separation	46,416,872	432,750	45,984,122
Bastanchury Sewer/Euclid-Laguna	1,320,967	836,948	484,019
N. Richman-Brookdale Sewer	964,040	-	964,040
West Commonwealth Avenue Sewer	2,394,104	337,964	2,056,140
Water Main System Replace & Upgrade	2,087,925	301,307	1,786,618

**Note 16: Fund Balance Restatements**

The Housing Fund restated fund balance in the amount of (\$134,850). The restatement was made to properly record a loan receivable in the Successor Agency of the Former RDA. The loan receivable was originally recorded in the Housing Fund in the prior year and was transferred to the Successor Agency of the Former RDA in the current year. The loan was expended out of the Successor Agency of the Former RDA in the prior year and should be recorded in the proper fund.

**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency**

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

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

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

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

**a. Cash and investments**

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

Cash and investments pooled with the City	\$ 10,426,238
Restricted cash and investments	4,125,000
Cash and investments with fiscal agent	<u>37,276,526</u>
	<u>\$ 51,827,764</u>

**b. Loans Receivable**

Rehabilitation Loan:

On October 19, 2004 the former Redevelopment Agency entered into a developer disposition agreement with the Fullerton Historic Theatre Foundation to renovate the FOX Theatre and adjacent condominium units. The agreement was later amended on September 19, 2006. The original amount loaned of \$2,665,722 was increased in prior fiscal years by \$3,078,278 totaling \$5,744,000. Based on the 2<sup>nd</sup> Amendment dated August 3, 2009 the maximum loan amount could not exceed \$6,000,000. A repayment account will be established in the Successor Agency's name for the repayment of the loan once tenants begin paying rent. Deposits shall be made into the repayment account by the allocation and deposit from the aggregate monthly rental payments from all tenants in the Firestone Building Condominium Unit and/or Tea Room Building. The allocation and deposits shall include subleases rental payments pursuant to any master lease agreements. Following the completion of the Fox Theatre two dollars per ticket surcharge, per ticket sold for an event shall be deposited one month after the event occurred. Payments to the Successor Agency from the repayment account shall commence on the sufficient fund date. The outstanding balance at June 30, 2014, is \$5,744,000.

The former Redevelopment Agency issued additional various rehabilitation loans from \$5,000 - \$180,000 to assist in the acquisition and rehabilitation within the redevelopment project areas. The loans were issued at no interest. At June 30, 2014, the outstanding balances are \$1,049,027.

**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

Seismic Loans:

The former Redevelopment Agency issued 10 year loans for \$25,000 - \$50,000 for the purpose of seismically retrofitting historic building in the downtown area. There is no interest accrued on these loans. The deferred loans are payable upon sale or transfer of property. The balance due at June 30, 2014, is \$916,484.

School Expansion Loans:

The Fullerton School District (Maple) was issued a 25 year loan for \$440,442 for the purpose of assisting in the expansion cost of the school. This loan is a non interest bearing loan. The balance due at June 30, 2014, is \$377,522.

Tenant Rehab Loans:

The former Redevelopment Agency entered into various Owner Participation Agreements for the purpose of providing loan assistance to participants of the Tenant Improvement Loan Program. This program assists the tenants for the construction of certain property. These loans are a non-interest bearing loan. The loan shall be repaid in 10 equal annual payments beginning 18 months after the effective date or 1 year after the recording of the Notice of Completion for the improvements. The outstanding balance at June 30, 2014, is \$53,375.

Fullerton Interfaith Housing Services (dba Pathways of Hope)

On May 20, 2013, the Successor Agency agreed to loan \$630,000 from the \$28.9M 2010 Tax Allocation Housing Bonds for assistance in the development of eight (8) very-low income units located at 504 West Amerige Avenue and 117 North Richman Avenue. According to the Promissory Note the loan matures over 55 years at a simple interest rate of 3% annually. If the borrower does not default per the Affordable Housing Agreement by and between the City of Fullerton and Fullerton Interfaith Emergency Services, then upon the expiration of the 55-year term the loan and all interest accrued shall be forgiven and the Note shall automatically be cancelled. The outstanding principal balance is \$630,000 with accrued interest of \$7,098, totaling \$637,098 at June 30, 2014.

TRG Fullerton Affordable LLC

On December 19, 2013, the Successor Agency agreed to loan \$8,972,000 for the acquisition of real property located at 345 East Commonwealth Avenue and the construction of affordable apartment units. According to the Promissory Note the Term of the loan shall terminate on the fifty-eighth (58<sup>th</sup>) anniversary of the first date on which at least 75% of the units restricted for rental to and occupancy by eligible tenants have been leased to and are occupied by eligible tenants. Interest and principal payments are payable annually on April 1 of each year during the Term at a simple interest rate of 3% annually. Since the project is still under construction as of June 30, 2014, only a portion of the \$8,972,000 in assistance has been disbursed. The outstanding principal balance is \$2,250,000 with accrued interest of \$33,750, totaling \$2,283,750 at June 30, 2014.

Total Loans Receivable is \$11,061,256

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

c. Capital Assets

A description of capital assets of the Successor Agency as of June 30, 2014 is as follows:

	Beginning Balance	Transfers from City	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:					
Land	\$ -	\$ 12,624,620	\$ -	\$ -	\$ 12,624,620
Construction-in-progress	-	4,400,000	-	-	4,400,000
Total capital assets not being depreciated	-	17,024,620	-	-	17,024,620
Capital assets, being depreciated:					
Buildings	-	136,203	-	-	136,203
Improvements other than Buildings	-	7,700,813	-	-	7,700,813
Machinery and equipment	-	730,214	-	-	730,214
Leasehold Improvements	-	546,500	-	-	546,500
Total capital assets being depreciated	-	9,113,730	-	-	9,113,730
Less accumulated depreciation					
Buildings	-	69,723	6,810	-	76,533
Improvements other than Buildings	-	3,058,617	319,175	-	3,377,792
Machinery and equipment	-	459,600	91,715	-	551,315
Leasehold Improvements	-	191,275	27,325	-	218,600
Total accumulated depreciation	-	3,779,215	445,025	-	4,224,240
Total capital assets being depreciated, net	-	5,334,515	(445,025)	-	4,889,490
Successor Agency capital assets, net	\$ -	\$ 22,359,135	\$ (445,025)	\$ -	\$ 21,914,110

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Fiduciary Activities:</b>					
<b>Revenue Bonds</b>					
1998 Revenue Bond	\$ 17,586,752	\$ -	\$ (985,941)	\$ 16,600,811	\$ 592,167
2005 CRA/ERAF Revenue Bond	275,000	-	(135,000)	140,000	140,000
2006 CRA/ERAF Revenue Bond	425,000	-	(135,000)	290,000	140,000
2010 Lease Revenue Refunding Bond	460,000	-	(460,000)	-	-
<b>Certificates of Participation (COP)</b>					
2003 Refunding COPs	1,735,000	-	(850,000)	885,000	885,000
<b>Tax Allocation Bonds</b>					
2005 Tax Allocation Revenue Bond	63,460,000	-	(1,735,000)	61,725,000	1,765,000
2010 Tax Allocation Housing Bond	26,315,000	-	(1,380,000)	24,935,000	1,425,000
<b>Total</b>	<b>\$ 110,256,752</b>	<b>\$ -</b>	<b>\$ (5,680,941)</b>	<b>\$104,575,811</b>	<b>\$ 4,947,167</b>
Unamortized bond premium	\$ 2,072,990	\$ -	\$ (172,215)	\$ 1,900,775	
Unamortized bond discount	(167,847)	-	13,180	(154,667)	
<b>Total Long-Term Debt</b>	<b>\$ 112,161,895</b>	<b>\$ -</b>	<b>\$ (5,839,976)</b>	<b>\$106,321,919</b>	

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$153,037,074 with annual debt service requirements as indicated on the following pages. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,479,897 and the debt service obligation on the bonds was \$11,549,011.

**Revenue Bonds**

1998 Revenue Bond (Debt Serviced by the Successor Agency Funds)

On July 1, 1998, the City of Fullerton Public Financing Authority issued \$24,539,455 in Revenue Bonds consisting of current interest bonds in the aggregate principal amount of \$16,310,000 and capital appreciation bonds in the original principal

CITY OF FULLERTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

amount of \$8,229,455. The net proceeds were \$23.9 million (after payment of \$503,000 in underwriting fees, insurance, and other issuance costs).

A portion of the proceeds were used to advance refund \$3,485,000 of outstanding 1989 bonds with average interest rates ranging from 6.20% to 7.00%. Proceeds in the amount of \$1,330,581, plus an additional \$2,361,703 of 1989 Series sinking fund monies were used to purchase Defeasance Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 bonds. On February 1, 1999, the 1989 bonds were completely redeemed.

The remainder of the net proceeds was used for the acquisition, construction, and improvement of certain public capital improvements of benefit to the East Fullerton Redevelopment Project Area, including expansion of the police facility, expansion of the City's Main Library, trail system expansion, park renovation, construction of improvements in the Museum Plaza, and street construction. The Authority receives lease payments from the City under a lease agreement and the Fullerton Redevelopment Agency reimburses the City under a financing agreement. Bond repayment commenced on November 1, 1998 with interest rates ranging from 4.50% to 5.13%. The final maturity date is May 1, 2025. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$16,600,811.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 592,167	\$ 1,323,221	\$ 1,915,388
2016	661,445	1,465,942	2,127,387
2017	1,490,000	723,888	2,213,888
2018	1,600,000	649,388	2,249,388
2019	2,862,199	569,388	3,431,587
2020-2024	6,075,000	1,816,813	7,891,813
2025	3,320,000	170,150	3,490,150
Total	<u>\$ 16,600,811</u>	<u>\$ 6,718,790</u>	<u>\$ 23,319,601</u>

2005 CRA/ERAF Revenue Bond (Debt Serviced by the Successor Agency Funds)

On April 27, 2005, the former Redevelopment Agency borrowed \$1.135 million to fund the payment due to the County of Orange Auditor/Controller for the Education Revenue Augmentation Fund due May 10, 2005 in accordance with Section 33681.12 of the California Health and Safety Code. Bond repayment commenced on November 1, 2005 with interest rates ranging from 3.87% to 5.01%. The final maturity date is March 1, 2015. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$140,000.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 140,000	\$ 7,014	\$ 147,014
Total	<u>\$ 140,000</u>	<u>\$ 7,014</u>	<u>\$ 147,014</u>

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

On April 1, 2006, the former Redevelopment Agency borrowed \$1.160 million to fund the payment due to the County of Orange Auditor/Controller for the Education Revenue Augmentation Fund due May 10, 2006, in accordance with Section 33681.12 of the California Health and Safety Code. Bond repayment commenced on November 1, 2006 with interest rates ranging from 5.28% to 5.67%. The final maturity date is March 1, 2016. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$290,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 140,000	\$ 17,442	\$ 157,442
2016	150,000	9,540	159,540
Total	<u>\$ 290,000</u>	<u>\$ 26,982</u>	<u>\$ 316,982</u>

2010 Lease Revenue Bond, Series B (Debt Serviced by the Successor Agency Funds)

On December 22, 2010, the City of Fullerton issued 2010 Lease Revenue Bonds, Series A in the amount of \$1,730,000. The bonds were issued for the purpose of financing the acquisition and construction of certain capital improvements and refinancing outstanding obligations of the City. Bond repayment commenced on May 1, 2011, with an interest rate of 4.00%. The final maturity date is May 1, 2014. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was paid off.

**Certificates of Participation**2003 Refunding Certificates of Participation (Debt Serviced by the Successor Agency Funds, Water Utility Fund, and Sewer and Drainage Fund)

On August 1, 2003, the former Fullerton Redevelopment Agency issued \$8,355,000 in Certificates of Participation to refund 1993 Certificates of Participation with average interest rates ranging from 2.80% to 5.10%. The 1993 Certificates of Participation were originally issued to finance a portion of the City's share of costs related to a public safety communication system and to refund 1988 Series Bonds which was originally issued to construct a public parking lot, the City's maintenance yard and to improve the Police and Fire station facilities. The net proceeds of \$8.2 million (after payment of \$290,000 in underwriting fees, insurance, and other issuance costs)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

plus an additional \$769,125 of 1993 Certificates of Participation debt service fund were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Certificates of anticipation. As a result, the 1993 Certificates of Participation are considered to be defeased. Bond repayment commenced on February 1, 2004, with interest rates ranging from 2.30% to 4.00%. The final maturity date is August 1, 2014. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$885,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 885,000	\$ 17,700	\$ 902,700
Total	<u>\$ 885,000</u>	<u>\$ 17,700</u>	<u>\$ 902,700</u>

**Tax Allocation Bonds**

2005 Tax Allocation Revenue Bond (Debt Serviced by the Successor Agency Funds)

On December 1, 2005, the City of Fullerton Public Financing Authority issued 2005 Tax Allocation Revenue Bonds in the amount of \$74,600,000. Issuance of the debt was for the purpose of financing certain capital improvements in the Orangefair Project Area, Central Fullerton Project Area and East Fullerton Project Area. The 2005 Tax Allocation Revenue Bonds are secured by the tax revenues to be derived from each project area. Bond repayment commenced on March 1, 2006, with interest rates ranging from 3.75% to 5.00%. The final maturity date is September 1, 2027. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$61,725,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,765,000	\$ 3,362,661	\$ 5,127,661
2016	3,245,000	3,371,173	6,616,173
2017	3,210,000	3,209,063	6,419,063
2018	3,285,000	3,046,688	6,331,688
2019	3,415,000	2,878,488	6,293,488
2020-2024	23,475,000	11,216,395	34,691,395
2025-2028	23,330,000	3,858,065	27,188,065
Total	<u>\$ 61,725,000</u>	<u>\$ 30,942,533</u>	<u>\$ 92,667,533</u>

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

On October 21, 2010, the former Fullerton Redevelopment Agency issued 2010 Tax Allocation Housing Bonds in the amount of \$28,980,000. Issuance of the debt was for the purpose of financing certain improvements to the supply of low and moderate

**CITY OF FULLERTON**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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**Note 17: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

income housing in the City of Fullerton. The 2010 Tax Allocation Housing Bonds are secured by the tax increment revenues. Bond repayment commenced on March 1, 2011, with interest rates ranging from 3.00% to 6.63%. The final maturity date is September 1, 2026. Interest and principal payments are due semiannually and annually, respectively, under terms of the bond agreement. At June 30, 2014, the outstanding balance was \$24,935,000.

Bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,425,000	\$ 1,369,828	\$ 2,794,828
2016	1,485,000	1,310,707	2,795,707
2017	1,545,000	1,245,324	2,790,324
2018	1,615,000	1,170,453	2,785,453
2019	1,695,000	1,086,554	2,781,554
2020-2024	9,970,000	3,862,289	13,832,289
2025-2027	7,200,000	703,089	7,903,089
Total	<u>\$ 24,935,000</u>	<u>\$ 10,748,244</u>	<u>\$ 35,683,244</u>

**e. Insurance**

The Successor Agency is covered under the City of Fullerton's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 12.

**f. Extraordinary Gain/Loss**

During the fiscal year, pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Fullerton Redevelopment Agency (RDA) to the City of Fullerton after January 1, 2011. The SCO's review found that the RDA transferred unallowable assets to the City totaling \$21,934,592 and need to be transferred back to the current Successor Agency of the Former Redevelopment Agency. During the fiscal year, City Council approved the transfer to the Successor Agency of the Former Redevelopment Agency. The transfer totaled \$22,359,135, net of accumulated depreciation. This is shown as an extraordinary loss to the City and a gain to the Successor Agency as of June 30, 2014.

**g. Net Position Restatement**

The Successor Agency of the Former RDA restated net position in the amount of \$134,850. The restatement was made to properly record a loan receivable in the Successor Agency of the Former RDA. The loan receivable was originally recorded in the City's Housing Fund in the prior year and was transferred to the Successor Agency of the Former RDA in the current year. The loan was expended out of the Successor Agency of the Former RDA in the prior year and should be recorded in the proper fund.

## CITY OF FULLERTON

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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#### **Budgetary Comparison Information**

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

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

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CITY OF FULLERTON

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 60,728,100	\$ 60,728,100	\$ 61,365,551	\$ 637,451
Licenses and permits	1,478,425	1,478,425	1,765,906	287,481
Intergovernmental	249,000	356,418	271,243	(85,175)
Charges for services	6,705,673	6,705,673	7,811,717	1,106,044
Use of money and property	3,316,178	3,316,178	3,239,032	(77,146)
Fines and forfeitures	1,116,200	1,116,200	1,178,845	62,645
Miscellaneous	608,976	608,976	904,395	295,419
<b>Total Revenues</b>	<b>74,202,552</b>	<b>74,309,970</b>	<b>76,536,689</b>	<b>2,226,719</b>
<b>Expenditures:</b>				
Current:				
General government	4,670,757	4,874,537	4,544,465	330,072
Public safety	52,748,614	53,106,891	52,939,057	167,834
Community development	3,548,384	3,781,062	3,780,629	433
Parks and recreation	8,581,235	8,664,886	8,464,718	200,168
Public works	6,407,271	6,855,501	6,853,934	1,567
Capital outlay	181,000	332,000	210,001	121,999
<b>Total Expenditures:</b>	<b>76,137,261</b>	<b>77,614,877</b>	<b>76,792,804</b>	<b>822,073</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,934,709)</b>	<b>(3,304,907)</b>	<b>(256,115)</b>	<b>3,048,792</b>
<b>Other Financing Sources</b>				
Transfers in	500,000	494,932	403,773	(91,159)
Transfers out	(493,710)	(598,768)	(181,694)	417,074
Proceeds from sale of capital asset	3,000	3,000	6,644	3,644
<b>Total Other Financing Sources (Uses):</b>	<b>9,290</b>	<b>(100,836)</b>	<b>228,723</b>	<b>329,559</b>
Net Change in Fund Balances	(1,925,419)	(3,405,743)	(27,392)	3,378,351
Fund Balances, Beginning of Year	15,605,984	15,605,984	15,605,984	-
<b>Fund Balances, End of Year</b>	<b>\$ 13,680,565</b>	<b>\$ 12,200,241</b>	<b>\$ 15,578,592</b>	<b>\$ 3,378,351</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
GRANTS ADMINISTRATION FUND  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 2,598,181	\$ 4,328,279	\$ 2,517,697	\$ (1,810,582)
Use of money and property	-	-	6,255	6,255
Miscellaneous	50,000	150,490	83,399	(67,091)
<b>Total Revenues</b>	<b>2,648,181</b>	<b>4,478,769</b>	<b>2,607,351</b>	<b>(1,871,418)</b>
<b>Expenditures:</b>				
Current:				
General government	216,030	483,993	32,334	451,659
Public safety	421,090	801,433	669,649	131,784
Community development	967,185	1,545,019	644,882	900,137
Parks and recreation	365,876	752,446	613,535	138,911
Capital outlay	-	7,532	7,031	501
Debt service:				
Principal retirement	500,000	500,000	500,000	-
Interest and fiscal charges	178,000	178,000	178,000	-
<b>Total Expenditures:</b>	<b>2,648,181</b>	<b>4,268,423</b>	<b>2,645,431</b>	<b>1,622,992</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>210,346</b>	<b>(38,080)</b>	<b>(248,426)</b>
Net Change in Fund Balances	-	212,420	(38,080)	(250,500)
Fund Balances, Beginning of Year	(196,801)	(196,801)	(196,801)	-
<b>Fund Balances, End of Year</b>	<b>\$ (196,801)</b>	<b>\$ 15,619</b>	<b>\$ (234,881)</b>	<b>\$ (250,500)</b>

CITY OF FULLERTON

BUDGETARY COMPARISON SCHEDULE  
HOUSING  
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 150,000	\$ 150,000	\$ 95,026	\$ (54,974)
<b>Total Revenues</b>	<b>150,000</b>	<b>150,000</b>	<b>95,026</b>	<b>(54,974)</b>
<b>Expenditures:</b>				
Current:				
Community development	81,700	157,392	120,180	37,212
<b>Total Expenditures:</b>	<b>81,700</b>	<b>157,392</b>	<b>120,180</b>	<b>37,212</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>68,300</b>	<b>(7,392)</b>	<b>(25,154)</b>	<b>(17,762)</b>
<b>Other Financing Sources</b>				
Transfers in	-	27,984	27,984	-
Transfers out	(2,830)	(2,830)	(2,830)	-
<b>Total Other Financing Sources (Uses):</b>	<b>(2,830)</b>	<b>25,154</b>	<b>25,154</b>	<b>-</b>
Net Change in Fund Balances	65,470	17,762	-	(17,762)
Fund Balances, Beginning of Year, as restated	17,965,639	17,965,639	17,965,639	-
<b>Fund Balances, End of Year, as restated</b>	<b>\$18,031,109</b>	<b>\$17,983,401</b>	<b>\$17,965,639</b>	<b>\$ (17,762)</b>

CITY OF FULLERTON

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>State Gas Tax</u>	<u>Sewer &amp; Drainage</u>	<u>Traffic Safety</u>	<u>Park Dwelling</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 4,465,533	\$ 2,054,662	\$ -	\$ 5,930,112
Receivables:				
Accounts	-	-	-	-
Other accrued revenue	413,275	212,559	30,159	-
<b>Total Assets</b>	<b><u>\$ 4,878,808</u></b>	<b><u>\$ 2,267,221</u></b>	<b><u>\$ 30,159</u></b>	<b><u>\$ 5,930,112</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 73,990	\$ 5,004	\$ -	\$ -
Accrued liabilities	5,587	3,244	-	258
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
<b>Total Liabilities</b>	<b><u>79,577</u></b>	<b><u>8,248</u></b>	<b><u>-</u></b>	<b><u>258</u></b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	30,159	-
Public works	4,799,231	-	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
Parks and recreation	-	-	-	5,929,854
Public works	-	2,258,973	-	-
Refuse collection	-	-	-	-
<b>Total Fund Balances</b>	<b><u>4,799,231</u></b>	<b><u>2,258,973</u></b>	<b><u>30,159</u></b>	<b><u>5,929,854</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,878,808</u></b>	<b><u>\$ 2,267,221</u></b>	<b><u>\$ 30,159</u></b>	<b><u>\$ 5,930,112</u></b>

## CITY OF FULLERTON

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

(CONTINUED)

	Special Revenue Funds			
	Asset Seizure	Refuse Collection	Air Quality Improvement	Sanitation
<b>Assets:</b>				
Pooled cash and investments	\$ 563,563	\$ 317,921	\$ 335,016	\$ 3,906,221
Receivables:				
Accounts	-	965,052	-	556,570
Other accrued revenue	426	1,065,498	97,587	590,459
<b>Total Assets</b>	<b>\$ 563,989</b>	<b>\$ 2,348,471</b>	<b>\$ 432,603</b>	<b>\$ 5,053,250</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,033	\$ 1,649,023	\$ 2,767	\$ 43,762
Accrued liabilities	-	1,215	-	47,425
Unearned revenues	-	-	-	-
Deposits payable	2,466	-	-	-
<b>Total Liabilities</b>	<b>6,499</b>	<b>1,650,238</b>	<b>2,767</b>	<b>91,187</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	-	-	42,832	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>42,832</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	387,004	-
Public safety	557,490	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
<b>Committed to:</b>				
Parks and recreation	-	-	-	-
Public works	-	-	-	4,962,063
Refuse collection	-	698,233	-	-
<b>Total Fund Balances</b>	<b>557,490</b>	<b>698,233</b>	<b>387,004</b>	<b>4,962,063</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 563,989</b>	<b>\$ 2,348,471</b>	<b>\$ 432,603</b>	<b>\$ 5,053,250</b>

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CITY OF FULLERTON

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	Measure M	Debt Services Reserve	
<b>Assets:</b>			
Pooled cash and investments	\$ 4,029,189	\$ 289,419	\$ 21,891,636
Receivables:			
Accounts	-	-	1,521,622
Other accrued revenue	359,332	-	2,769,295
<b>Total Assets</b>	<b>\$ 4,388,521</b>	<b>\$ 289,419</b>	<b>\$ 26,182,553</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 25,759	\$ -	\$ 1,804,338
Accrued liabilities	-	-	57,729
Unearned revenues	65,501	-	65,501
Deposits payable	-	-	2,466
<b>Total Liabilities</b>	<b>91,260</b>	<b>-</b>	<b>1,930,034</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenues	-	-	42,832
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>42,832</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
<b>Restricted for:</b>			
Community development projects	-	-	387,004
Public safety	-	-	587,649
Public works	4,297,261	-	9,096,492
Debt service	-	289,419	289,419
<b>Committed to:</b>			
Parks and recreation	-	-	5,929,854
Public works	-	-	7,221,036
Refuse collection	-	-	698,233
<b>Total Fund Balances</b>	<b>4,297,261</b>	<b>289,419</b>	<b>24,209,687</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,388,521</b>	<b>\$ 289,419</b>	<b>\$ 26,182,553</b>

CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Sewer &amp; Drainage</b>	<b>Traffic Safety</b>	<b>Park Dwelling</b>
<b>Revenues:</b>				
Intergovernmental	\$ 4,324,670	\$ -	\$ -	\$ -
Charges for services	-	1,863,759	-	2,082,659
Investment income	43,254	-	-	-
Fines and forfeitures	-	-	406,939	-
<b>Total Revenues</b>	<b>4,367,924</b>	<b>1,863,759</b>	<b>406,939</b>	<b>2,082,659</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Human and leisure	-	-	-	-
Public works	1,653,015	534,975	-	13,317
Refuse collection	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,653,015</b>	<b>534,975</b>	<b>-</b>	<b>13,317</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,714,909	1,328,784	406,939	2,069,342
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(1,642,585)	(1,122,559)	(403,773)	(1,006,247)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,642,585)</b>	<b>(1,122,559)</b>	<b>(403,773)</b>	<b>(1,006,247)</b>
Net Change in Fund Balances	1,072,324	206,225	3,166	1,063,095
Fund Balances, Beginning of Year	3,726,907	2,052,748	26,993	4,866,759
<b>Fund Balances, End of Year</b>	<b>\$ 4,799,231</b>	<b>\$ 2,258,973</b>	<b>\$ 30,159</b>	<b>\$ 5,929,854</b>

## CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014**

(CONTINUED)

	<b>Special Revenue Funds</b>			
	<b>Asset Seizure</b>	<b>Refuse Collection</b>	<b>Air Quality Improvement</b>	<b>Sanitation</b>
<b>Revenues:</b>				
Intergovernmental	\$ 190,159	\$ -	\$ 181,742	\$ -
Charges for services	-	10,254,865	-	5,133,611
Investment income	5,073	-	2,447	-
Fines and forfeitures	-	-	-	-
<b>Total Revenues</b>	<b>195,232</b>	<b>10,254,865</b>	<b>184,189</b>	<b>5,133,611</b>
<b>Expenditures:</b>				
Current:				
Public safety	191,440	-	-	109,373
Community development	-	-	57,314	57,657
Human and leisure	-	-	-	-
Public works	-	-	-	3,818,265
Refuse collection	-	10,010,887	-	-
Capital outlay	-	-	85,664	2,857
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>191,440</b>	<b>10,010,887</b>	<b>142,978</b>	<b>3,988,152</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,792	243,978	41,211	1,145,459
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(63,872)	(10,000)	(66,118)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(63,872)</b>	<b>(10,000)</b>	<b>(66,118)</b>
Net Change in Fund Balances	3,792	180,106	31,211	1,079,341
Fund Balances, Beginning of Year	553,698	518,127	355,793	3,882,722
<b>Fund Balances, End of Year</b>	<b>\$ 557,490</b>	<b>\$ 698,233</b>	<b>\$ 387,004</b>	<b>\$ 4,962,063</b>

CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Measure M</u>	<u>Debt Services Reserve</u>	
<b>Revenues:</b>			
Intergovernmental	\$ 2,046,464	\$ -	\$ 6,743,035
Charges for services	-	-	19,334,894
Investment income	39,178	-	89,952
Fines and forfeitures	-	-	406,939
	<u>2,085,642</u>	<u>-</u>	<u>26,574,820</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
Current:			
Public safety	-	-	300,813
Community development	-	-	114,971
Human and leisure	126,736	-	126,736
Public works	61,055	-	6,080,627
Refuse collection	-	-	10,010,887
Capital outlay	-	-	88,521
Debt service:			
Principal retirement	-	253,245	253,245
Interest and fiscal charges	-	39,399	39,399
	<u>187,791</u>	<u>292,644</u>	<u>17,015,199</u>
<b>Total Expenditures</b>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,897,851</u>	<u>(292,644)</u>	<u>9,559,621</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	337,240	337,240
Transfers out	(2,043,505)	(1,609,098)	(7,967,757)
	<u>(2,043,505)</u>	<u>(1,271,858)</u>	<u>(7,630,517)</u>
<b>Total Other Financing Sources (Uses)</b>			
Net Change in Fund Balances	<u>(145,654)</u>	<u>(1,564,502)</u>	<u>1,929,104</u>
Fund Balances, Beginning of Year	<u>4,442,915</u>	<u>1,853,921</u>	<u>22,280,583</u>
<b>Fund Balances, End of Year</b>	<u>\$ 4,297,261</u>	<u>\$ 289,419</u>	<u>\$ 24,209,687</u>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 3,565,000	\$ 3,565,000	\$ 4,324,670	\$ 759,670
Use of money and property	25,000	25,000	43,254	18,254
<b>Total Revenues</b>	<b>3,590,000</b>	<b>3,590,000</b>	<b>4,367,924</b>	<b>777,924</b>
<b>Expenditures:</b>				
Current:				
Public works	1,890,153	1,895,389	1,653,015	242,374
<b>Total Expenditures:</b>	<b>1,890,153</b>	<b>1,895,389</b>	<b>1,653,015</b>	<b>242,374</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,699,847</b>	<b>1,694,611</b>	<b>2,714,909</b>	1,020,298
<b>Other Financing Sources</b>				
Transfers out	(1,717,410)	(3,464,791)	(1,642,585)	1,822,206
<b>Total Other Financing Sources (Uses):</b>	<b>(1,717,410)</b>	<b>(3,464,791)</b>	<b>(1,642,585)</b>	1,822,206
Net Change in Fund Balances	(17,563)	(1,770,180)	1,072,324	2,842,504
Fund Balances, Beginning of Year	3,726,907	3,726,907	3,726,907	-
<b>Fund Balances, End of Year</b>	<b>\$ 3,709,344</b>	<b>\$ 1,956,727</b>	<b>\$ 4,799,231</b>	<b>\$ 2,842,504</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
SEWER & DRAINAGE  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 1,800,000	\$ 1,800,000	\$ 1,863,759	\$ 63,759
<b>Total Revenues</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>1,863,759</b>	<b>63,759</b>
<b>Expenditures:</b>				
Current:				
Public works	574,053	576,721	534,975	41,746
<b>Total Expenditures:</b>	<b>574,053</b>	<b>576,721</b>	<b>534,975</b>	<b>41,746</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,225,947</b>	<b>1,223,279</b>	<b>1,328,784</b>	105,505
<b>Other Financing Sources</b>				
Transfers out	(1,461,010)	(3,218,835)	(1,122,559)	2,096,276
<b>Total Other Financing Sources (Uses):</b>	<b>(1,461,010)</b>	<b>(3,218,835)</b>	<b>(1,122,559)</b>	<b>2,096,276</b>
Net Change in Fund Balances	(235,063)	(1,995,556)	206,225	2,201,781
Fund Balances, Beginning of Year	2,052,748	2,052,748	2,052,748	-
<b>Fund Balances, End of Year</b>	<b>\$ 1,817,685</b>	<b>\$ 57,192</b>	<b>\$ 2,258,973</b>	<b>\$ 2,201,781</b>

CITY OF FULLERTON

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY  
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 500,000	\$ 500,000	\$ 406,939	\$ (93,061)
<b>Total Revenues</b>	<b>500,000</b>	<b>500,000</b>	<b>406,939</b>	<b>(93,061)</b>
<b>Other Financing Sources</b>				
Transfers out	(500,000)	(433,932)	(403,773)	30,159
<b>Total Other Financing Sources (Uses):</b>	<b>(500,000)</b>	<b>(433,932)</b>	<b>(403,773)</b>	<b>30,159</b>
Net Change in Fund Balances	-	66,068	3,166	(62,902)
Fund Balances, Beginning of Year	26,993	26,993	26,993	-
<b>Fund Balances, End of Year</b>	<b>\$ 26,993</b>	<b>\$ 93,061</b>	<b>\$ 30,159</b>	<b>\$ (62,902)</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
PARK DWELLING  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 200,000	\$ 200,000	\$ 2,082,659	\$ 1,882,659
<b>Total Revenues</b>	<b>200,000</b>	<b>200,000</b>	<b>2,082,659</b>	<b>1,882,659</b>
<b>Expenditures:</b>				
Current:				
Public works	13,386	13,601	13,317	284
<b>Total Expenditures:</b>	<b>13,386</b>	<b>13,601</b>	<b>13,317</b>	<b>284</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>186,614</b>	<b>186,399</b>	<b>2,069,342</b>	<b>1,882,943</b>
<b>Other Financing Sources</b>				
Transfers out	(857,410)	(3,927,464)	(1,006,247)	2,921,217
<b>Total Other Financing Sources (Uses):</b>	<b>(857,410)</b>	<b>(3,927,464)</b>	<b>(1,006,247)</b>	<b>2,921,217</b>
Net Change in Fund Balances	(670,796)	(3,741,065)	1,063,095	4,804,160
Fund Balances, Beginning of Year	4,866,759	4,866,759	4,866,759	-
<b>Fund Balances, End of Year</b>	<b>\$ 4,195,963</b>	<b>\$ 1,125,694</b>	<b>\$ 5,929,854</b>	<b>\$ 4,804,160</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
ASSET SEIZURE  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 190,159	\$ 110,159
Use of money and property	2,200	2,200	5,073	2,873
<b>Total Revenues</b>	<b>82,200</b>	<b>82,200</b>	<b>195,232</b>	<b>113,032</b>
<b>Expenditures:</b>				
Current:				
Public safety	123,240	274,554	191,440	83,114
<b>Total Expenditures:</b>	<b>123,240</b>	<b>274,554</b>	<b>191,440</b>	<b>83,114</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(41,040)</b>	<b>(192,354)</b>	<b>3,792</b>	<b>196,146</b>
Net Change in Fund Balances	(41,040)	(192,354)	3,792	196,146
Fund Balances, Beginning of Year	553,698	553,698	553,698	-
<b>Fund Balances, End of Year</b>	<b>\$ 512,658</b>	<b>\$ 361,344</b>	<b>\$ 557,490</b>	<b>\$ 196,146</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
REFUSE COLLECTION  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 10,060,000	\$ 10,201,000	\$ 10,254,865	\$ 53,865
<b>Total Revenues</b>	<b>10,060,000</b>	<b>10,201,000</b>	<b>10,254,865</b>	<b>53,865</b>
<b>Expenditures:</b>				
Current:				
Refuse collection	9,925,567	10,067,137	10,010,887	56,250
<b>Total Expenditures:</b>	<b>9,925,567</b>	<b>10,067,137</b>	<b>10,010,887</b>	<b>56,250</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>134,433</b>	<b>133,863</b>	<b>243,978</b>	110,115
<b>Other Financing Sources</b>				
Transfers out	(650,000)	(650,000)	(63,872)	586,128
<b>Total Other Financing Sources (Uses):</b>	<b>(650,000)</b>	<b>(650,000)</b>	<b>(63,872)</b>	<b>586,128</b>
Net Change in Fund Balances	(515,567)	(516,137)	180,106	696,243
Fund Balances, Beginning of Year	518,127	518,127	518,127	-
<b>Fund Balances, End of Year</b>	<b>\$ 2,560</b>	<b>\$ 1,990</b>	<b>\$ 698,233</b>	<b>\$ 696,243</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY IMPROVEMENT  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 160,000	\$ 202,832	\$ 181,742	\$ (21,090)
Use of money and property	1,000	1,000	2,447	1,447
<b>Total Revenues</b>	<b>161,000</b>	<b>203,832</b>	<b>184,189</b>	<b>(19,643)</b>
<b>Expenditures:</b>				
Current:				
Community development	113,500	57,500	57,314	186
Capital outlay	-	141,664	85,664	56,000
<b>Total Expenditures:</b>	<b>113,500</b>	<b>199,164</b>	<b>142,978</b>	<b>56,186</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>47,500</b>	<b>4,668</b>	<b>41,211</b>	<b>36,543</b>
<b>Other Financing Sources</b>				
Transfers out	(288,673)	(288,673)	(10,000)	278,673
<b>Total Other Financing Sources (Uses):</b>	<b>(288,673)</b>	<b>(288,673)</b>	<b>(10,000)</b>	<b>278,673</b>
Net Change in Fund Balances	(241,173)	(284,005)	31,211	315,216
Fund Balances, Beginning of Year	355,793	355,793	355,793	-
<b>Fund Balances, End of Year</b>	<b>\$ 114,620</b>	<b>\$ 71,788</b>	<b>\$ 387,004</b>	<b>\$ 315,216</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
SANITATION  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 5,000,000	\$ 5,000,000	\$ 5,133,611	\$ 133,611
<b>Total Revenues</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,133,611</b>	<b>133,611</b>
<b>Expenditures:</b>				
Current:				
Public safety	110,190	110,190	109,373	817
Community development	58,847	58,962	57,657	1,305
Public works	4,253,221	4,275,160	3,818,265	456,895
Capital outlay	9,550	9,550	2,857	6,693
<b>Total Expenditures:</b>	<b>4,431,808</b>	<b>4,453,862</b>	<b>3,988,152</b>	<b>465,710</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>568,192</b>	<b>546,138</b>	<b>1,145,459</b>	<b>599,321</b>
<b>Other Financing Sources</b>				
Transfers out	(8,950)	(219,085)	(66,118)	152,967
<b>Total Other Financing Sources (Uses):</b>	<b>(8,950)</b>	<b>(219,085)</b>	<b>(66,118)</b>	<b>152,967</b>
Net Change in Fund Balances	559,242	327,053	1,079,341	752,288
Fund Balances, Beginning of Year	3,882,722	3,882,722	3,882,722	-
<b>Fund Balances, End of Year</b>	<b>\$ 4,441,964</b>	<b>\$ 4,209,775</b>	<b>\$ 4,962,063</b>	<b>\$ 752,288</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
MEASURE M  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,985,550	\$ 2,062,547	\$ 2,046,464	\$ (16,083)
Use of money and property	10,000	10,000	39,178	29,178
<b>Total Revenues</b>	<b>1,995,550</b>	<b>2,072,547</b>	<b>2,085,642</b>	<b>13,095</b>
<b>Expenditures:</b>				
Current:				
Parks and recreation	115,240	192,237	126,736	65,501
Public works	118,000	118,000	61,055	56,945
<b>Total Expenditures:</b>	<b>233,240</b>	<b>310,237</b>	<b>187,791</b>	<b>122,446</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,762,310</b>	<b>1,762,310</b>	<b>1,897,851</b>	135,541
<b>Other Financing Sources</b>				
Transfers out	(1,781,650)	(5,997,255)	(2,043,505)	3,953,750
<b>Total Other Financing Sources (Uses):</b>	<b>(1,781,650)</b>	<b>(5,997,255)</b>	<b>(2,043,505)</b>	3,953,750
Net Change in Fund Balances	(19,340)	(4,234,945)	(145,654)	4,089,291
Fund Balances, Beginning of Year	4,442,915	4,442,915	4,442,915	-
<b>Fund Balances, End of Year</b>	<b>\$ 4,423,575</b>	<b>\$ 207,970</b>	<b>\$ 4,297,261</b>	<b>\$ 4,089,291</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
CITY CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 130,427,000	\$ 199,009,888	\$ 15,415,577	\$ (183,594,311)
Charges for services	110,000	315,163	90,461	(224,702)
Miscellaneous	431,000	676,910	460,551	(216,359)
<b>Total Revenues</b>	<b>130,968,000</b>	<b>200,001,961</b>	<b>15,966,589</b>	<b>(184,035,372)</b>
<b>Expenditures:</b>				
Capital outlay	142,091,921	224,082,098	38,970,412	185,111,686
<b>Total Expenditures:</b>	<b>142,091,921</b>	<b>224,082,098</b>	<b>38,970,412</b>	<b>185,111,686</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(11,123,921)</b>	<b>(24,080,137)</b>	<b>(23,003,823)</b>	<b>1,076,314</b>
<b>Other Financing Sources</b>				
Transfers in	11,234,951	24,871,156	6,076,299	(18,794,857)
Transfers out	(2,212)	(3,270)	(3,270)	-
<b>Total Other Financing Sources (Uses):</b>	<b>11,232,739</b>	<b>24,867,886</b>	<b>6,073,029</b>	<b>(18,794,857)</b>
Net Change in Fund Balances	108,818	787,749	(16,930,794)	(17,718,543)
Fund Balances, Beginning of Year	(1,350,414)	(1,350,414)	(1,350,414)	-
Fund Balances, End of Year	<b>\$ (1,241,596)</b>	<b>\$ (562,665)</b>	<b>\$ (18,281,208)</b>	<b>\$ (17,718,543)</b>

CITY OF FULLERTON

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICES RESERVE  
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
<b>Total Revenues</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>(10,000)</b>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	253,245	253,245	253,245	-
Interest and fiscal charges	39,399	39,399	39,399	-
<b>Total Expenditures:</b>	<b>292,644</b>	<b>292,644</b>	<b>292,644</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(282,644)</b>	<b>(282,644)</b>	<b>(292,644)</b>	<b>(10,000)</b>
<b>Other Financing Sources</b>				
Transfers in	228,142	337,240	337,240	-
Transfers out	-	(1,957,762)	(1,609,098)	348,664
<b>Total Other Financing Sources (Uses):</b>	<b>228,142</b>	<b>(1,620,522)</b>	<b>(1,271,858)</b>	<b>348,664</b>
Net Change in Fund Balances	(54,502)	(1,903,166)	(1,564,502)	338,664
Fund Balances, Beginning of Year	1,853,921	1,853,921	1,853,921	-
<b>Fund Balances, End of Year</b>	<b>\$ 1,799,419</b>	<b>\$ (49,245)</b>	<b>\$ 289,419</b>	<b>\$ 338,664</b>

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## CITY OF FULLERTON

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Brea Dam Facilities Recreational</b>	<b>Parking Facilities</b>	<b>Compressed Natural Gas Facility Fund</b>	
<b>Assets:</b>				
Current:				
Cash and investments	\$ -	\$ 67,206	\$ 169,796	\$ 237,002
Accounts receivable	19,102	-	5,327	24,429
Prepaid items	57,525	-	-	57,525
Inventory	30,002	-	-	30,002
Other accrued revenue receivable	2,845	-	403	3,248
Restricted:				
Cash with fiscal agent	534,268	-	-	534,268
<b>Total Current Position</b>	<b>643,742</b>	<b>67,206</b>	<b>175,526</b>	<b>886,474</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	2,856,621	541,789	-	3,398,410
<b>Total Noncurrent Position</b>	<b>2,856,621</b>	<b>541,789</b>	<b>-</b>	<b>3,398,410</b>
<b>Total Assets</b>	<b>\$ 3,500,363</b>	<b>\$ 608,995</b>	<b>\$ 175,526</b>	<b>\$ 4,284,884</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 125,945	\$ 886	\$ 46,983	\$ 173,814
Accrued liabilities	4,797	251	419	5,467
Accrued interest	29,193	-	-	29,193
Due to other funds	224,342	-	-	224,342
Accrued compensated absences	8,327	-	-	8,327
Bonds, notes, and capital leases	105,000	-	-	105,000
<b>Total Current Liabilities</b>	<b>497,604</b>	<b>1,137</b>	<b>47,402</b>	<b>546,143</b>
Noncurrent:				
Accrued compensated absences	2,082	-	-	2,082
Bonds, notes, and capital leases	2,274,030	-	-	2,274,030
<b>Total Noncurrent Liabilities</b>	<b>2,276,112</b>	<b>-</b>	<b>-</b>	<b>2,276,112</b>
<b>Total Liabilities</b>	<b>2,773,716</b>	<b>1,137</b>	<b>47,402</b>	<b>2,822,255</b>
<b>Net Position:</b>				
Net investment in capital assets	477,591	541,789	-	1,019,380
Restricted for debt service	534,268	-	-	534,268
Unrestricted	(285,212)	66,069	128,124	(91,019)
<b>Total Net Position</b>	<b>726,647</b>	<b>607,858</b>	<b>128,124</b>	<b>1,462,629</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 3,500,363</b>	<b>\$ 608,995</b>	<b>\$ 175,526</b>	<b>\$ 4,284,884</b>

CITY OF FULLERTON

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Brea Dam Facilities Recreational</b>	<b>Parking Facilities</b>	<b>Compressed Natural Gas Facility Fund</b>	
<b>Operating Revenues:</b>				
Sales and service charges	\$ 3,016,640	\$ -	\$ 509,560	\$ 3,526,200
<b>Total Operating Revenues</b>	<b>3,016,640</b>	<b>-</b>	<b>509,560</b>	<b>3,526,200</b>
<b>Operating Expenses:</b>				
Maintenance, operations, and administration	2,733,340	51,019	411,940	3,196,299
Depreciation expense	56,477	-	-	56,477
<b>Total Operating Expenses</b>	<b>2,789,817</b>	<b>51,019</b>	<b>411,940</b>	<b>3,252,776</b>
Operating Income (Loss)	226,823	(51,019)	97,620	273,424
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	233	-	-	233
Interest expense	(109,488)	-	-	(109,488)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(109,255)</b>	<b>-</b>	<b>-</b>	<b>(109,255)</b>
Changes in Net Position	117,568	(51,019)	97,620	164,169
<b>Net Position:</b>				
Beginning of Year	609,079	658,877	30,504	1,298,460
<b>End of Fiscal Year</b>	<b>\$ 726,647</b>	<b>\$ 607,858</b>	<b>\$ 128,124</b>	<b>\$ 1,462,629</b>

## CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Brea Dam Facilities Recreational</b>	<b>Parking Facilities</b>	<b>Compressed Natural Gas Facility Fund</b>	
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 3,016,865	\$ 25,400	\$ 503,830	\$ 3,546,095
Cash paid to suppliers	-	(50,228)	-	(50,228)
Cash paid to employees for services	(2,715,960)	(99)	(385,663)	(3,101,722)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>300,905</b>	<b>(24,927)</b>	<b>118,167</b>	<b>394,145</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Repayment made to other funds	(216,343)	-	-	(216,343)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(216,343)</b>	<b>-</b>	<b>-</b>	<b>(216,343)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(7,480)	-	-	(7,480)
Principal paid on capital debt	(121,661)	-	-	(121,661)
Interest paid on capital debt	(109,057)	-	-	(109,057)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(238,198)</b>	<b>-</b>	<b>-</b>	<b>(238,198)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	(827)	-	-	(827)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(827)</b>	<b>-</b>	<b>-</b>	<b>(827)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(154,463)</b>	<b>(24,927)</b>	<b>118,167</b>	<b>(61,223)</b>
Cash and Cash Equivalents at Beginning of Year	688,731	92,133	51,629	832,493
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 534,268</b>	<b>\$ 67,206</b>	<b>\$ 169,796</b>	<b>\$ 771,270</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 226,823	\$ (51,019)	\$ 97,620	\$ 273,424
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	56,477	-	-	56,477
(Increase) decrease in accounts receivable	225	25,400	(5,327)	20,298
(Increase) decrease in other accrued revenue receivable	-	-	(403)	(403)
Increase (decrease) in accounts payable	17,744	791	25,974	44,509
Increase (decrease) in accrued liabilities	(808)	(99)	303	(604)
Increase (decrease) in compensated absences	444	-	-	444
<b>Total Adjustments</b>	<b>74,082</b>	<b>26,092</b>	<b>20,547</b>	<b>120,721</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 300,905</b>	<b>\$ (24,927)</b>	<b>\$ 118,167</b>	<b>\$ 394,145</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Amortization of bond premiums/discounts	\$ (2,483)	\$ -	\$ -	\$ (2,483)

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Liability Insurance</b>	<b>Equipment Replacement</b>	<b>Workers' Comp</b>	<b>Group Insurance</b>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 9,842,411	\$ 3,261,928	\$ 15,744,267	\$ 64,925
Accounts receivable	-	41,684	-	-
Prepaid items	3,500	28,445	-	-
Deposits	-	949,810	-	-
Inventory	-	-	-	-
Other accrued revenue receivable	-	2,629	12,200	-
Restricted:				
Cash with fiscal agent	7	-	-	-
<b>Total Current Assets</b>	<b>9,845,918</b>	<b>4,284,496</b>	<b>15,756,467</b>	<b>64,925</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	-	4,727,097	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>4,727,097</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 9,845,918</b>	<b>\$ 9,011,593</b>	<b>\$ 15,756,467</b>	<b>\$ 64,925</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 231,885	\$ 2,803	\$ 2,072	\$ 39,514
Accrued liabilities	2,436	-	2,904	5,100
Accrued interest	79,551	19,328	-	-
Due to other funds	-	-	-	-
Claims payable	209,741	-	1,739,075	-
Bonds, notes, and capital leases	265,000	263,199	-	-
<b>Total Current Liabilities</b>	<b>788,613</b>	<b>285,330</b>	<b>1,744,051</b>	<b>44,614</b>
Noncurrent:				
Claims payable	8,920,259	-	12,727,925	-
Bonds, notes, and capital leases	6,671,177	1,031,032	-	-
<b>Total Noncurrent Liabilities</b>	<b>15,591,436</b>	<b>1,031,032</b>	<b>12,727,925</b>	<b>-</b>
<b>Total Liabilities</b>	<b>16,380,049</b>	<b>1,316,362</b>	<b>14,471,976</b>	<b>44,614</b>
<b>Net Position:</b>				
Net investment in capital assets				
Unrestricted	(6,534,131)	4,262,365	1,284,491	20,311
<b>Total Net Position</b>	<b>(6,534,131)</b>	<b>7,695,231</b>	<b>1,284,491</b>	<b>20,311</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 9,845,918</b>	<b>\$ 9,011,593</b>	<b>\$ 15,756,467</b>	<b>\$ 64,925</b>

## CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014

(CONTINUED)

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Equipment Maintenance</b>	<b>Information Technology</b>	<b>Building Maintenance</b>	<b>Facility Capital Repair</b>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 1,539,887	\$ -	\$ 822,684	\$ 2,070,736
Accounts receivable	190	-	-	-
Prepaid items	-	37,888	-	-
Deposits	-	-	-	-
Inventory	208,653	-	-	-
Other accrued revenue receivable	690	726	-	1,524
Restricted:				
Cash with fiscal agent	-	3,001,212	-	-
<b>Total Current Assets</b>	<b>1,749,420</b>	<b>3,039,826</b>	<b>822,684</b>	<b>2,072,260</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	209,407	907,402	42,746	131,091
<b>Total Noncurrent Assets</b>	<b>209,407</b>	<b>907,402</b>	<b>42,746</b>	<b>131,091</b>
<b>Total Assets</b>	<b>\$ 1,958,827</b>	<b>\$ 3,947,228</b>	<b>\$ 865,430</b>	<b>\$ 2,203,351</b>
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 144,426	\$ 169,626	\$ 126,850	\$ 11,186
Accrued liabilities	12,974	12,510	12,265	-
Accrued interest	-	-	-	-
Due to other funds	-	37,956	-	-
Claims payable	-	-	-	-
Bonds, notes, and capital leases	-	584,645	-	-
<b>Total Current Liabilities</b>	<b>157,400</b>	<b>804,737</b>	<b>139,115</b>	<b>11,186</b>
Noncurrent:				
Claims payable	-	-	-	-
Bonds, notes, and capital leases	-	2,218,704	-	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>2,218,704</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>157,400</b>	<b>3,023,441</b>	<b>139,115</b>	<b>11,186</b>
<b>Net Position:</b>				
Net investment in capital assets	209,407	907,402	42,746	131,091
Unrestricted	1,592,020	16,385	683,569	2,061,074
<b>Total Net Position</b>	<b>1,801,427</b>	<b>923,787</b>	<b>726,315</b>	<b>2,192,165</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,958,827</b>	<b>\$ 3,947,228</b>	<b>\$ 865,430</b>	<b>\$ 2,203,351</b>

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CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2014

	<u>Totals</u>
<b>Assets:</b>	
Current:	
Cash and investments	\$ 33,346,838
Accounts receivable	41,874
Prepaid items	69,833
Deposits	949,810
Inventory	208,653
Other accrued revenue receivable	17,769
Restricted:	
Cash with fiscal agent	<u>3,001,219</u>
<b>Total Current Assets</b>	<b><u>37,635,996</u></b>
Noncurrent:	
Capital assets - net of accumulated depreciation	<u>6,017,743</u>
<b>Total Noncurrent Assets</b>	<b><u>6,017,743</u></b>
<b>Total Assets</b>	<b><u><u>\$ 43,653,739</u></u></b>
<b>Liabilities and Net Position:</b>	
<b>Liabilities:</b>	
Current:	
Accounts payable	\$ 728,362
Accrued liabilities	48,189
Accrued interest	98,879
Due to other funds	37,956
Claims payable	1,948,816
Bonds, notes, and capital leases	<u>1,112,844</u>
<b>Total Current Liabilities</b>	<b><u>3,975,046</u></b>
Noncurrent:	
Claims payable	21,648,184
Bonds, notes, and capital leases	<u>9,920,913</u>
<b>Total Noncurrent Liabilities</b>	<b><u>31,569,097</u></b>
<b>Total Liabilities</b>	<b><u>35,544,143</u></b>
<b>Net Position:</b>	
Net investment in capital assets	4,723,512
Unrestricted	<u>3,386,084</u>
<b>Total Net Position</b>	<b><u>8,109,596</u></b>
<b>Total Liabilities and Net Position</b>	<b><u><u>\$ 43,653,739</u></u></b>

CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds			
	Liability Insurance	Equipment Replacement	Workers' Comp	Group Insurance
<b>Operating Revenues:</b>				
Charges for services	\$ 1,711,263	\$ 802,580	\$ 1,139,751	\$ -
Miscellaneous	780	30,131	122,044	-
<b>Total Operating Revenues</b>	<b>1,712,043</b>	<b>832,711</b>	<b>1,261,795</b>	<b>-</b>
<b>Operating Expenses:</b>				
Maintenance, operations and administration	-	-	-	-
Depreciation expense	-	978,677	-	-
<b>Total Operating Expenses</b>	<b>-</b>	<b>978,677</b>	<b>-</b>	<b>-</b>
Operating Income (Loss)	1,712,043	(145,966)	1,261,795	-
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	8	29,224	156,470	-
Interest expense	(268,485)	(37,276)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(268,477)</b>	<b>(8,052)</b>	<b>156,470</b>	<b>-</b>
Income (Loss) Before Transfers	1,443,566	(154,018)	1,418,265	-
Transfers in	2,675,000	-	-	-
Transfers out	-	-	(375,000)	(800,000)
Changes in Net Position	4,118,566	(154,018)	1,043,265	(800,000)
<b>Net Position:</b>				
Beginning of Year	(10,652,697)	7,849,249	241,226	820,311
<b>End of Fiscal Year</b>	<b>\$ (6,534,131)</b>	<b>\$ 7,695,231</b>	<b>\$ 1,284,491</b>	<b>\$ 20,311</b>

## CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

(CONTINUED)

	Governmental Activities - Internal Service Funds			
	Equipment Maintenance	Information Technology	Building Maintenance	Facility Capital Repair
<b>Operating Revenues:</b>				
Charges for services	\$ 324,774	\$ -	\$ 420,021	\$ 379,372
Miscellaneous	604	865	-	-
<b>Total Operating Revenues</b>	<b>325,378</b>	<b>865</b>	<b>420,021</b>	<b>379,372</b>
<b>Operating Expenses:</b>				
Maintenance, operations and administration	-	254,596	-	-
Depreciation expense	28,724	55,516	3,342	7,805
<b>Total Operating Expenses</b>	<b>28,724</b>	<b>310,112</b>	<b>3,342</b>	<b>7,805</b>
Operating Income (Loss)	296,654	(309,247)	416,679	371,567
<b>Nonoperating Revenues (Expenses):</b>				
Interest revenue	-	1,212	-	18,703
Interest expense	-	(10,657)	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>(9,445)</b>	<b>-</b>	<b>18,703</b>
Income (Loss) Before Transfers	296,654	(318,692)	416,679	390,270
Transfers in	-	-	-	-
Transfers out	-	-	-	(226,205)
Changes in Net Position	296,654	(318,692)	416,679	164,065
<b>Net Position:</b>				
Beginning of Year	1,504,773	1,242,479	309,636	2,028,100
<b>End of Fiscal Year</b>	<b>\$ 1,801,427</b>	<b>\$ 923,787</b>	<b>\$ 726,315</b>	<b>\$ 2,192,165</b>

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CITY OF FULLERTON

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

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	<u>Totals</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 4,777,761
Miscellaneous	154,424
	<u>4,932,185</u>
<b>Total Operating Revenues</b>	<b>4,932,185</b>
<b>Operating Expenses:</b>	
Maintenance, operations and administration	254,596
Depreciation expense	1,074,064
	<u>1,328,660</u>
<b>Total Operating Expenses</b>	<b>1,328,660</b>
Operating Income (Loss)	<u>3,603,525</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest revenue	205,617
Interest expense	(316,418)
	<u>(110,801)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(110,801)</b>
Income (Loss) Before Transfers	3,492,724
Transfers in	2,675,000
Transfers out	(1,401,205)
	<u>4,766,519</u>
Changes in Net Position	4,766,519
<b>Net Position:</b>	
Beginning of Year	<u>3,343,077</u>
<b>End of Fiscal Year</b>	<b><u>\$ 8,109,596</u></b>

## CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Liability Insurance</b>	<b>Equipment Replacement</b>	<b>Workers' Comp</b>	<b>Group Insurance</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from interfund services provided	\$ 1,712,043	\$ 791,027	\$ 1,261,141	\$ -
Cash paid to suppliers	(17,722)	(1,018,947)	(9,550)	444
Cash (paid) recovered to insurance claims	(468,556)	-	370,497	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,225,765</b>	<b>(227,920)</b>	<b>1,622,088</b>	<b>444</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	-	(375,000)	(800,000)
Cash transfers in	2,675,000	-	-	-
Repayment made to other funds	(805,598)	-	-	-
Advance from other funds	-	-	-	-
Proceeds from non-capital related debt	7,193,344	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>9,062,746</b>	<b>-</b>	<b>(375,000)</b>	<b>(800,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital lease proceeds	-	-	-	-
Acquisition and construction of capital assets	-	(371,817)	-	-
Principal paid on capital debt	(260,000)	(162,646)	-	-
Interest paid on capital debt	(186,101)	(17,948)	-	-
Capital lease down payment	-	949,810	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(446,101)</b>	<b>397,399</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Interest earned on investments	8	29,224	156,470	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8</b>	<b>29,224</b>	<b>156,470</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>9,842,418</b>	<b>198,703</b>	<b>1,403,558</b>	<b>(799,556)</b>
Cash and Cash Equivalents at Beginning of Year	-	3,063,225	14,340,709	864,481
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 9,842,418</b>	<b>\$ 3,261,928</b>	<b>\$ 15,744,267</b>	<b>\$ 64,925</b>

CITY OF FULLERTON

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds			
	Liability Insurance	Equipment Replacement	Workers' Comp	Group Insurance
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 1,712,043	\$ (145,966)	\$ 1,261,795	\$ -
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	-	978,677	-	-
(Increase) decrease in accounts receivable	-	(41,684)	-	-
(Increase) decrease in deposits receivable	-	(949,810)	-	-
(Increase) decrease in other accrued revenue receivable	-	-	(654)	-
(Increase) decrease in inventory	-	-	-	-
(Increase) decrease in prepaid expense	-	-	-	-
Increase (decrease) in accounts payable	(17,722)	(69,137)	(9,550)	(702)
Increase (decrease) in accrued liabilities	444	-	497	1,146
Increase (decrease) in claims and judgments	(469,000)	-	370,000	-
<b>Total Adjustments</b>	<b>(486,278)</b>	<b>(81,954)</b>	<b>360,293</b>	<b>444</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,225,765</b>	<b>\$ (227,920)</b>	<b>\$ 1,622,088</b>	<b>\$ 444</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Amortization of bond premiums/discounts	\$ 2,833	\$ -	\$ -	\$ -
Capital Lease	-	-	-	-

## CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

(CONTINUED)

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Equipment Maintenance</b>	<b>Information Technology</b>	<b>Building Maintenance</b>	<b>Facility Capital Repair</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from interfund services provided	\$ 332,840	\$ 139	\$ 420,021	\$ 379,372
Cash paid to suppliers	(43,580)	(178,831)	44,741	(3,175)
Cash (paid) recovered to insurance claims	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>289,260</b>	<b>(178,692)</b>	<b>464,762</b>	<b>376,197</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	-	-	(226,205)
Cash transfers in	-	-	-	-
Repayment made to other funds	-	-	-	-
Advance from other funds	-	37,956	-	-
Proceeds from non-capital related debt	-	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>37,956</b>	<b>-</b>	<b>(226,205)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital lease proceeds	-	3,000,000	-	-
Acquisition and construction of capital assets	-	(623,165)	(9,224)	(38,650)
Principal paid on capital debt	-	(196,651)	-	-
Interest paid on capital debt	-	(10,657)	-	-
Capital lease down payment	-	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>2,169,527</b>	<b>(9,224)</b>	<b>(38,650)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest earned on investments	-	1,212	-	18,703
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>1,212</b>	<b>-</b>	<b>18,703</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>289,260</b>	<b>2,030,003</b>	<b>455,538</b>	<b>130,045</b>
Cash and Cash Equivalents at Beginning of Year	1,250,627	971,209	367,146	1,940,691
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,539,887</b>	<b>\$ 3,001,212</b>	<b>\$ 822,684</b>	<b>\$ 2,070,736</b>

## CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

(CONTINUED)

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Equipment Maintenance</b>	<b>Information Technology</b>	<b>Building Maintenance</b>	<b>Facility Capital Repair</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 296,654	\$ (309,247)	\$ 416,679	\$ 371,567
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	28,724	55,516	3,342	7,805
(Increase) decrease in accounts receivable	8,117	-	-	-
(Increase) decrease in deposits receivable	-	-	-	-
(Increase) decrease in other accrued revenue receivable	(655)	(726)	-	(261)
(Increase) decrease in inventory	(6,189)	-	-	-
(Increase) decrease in prepaid expense	-	(37,888)	-	-
Increase (decrease) in accounts payable	(39,265)	110,640	43,956	(2,914)
Increase (decrease) in accrued liabilities	1,874	3,013	785	-
Increase (decrease) in claims and judgments	-	-	-	-
<b>Total Adjustments</b>	<b>(7,394)</b>	<b>130,555</b>	<b>48,083</b>	<b>4,630</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 289,260</b>	<b>\$ (178,692)</b>	<b>\$ 464,762</b>	<b>\$ 376,197</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Amortization of bond premiums/discounts	\$ -	\$ -	\$ -	\$ -
Capital Lease	-	295,061	-	-

CITY OF FULLERTON

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014**

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	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from interfund services provided	\$ 4,896,583
Cash paid to suppliers	(1,226,620)
Cash (paid) recovered to insurance claims	<u>(98,059)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>3,571,904</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Cash transfers out	(1,401,205)
Cash transfers in	2,675,000
Repayment made to other funds	(805,598)
Advance from other funds	37,956
Proceeds from non-capital related debt	<u>7,193,344</u>
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>7,699,497</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital lease proceeds	3,000,000
Acquisition and construction of capital assets	(1,042,856)
Principal paid on capital debt	(619,297)
Interest paid on capital debt	(214,706)
Capital lease down payment	<u>949,810</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>2,072,951</u></b>
<b>Cash Flows from Investing Activities:</b>	
Interest earned on investments	<u>205,617</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>205,617</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,549,969</b>
Cash and Cash Equivalents at Beginning of Year	<u>22,798,088</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 36,348,057</u></b>

CITY OF FULLERTON

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2014

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	<u>Totals</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 3,603,525
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>	
Depreciation	1,074,064
(Increase) decrease in accounts receivable	(33,567)
(Increase) decrease in deposits receivable	(949,810)
(Increase) decrease in other accrued revenue receivable	(2,296)
(Increase) decrease in inventory	(6,189)
(Increase) decrease in prepaid expense	(37,888)
Increase (decrease) in accounts payable	15,306
Increase (decrease) in accrued liabilities	7,759
Increase (decrease) in claims and judgments	(99,000)
<b>Total Adjustments</b>	<u><b>(31,621)</b></u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$ 3,571,904</b></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>	
Amortization of bond premiums/discounts	\$ 2,833
Capital Lease	295,061

CITY OF FULLERTON

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2014

	<u>Deposits Contributions</u>	<u>Community Facilities Districts</u>	<u>Assessment Districts</u>	<u>Totals</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 1,220,008	\$ 15,072	\$ 1,139,671	\$ 2,374,751
Receivables:				
Other accrued revenue	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
<b>Total Assets</b>	<b><u>\$ 1,220,011</u></b>	<b><u>\$ 15,072</u></b>	<b><u>\$ 1,139,671</u></b>	<b><u>\$ 2,374,754</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 153,865	\$ -	\$ -	\$ 153,865
Deposits payable	<u>1,066,146</u>	<u>15,072</u>	<u>1,139,671</u>	<u>2,220,889</u>
<b>Total Liabilities</b>	<b><u>\$ 1,220,011</u></b>	<b><u>\$ 15,072</u></b>	<b><u>\$ 1,139,671</u></b>	<b><u>\$ 2,374,754</u></b>

## CITY OF FULLERTON

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2014**

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<b><u>Deposits Contributions</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 2,765,246	\$ 1,691,738	\$ 3,236,976	\$ 1,220,008
Receivables:				
Accounts	285,085	2,539	287,624	-
Other accrued revenue	25,764	3	25,764	3
<b>Total Assets</b>	<b><u>\$ 3,076,095</u></b>	<b><u>\$ 1,694,280</u></b>	<b><u>\$ 3,550,364</u></b>	<b><u>\$ 1,220,011</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 263,284	\$ 2,954,344	\$ 3,063,763	\$ 153,865
Deposits payable	2,812,811	1,423,181	3,169,846	1,066,146
<b>Total Liabilities</b>	<b><u>\$ 3,076,095</u></b>	<b><u>\$ 4,377,525</u></b>	<b><u>\$ 6,233,609</u></b>	<b><u>\$ 1,220,011</u></b>
<b><u>Community Facilities Districts</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 1,295,898	\$ 1,280,826	\$ 15,072
<b>Total Assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,295,898</u></b>	<b><u>\$ 1,280,826</u></b>	<b><u>\$ 15,072</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ -	\$ 1,295,898	\$ 1,280,826	\$ 15,072
<b>Total Liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,295,898</u></b>	<b><u>\$ 1,280,826</u></b>	<b><u>\$ 15,072</u></b>
<b><u>Assessment Districts</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 1,779,729	\$ 2,945	\$ 643,003	\$ 1,139,671
<b>Total Assets</b>	<b><u>\$ 1,779,729</u></b>	<b><u>\$ 2,945</u></b>	<b><u>\$ 643,003</u></b>	<b><u>\$ 1,139,671</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 734	\$ 642,269	\$ 643,003	\$ -
Deposits payable	1,778,995	2,945	642,269	1,139,671
<b>Total Liabilities</b>	<b><u>\$ 1,779,729</u></b>	<b><u>\$ 645,214</u></b>	<b><u>\$ 1,285,272</u></b>	<b><u>\$ 1,139,671</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 4,544,975	\$ 2,990,581	\$ 5,160,805	\$ 2,374,751
Receivables:				
Accounts	285,085	2,539	287,624	-
Other accrued revenue	25,764	3	25,764	3
<b>Total Assets</b>	<b><u>\$ 4,855,824</u></b>	<b><u>\$ 2,993,123</u></b>	<b><u>\$ 5,474,193</u></b>	<b><u>\$ 2,374,754</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 264,018	\$ 3,596,613	\$ 3,706,766	\$ 153,865
Deposits payable	4,591,806	2,722,024	5,092,941	2,220,889
<b>Total Liabilities</b>	<b><u>\$ 4,855,824</u></b>	<b><u>\$ 6,318,637</u></b>	<b><u>\$ 8,799,707</u></b>	<b><u>\$ 2,374,754</u></b>

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**Statistical Section**

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

<b>Contents</b>	<b>Page</b>
Financial Trends.....	128
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity .....	138
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity .....	142
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information.....	150
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information .....	152
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

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

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
Governmental activities					
Net investment in capital assets	\$ 136,385	\$ 156,367	\$ 165,525	\$ 168,275	\$ 192,325
Restricted	81,482	74,301	76,314	92,232	94,412
Unrestricted	25,749	27,643	38,098	37,225	36,148
Total governmental activities net position	<u>\$ 243,616</u>	<u>\$ 258,311</u>	<u>\$ 279,937</u>	<u>\$ 297,732</u>	<u>\$ 322,885</u>
Business-type activities					
Net investment in capital assets	\$ 37,851	\$ 36,491	\$ 39,579	\$ 46,691	\$ 62,005
Restricted	-	-	-	-	-
Unrestricted	6,607	11,844	21,013	21,255	13,156
Total business-type activities net position	<u>\$ 44,458</u>	<u>\$ 48,335</u>	<u>\$ 60,592</u>	<u>\$ 67,946</u>	<u>\$ 75,161</u>
Primary government					
Net investment in capital assets	\$ 174,236	\$ 192,858	\$ 205,104	\$ 214,966	\$ 254,330
Restricted	81,482	74,301	76,314	92,232	94,412
Unrestricted	32,356	39,487	59,111	58,480	49,304
Total primary government net position	<u>\$ 288,074</u>	<u>\$ 306,646</u>	<u>\$ 340,529</u>	<u>\$ 365,678</u>	<u>\$ 398,046</u>

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

		Fiscal Year				
2009-10	2010-11	2011-12	2012-13	2013-14		
\$ 204,585	\$ 209,514	\$ 294,379	\$ 302,377	\$ 306,424		
83,982	143,490	31,905	31,113	30,585		
6,819	(40,874)	24,408	22,850	33,585		
<u>\$ 295,386</u>	<u>\$ 312,130</u>	<u>\$ 350,692</u>	<u>\$ 356,340</u>	<u>\$ 370,594</u>		
\$ 66,360	\$ 70,145	\$ 72,728	\$ 77,139	\$ 80,109		
-	-	1,125	885	556		
14,318	18,458	20,486	20,826	24,948		
<u>\$ 80,678</u>	<u>\$ 88,603</u>	<u>\$ 94,339</u>	<u>\$ 98,850</u>	<u>\$ 105,613</u>		
\$ 270,944	\$ 279,659	\$ 367,107	\$ 379,516	\$ 386,533		
83,982	143,490	33,029	319,998	31,141		
21,138	(22,416)	44,895	43,676	58,533		
<u>\$ 376,064</u>	<u>\$ 400,733</u>	<u>\$ 445,031</u>	<u>\$ 743,190</u>	<u>\$ 476,207</u>		

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

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,864	\$ 4,207	\$ 5,855	\$ 8,180	\$ 5,756
Public safety	43,606	37,213	51,127	53,237	56,805
Public works	28,857	34,419	25,652	34,965	24,832
Community development	5,239	4,592	6,022	8,000	9,394
Human and leisure	5,857	7,815	8,905	4,113	9,852
Refuse collection	8,459	8,920	9,283	9,545	9,656
Interest on long-term debt	2,659	7,252	6,673	6,837	5,898
Total governmental activities net expenses	<u>98,541</u>	<u>104,418</u>	<u>113,517</u>	<u>124,877</u>	<u>122,193</u>
Business-type activities:					
Water utility	18,222	20,485	22,246	22,743	24,966
Airport	1,275	1,626	2,047	1,342	1,500
Parking facilities	12	16	13	21	17
Brea Dam recreational facilities	802	754	908	1,009	920
Compressed Natural Gas facility	-	-	-	-	-
Sewer enterprise	-	795	1,379	2,088	3,186
Total business-type activities net expenses	<u>20,311</u>	<u>23,676</u>	<u>26,593</u>	<u>27,203</u>	<u>30,589</u>
Total primary government expenses	<u>\$ 118,852</u>	<u>\$ 128,094</u>	<u>\$ 140,110</u>	<u>\$ 152,080</u>	<u>\$ 152,782</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 144	\$ 1,977	\$ 2,604	\$ 2,754	\$ 5,495
Public safety	5,459	5,935	6,666	7,816	7,584
Public works	4,934	6,014	6,397	6,818	6,958
Community development	2,216	2,467	3,006	2,729	1,551
Human and leisure	1,151	1,802	1,297	4,270	1,567
Refuse collection	8,497	8,930	9,397	9,518	9,695
Operating grants and contributions	6,334	7,599	9,123	9,003	5,985
Capital grants and contributions	12,822	8,852	11,900	14,675	24,211
Total governmental activities program revenues	<u>41,557</u>	<u>43,576</u>	<u>50,390</u>	<u>57,583</u>	<u>63,046</u>

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

		Fiscal Year							
		2009-10	2010-11	2011-12	2012-13	2013-14			
\$	20,233	\$	4,584	\$	13,682	\$	11,135	\$	3,607
	53,312		51,050		52,838		52,627		54,469
	25,606		17,738		15,470		20,571		17,039
	27,929		18,796		7,989		7,975		8,074
	8,838		7,869		9,098		9,729		10,661
	9,095		9,593		9,941		9,964		10,011
	5,825		5,878		4,274		259		533
	<u>150,838</u>		<u>115,508</u>		<u>113,292</u>		<u>112,260</u>		<u>104,394</u>
	25,082		25,281		25,349		24,892		27,929
	1,399		1,242		1,510		1,396		1,517
	24		26		19		25		51
	1,008		1,962		3,540		2,983		2,899
	-		-		-		65		412
	2,358		2,713		2,467		3,886		2,384
	<u>29,871</u>		<u>31,224</u>		<u>32,885</u>		<u>33,247</u>		<u>35,192</u>
\$	<u>180,709</u>	\$	<u>146,732</u>	\$	<u>146,177</u>	\$	<u>145,507</u>	\$	<u>139,586</u>
\$	1,692	\$	917	\$	771	\$	429	\$	547
	6,775		5,465		5,320		4,823		5,140
	6,685		6,513		6,824		7,259		7,723
	1,446		6,317		3,012		3,681		4,529
	1,852		1,323		4,867		1,468		3,288
	9,381		9,911		10,432		10,170		10,255
	8,799		7,683		9,675		8,033		8,990
	7,522		16,300		24,087		16,206		35,283
	<u>44,152</u>		<u>54,429</u>		<u>64,988</u>		<u>52,069</u>		<u>75,755</u>

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

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
Business-type activities:					
Charges for services:					
Water utility	18,055	21,254	24,350	23,953	25,130
Airport	1,117	1,275	1,496	1,541	1,643
Parking facilities	13	16	78	28	35
Brea Dam recreational facilities	564	763	805	613	846
Compressed Natural Gas facility	-	-	-	-	-
Sewer enterprise	26	3,899	9,005	7,627	7,245
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	2,628	549	3,129	876	3,003
Total business-type activities program revenues	<u>22,403</u>	<u>27,756</u>	<u>38,863</u>	<u>34,638</u>	<u>37,902</u>
Primary government program revenues	<u>\$ 69,960</u>	<u>\$ 71,332</u>	<u>\$ 89,253</u>	<u>\$ 92,221</u>	<u>\$ 100,948</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (56,984)	\$ (60,842)	\$ (63,126)	\$ (67,294)	\$ (59,147)
Business-type activities	2,092	4,080	12,270	7,435	7,313
Total primary government net expense	<u>\$ (54,892)</u>	<u>\$ (56,762)</u>	<u>\$ (50,856)</u>	<u>\$ (59,859)</u>	<u>\$ (51,834)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Property taxes	\$ 36,703	\$ 41,938	\$ 45,618	\$ 49,117	\$ 50,530
Sales taxes	17,108	17,500	18,665	18,600	17,156
Franchise fees	4,821	5,402	5,438	5,568	6,268
Unrestricted motor vehicle in-lieu taxes	1,196	1,052	770	625	482
Unrestricted investment earnings	1,544	1,209	2,486	2,552	1,481
Miscellaneous	8,289	8,233	10,612	8,546	8,284
Transfers	(61)	203	13	81	98
Extraordinary item	- (1)	-	-	-	-
Total governmental activities	<u>69,600</u>	<u>75,537</u>	<u>83,602</u>	<u>85,089</u>	<u>84,299</u>
Business-type activities:					
Property taxes	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	61	(203)	(13)	(81)	(98)
Total business-type activities	<u>61</u>	<u>(203)</u>	<u>(13)</u>	<u>(81)</u>	<u>(98)</u>
Total primary government	<u>\$ 69,661</u>	<u>\$ 75,334</u>	<u>\$ 83,589</u>	<u>\$ 85,008</u>	<u>\$ 84,201</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 12,616	\$ 14,695	\$ 20,476	\$ 17,796	\$ 25,152
Business-type activities	2,153	3,877	12,257	7,354	7,216
Total primary government	<u>\$ 14,769</u>	<u>\$ 18,572</u>	<u>\$ 32,733</u>	<u>\$ 25,150</u>	<u>\$ 32,368</u>

(1) In August, 2003 the Redevelopment Agency issued 2003 Refunding Certificates of Participation.

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

		Fiscal Year				
		2009-10	2010-11	2011-12	2012-13	2013-14
		25,859	26,174	26,685	25,524	29,454
		1,605	1,723	1,695	1,660	1,643
		37	32	28	25	-
		842	1,801	2,812	2,996	3,017
		-	-	-	95	510
		6,594	6,348	6,508	6,770	6,799
		-	-	-	-	-
		551	153	555	520	79
		<u>35,488</u>	<u>36,231</u>	<u>38,283</u>	<u>37,590</u>	<u>41,502</u>
		<u>\$ 79,640</u>	<u>\$ 90,660</u>	<u>\$ 103,271</u>	<u>\$ 89,659</u>	<u>\$ 117,257</u>
		\$ (106,686)	\$ (61,079)	\$ (48,304)	\$ (60,192)	\$ (28,638)
		5,618	5,007	5,398	4,344	6,309
		<u>\$ (101,068)</u>	<u>\$ (56,072)</u>	<u>\$ (42,906)</u>	<u>\$ (55,848)</u>	<u>\$ (22,329)</u>
		\$ 50,642	\$ 49,167	\$ 41,413	\$ 37,226	\$ 32,950
		15,269	17,176	18,876	19,704	20,582
		5,864	6,010	5,754	3,929	3,971
		418	633	69	130	-
		318	-	-	-	-
		6,575	6,306	6,107	5,865	7,919
		101	(2,358)	(14)	(34)	(36)
				14,802	(980)	(22,359)
		<u>79,187</u>	<u>76,934</u>	<u>87,007</u>	<u>65,840</u>	<u>43,027</u>
		-	-	118	63	93
		-	559	206	256	324
		(101)	2,358	14	34	36
		<u>(101)</u>	<u>2,917</u>	<u>338</u>	<u>353</u>	<u>453</u>
		<u>\$ 79,086</u>	<u>\$ 79,851</u>	<u>\$ 87,345</u>	<u>\$ 66,193</u>	<u>\$ 43,480</u>
		\$ (27,499)	\$ 15,855	\$ 38,702	\$ 5,648	\$ 14,388
		5,517	7,924	5,736	4,697	6,763
		<u>\$ (21,982)</u>	<u>\$ 23,779</u>	<u>\$ 44,438</u>	<u>\$ 10,345</u>	<u>\$ 21,151</u>

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

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund					
Reserved	\$ 1,883	\$ 2,160	\$ 1,499	\$ 923	\$ 1,030
Unreserved	22,168	28,249	33,813	35,828	35,586
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 24,051</u>	<u>\$ 30,409</u>	<u>\$ 35,312</u>	<u>\$ 36,751</u>	<u>\$ 36,616</u>
All Other Governmental Funds					
Reserved	\$ 23,447	\$ 25,014	\$ 33,783	\$ 41,177	\$ 39,939
Unreserved, reported in:					
Special revenue funds	36,800	31,737	22,492	21,186	23,028
Capital projects funds	5,666	85,000	82,370	84,735	87,326
Debt service funds	16,119	17,427	17,854	16,842	14,963
Nonspendable					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Other governmental funds	-	-	-	-	-
Restricted					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Other governmental funds	-	-	-	-	-
Committed					
Other governmental funds	-	-	-	-	-
Assigned					
Capital projects funds	-	-	-	-	-
Unassigned					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 82,032</u>	<u>\$ 159,178</u>	<u>\$ 156,499</u>	<u>\$ 163,940</u>	<u>\$ 165,256</u>

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

		Fiscal Year				
		2009-10	2010-11	2011-12	2012-13	2013-14
\$	300	\$ -	\$ -	\$ -	\$ -	\$ -
	8,913	-	-	-	-	-
	-	138	43	20	11	-
	-	-	-	7,422	7,679	-
	-	10,862	9,551	8,164	7,888	-
\$	9,213	\$ 11,000	\$ 9,594	\$ 15,606	\$ 15,578	-
\$	38,960	\$ -	\$ -	\$ -	\$ -	\$ -
	27,830	-	-	-	-	-
	67,480	-	-	-	-	-
	7,881	-	-	-	-	-
	-	18,341	11,703	18,047	17,821	-
	-	8,736	4	-	-	-
	-	12	-	-	-	-
	-	37,327	6,464	54	147	-
	-	56,111	-	-	-	-
	-	11,034	-	-	-	-
	-	11,940	11,443	10,960	10,361	-
	-	12,754	12,831	11,320	13,849	-
	-	1,753	-	-	-	-
	-	(213)	(170)	(197)	(237)	-
	-	-	(4,400)	(1,350)	(18,281)	-
\$	142,151	\$ 157,795	\$ 37,875	\$ 38,834	\$ 23,660	-

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

	Fiscal Years				
	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Revenues</b>					
Taxes	\$ 57,752	\$ 65,829	\$ 68,991	\$ 72,135	\$ 71,603
Franchise fees	2,864	3,127	3,150	3,290	3,879
Licenses and permits	1,535	1,732	1,799	1,998	1,452
Fines and forfeitures	1,147	3,074	3,100	3,619	3,475
Investment income	3,471	4,879	9,229	9,430	6,728
Intergovernmental	11,557	12,680	12,220	15,078	25,330
Charges for services	13,165	20,545	22,296	25,228	21,959
Payments in lieu of taxes	1,957	2,275	2,288	2,278	2,389
Other	9,822	4,608	7,108	6,710	10,121
Total revenues	<u>103,270</u>	<u>118,749</u>	<u>130,181</u>	<u>139,766</u>	<u>146,936</u>
<b>Expenditures</b>					
Current					
General government	3,816	4,027	5,557	6,590	4,505
Public safety	43,979	46,815	51,149	54,526	55,795
Public works	11,128	11,834	11,342	13,431	13,466
Community development	4,380	5,004	5,326	8,783	7,192
Human and leisure	7,667	7,911	8,288	8,894	9,057
Refuse collection	8,459	8,921	9,283	9,545	9,657
Debt service					
Principal retired	3,318	4,057	5,195	5,221	5,551
Interest and fiscal charges	2,252	5,051	6,613	6,613	6,230
ERAF/SERAF payments	1,106	1,122	-	-	-
Developer reimbursements	62	106	69	28	21
Pass through payment to taxing agencies	-	175	477	977	2,449
Capital outlay	19,254	20,592	24,671	20,259	31,930
Total expenditures	<u>105,421</u>	<u>115,615</u>	<u>127,970</u>	<u>134,867</u>	<u>145,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,151)</u>	<u>3,134</u>	<u>2,211</u>	<u>4,899</u>	<u>1,083</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from long-term debt	1,135	1,160	-	-	-
Contributions from the Successor Agency	-	-	-	-	-
Bonds issued	-	-	-	-	-
Capital -related debt issued	525	75,834	-	3,900	-
Bond premium	-	3,174	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-	-
SERAF payment	-	-	-	-	-
Transfers in	32,756	37,767	32,160	33,392	32,693
Transfers out	(32,817)	(37,565)	(32,147)	(33,311)	(32,595)
Total other financing sources (uses)	<u>1,599</u>	<u>80,370</u>	<u>13</u>	<u>3,981</u>	<u>98</u>
Extraordinary loss on dissolution of RDA	-	-	-	-	-
Net change in fund balances	<u>(552)</u>	<u>83,504</u>	<u>2,224</u>	<u>8,880</u>	<u>1,181</u>
Fund balances - July 1	105,373	106,083	189,587	191,811	200,691
Restatements	-	-	-	-	-
Prior Year Adjustment	1,262	-	-	-	-
Fund balances - June 30	<u>\$ 106,083</u>	<u>\$ 189,587</u>	<u>\$ 191,811</u>	<u>\$ 200,691</u>	<u>\$ 201,872</u>
Debt service as a percentage of noncapital expenditures	7.33%	10.60%	11.1%	10.72%	12.41%

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

		Fiscal Years							
		2009-10	2010-11	2011-12	2012-13	2013-14			
\$	69,646	\$	69,564	\$	63,772	\$	60,696	\$	57,394
	5,864		6,010		5,754		3,929		3,971
	1,393		1,607		1,608		1,434		1,766
	2,901		2,665		2,156		1,686		1,586
	1,952		2,751		2,189		1,711		3,430
	14,651		19,826		21,232		22,386		24,948
	21,450		22,618		26,226		23,447		27,237
	-		-		-		-		-
	6,027		622		1,693		2,066		1,448
	<u>123,884</u>		<u>125,663</u>		<u>124,630</u>		<u>117,355</u>		<u>121,780</u>
	4,138		3,590		3,959		6,572		4,577
	52,272		50,152		52,023		51,546		53,909
	12,293		16,684		11,638		11,929		12,935
	19,525		10,222		5,499		4,315		4,661
	8,318		7,493		7,951		8,545		9,205
	9,095		9,594		9,940		9,964		10,011
	6,803		6,992		4,766		813		753
	5,803		6,071		3,494		255		217
	6,671		-		-		-		-
	-		-		-		-		-
	1,344		1,199		-		-		-
	26,751		24,117		42,143		18,805		39,276
	<u>153,013</u>		<u>136,114</u>		<u>141,413</u>		<u>112,744</u>		<u>135,544</u>
	(29,129)		(10,451)		(16,783)		4,611		(13,764)
	-		-		-		-		-
	-		-		-		195		-
	-		30,577		-		-		-
	-		-		-		-		-
	-		49		-		-		-
	-		-		-		-		-
	-		6		4		6		7
	-		(1,373)		-		-		-
	31,804		18,006		14,233		11,415		6,845
	(53,184)		(19,588)		(13,876)		(8,276)		(8,156)
	<u>(21,380)</u>		<u>27,677</u>		<u>361</u>		<u>3,340</u>		<u>(1,304)</u>
	-		-		(104,537)		(980)		-
	(50,509)		17,226		(120,959)		6,971		(15,067)
	201,872		151,364		168,795		47,469		54,440
	-		205		(367)		-		(135)
	-		-		-		-		-
\$	<u>151,363</u>	\$	<u>168,795</u>	\$	<u>47,469</u>	\$	<u>54,440</u>	\$	<u>39,238</u>
	15.62%		12.75%		8.28%		1.10%		1.00%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other* Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2004-05	\$ 8,180,517	\$ 1,323,109	\$ 1,268,138	\$ 40,765	\$ 404,009	\$ 10,812,529	1.0515
2005-06	9,058,366	1,493,886	1,196,038	40,745	416,569	11,789,035	1.0579
2006-07	9,946,674	1,558,354	1,189,537	51,727	429,091	12,746,292	1.0530
2007-08	10,736,588	1,675,023	1,251,271	54,559	454,501	13,717,441	1.0529
2008-09	11,011,165	1,823,636	1,357,540	6,999	497,793	14,199,340	1.0532
2009-10	10,169,958	1,654,131	1,581,580	32,509	519,095	13,438,178	1.0575
2010-11	10,731,321	1,630,594	1,386,303	5,544	-	13,753,762	1.0604
2011-12	10,983,044	1,619,002	1,316,810	6,275	-	13,925,131	1.0545
2012-13	11,097,680	1,639,211	1,338,964	6,246	-	14,082,101	1.0614
2013-14	11,479,863	1,694,648	1,381,108	6,368	-	14,561,987	1.0568

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

Source: Orange County Assessor

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

Fiscal Year	City Direct Rate	Overlapping Rates							
		Fullerton Schools	Anaheim Schools	Brea Olinda Schools	Buena Park Schools	La Habra Schools	N. OC Community College	Placentia Yorba Linda Schools	Metro Water District
2004-05	1.0000	0.03706	0.05411	0.02410	0.01778	0.02104	0.01441	0.03045	0.00580
2005-06	1.0000	0.04121	0.05255	0.02436	0.01751	0.01988	0.01666	0.02751	0.00520
2006-07	1.0000	0.03854		0.02183	0.01495		0.01444	0.02650	0.00470
2007-08	1.0000	0.03788	0.06060	0.02241	0.01743	0.01916	0.01502	0.02950	0.00450
2008-09	1.0000	0.03831	0.04611	0.02270	0.01444	0.01936	0.01493	0.04764	0.00430
2009-10	1.0000	0.04085	0.05810	0.02285	0.01768	0.02168	0.01662	0.06166	0.00430
2010-11	1.0000	0.04280	0.06108	0.02426	0.01851	0.02301	0.01758	0.05804	0.00370
2011-12	1.0000	0.03710	0.08049	0.02367	0.01851	0.02320	0.01742	0.05846	0.00370
2012-13	1.0000	0.04239	0.08240	0.02365	0.01809	0.02644	0.01902	0.06203	0.00350
2013-14	1.0000	0.03971	0.08468	0.02470	0.01662	0.02746	0.01704	0.06525	0.00350

Source: Orange County Assessor Tax Rate Table

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

Taxpayer	2013-2014			2003-2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Kimberly-Clark Worldwide	\$ 181,574,306	1	1.18 %	\$ -	-	-
Corecare III	81,992,631	2	0.53	-	-	-
RREEF America REIT II Corporation	79,824,596	3	0.52	-	-	-
University House Fullerton LLC	73,667,834	4	0.48	-	-	-
Fullerton LLC	61,290,822	5	0.40	-	-	-
Amerige Heights Apartments, LLC	58,909,716	6	0.38	-	-	-
Breitburn Energy	56,836,029	7	0.37	-	-	-
PK I Fullerton Town center LP	56,053,832	8	0.36	-	-	-
CPT Parkside LP	55,705,393	9	0.36	-	-	-
Fullerton Metro Center LLC	51,677,032	10	0.34	-	-	-
Kimberly Clark Worldwide, Inc.	-	-	-	145,928,972	1	1.67 %
Beckman Instruments Inc.	-	-	-	72,173,255	2	0.83
Corecare III	-	-	-	68,554,540	3	0.78
RREEF America REIT II Corporation	-	-	-	67,911,925	4	0.78
Orangefair Company, LLC	-	-	-	34,851,202	5	0.40
CT Retail Properties	-	-	-	34,364,102	6	0.39
Oasis Residential	-	-	-	31,759,985	7	0.36
SCCO College Properties, Inc.	-	-	-	27,822,454	8	0.32
Haven Hills Apartments, LLC	-	-	-	23,624,228	9	0.27
William G. Sommerville	-	-	-	19,240,510	10	0.22
	<u>\$ 757,532,191</u>		<u>4.92%</u>	<u>\$ 526,231,173</u>		<u>6.02%</u>

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

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

Fiscal Year ended June 30	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy	Amount	% of Levy		Amount	% of Levy
2005	\$ 14,902,287	\$ 14,680,912	98.51	\$ 167,032	\$ 14,847,944	99.64
2006	16,203,272	15,861,219	97.89	202,065	16,063,284	99.14
2007	17,743,439	17,171,704	96.78	354,473	17,526,177	98.78
2008	19,066,871	18,356,469	96.27	616,358	18,972,827	99.51
2009	19,678,775	18,942,358	96.26	674,503	19,616,861	99.69
2010	19,418,256	18,886,850	97.26	451,544	19,338,394	99.59
2011	19,555,934	19,085,309	97.59	311,715	19,397,024	99.19
2012	19,796,510	19,271,553	97.35	297,343	19,568,896	98.85
2013	19,978,708	19,625,807	98.23	209,533	19,835,340	99.28
2014	20,444,654	20,167,631	98.65	N/A	20,167,631	98.65

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Capital Leases	Section 108 Loans	Revenue Bonds	Capital Leases	Construction Loan			
2004-05	\$ 37,564	\$ 5,125	\$ 7,500	\$ 8,730	\$ -	\$ 7,958	\$ 66,877	1.75%	493
2005-06	111,231	4,994	7,000	8,565	-	7,553	139,343	3.81%	1,021
2006-07	107,518	4,166	6,500	8,400	-	7,132	133,716	3.06%	973
2007-08	104,036	6,901	6,000	8,230	-	6,959	132,126	3.13%	961
2008-09	100,243	5,637	5,500	8,055	-	6,464	125,899	3.06%	915
2009-10	96,387	3,119	5,000	7,875	-	5,763	118,144	2.78%	859
2010-11	121,116	2,165	4,500	7,690	100	5,270	140,841	3.36%	1,042
2011-12	-	1,283	4,000	10,115	60	4,758	20,216	0.48%	147
2012-13	-	970	3,500	9,820	24	4,225	18,539	NYA	134
2013-14	6,990 (2)	717	3,000	9,230	-	2,969	22,906	NYA	163

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

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

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

NYA = Not Yet Available

City of Fullerton  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2014

(in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable <sup>1</sup>	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Orange County and Fullerton School Districts	\$ 96,189	<sup>1</sup> .71 %	\$ 683
Subtotal, overlapping debt			<u>\$ 683</u>
City of Fullerton direct debt			<u>23,436</u>
Total direct and overlapping debt			<u><u>\$ 24,119</u></u>

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

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

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

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	\$ 1,682,481	\$ 1,830,841	\$ 1,976,307	\$ 2,125,791	\$ 2,204,570
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 1,682,481</u>	<u>\$ 1,830,841</u>	<u>\$ 1,976,307</u>	<u>\$ 2,125,791</u>	<u>\$ 2,204,570</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%

**Legal Debt Margin Calculation for Fiscal Year 2013-14**

Assessed value	\$ 14,561,987
Add back: exempt real property	-
Total Assessed Value	<u>\$ 14,561,987</u>
Debt limit (15% of total assessed value)	\$ 2,184,298
Debt applicable to limit:	<u>-</u>
Legal debt margin	<u><u>\$ 2,184,298</u></u>

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

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

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

Fiscal Year				
2010	2011 (1)	2012 (1)	2013 (1)	2014 (1)
\$ 2,093,591	\$ 2,063,064	\$ 2,088,770	\$ 2,112,315	\$ 2,184,298
-	-	-	-	-
<u>\$ 2,093,591</u>	<u>\$ 2,063,064</u>	<u>\$ 2,088,770</u>	<u>\$ 2,112,315</u>	<u>\$ 2,184,298</u>
0%	0%	0%	0%	0%

City of Fullerton  
Revenue Bond Coverage

1993 Tax Allocation Bonds  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
			Principal	Interest	Total	
2005	\$ 5,272,874	\$ 5,272,874	\$ 450,000	\$ 11,475*	\$ 461,475	11.43
2006	N/A	N/A	-	-	-	N/A
2007	N/A	N/A	-	-	-	N/A
2008	N/A	N/A	-	-	-	N/A
2009	N/A	N/A	-	-	-	N/A
2010	N/A	N/A	-	-	-	N/A
2011	N/A	N/A	-	-	-	N/A
2012	N/A	N/A	-	-	-	N/A
2013	N/A	N/A	-	-	-	N/A
2014	N/A	N/A	-	-	-	N/A

(1) Total Debt Service Fund revenues for Central Fullerton Redevelopment Project Area.

\*1993 Tax Allocation Bonds were fully retired in FY 04-05.

1996 Revenue Bonds  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$ 71,012,423	\$ 465,000	\$ 110,250	\$ 575,250	119.30
2006	79,286,057	485,000	85,861	570,861	138.89
2007	84,134,672	515,000	59,282	574,282	146.50
2008	88,746,890	145,000	41,720	186,720	475.29
2009	87,081,097	155,000	33,542	188,542	461.87
2010	69,637,972	165,000	24,660	189,660	367.17
2011	71,000,575	170,000	15,195	185,195	383.38
2012	71,311,364	180,000	5,175	185,175	385.10
2013	N/A	-	-	-	N/A
2014	N/A	-	-	-	N/A

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

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

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

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$ 11,627,021	\$ 660,000	\$ 254,512	\$ 914,512	12.71
2006	12,956,823	680,000	236,963	916,963	14.13
2007	14,158,100	695,000	221,494	916,494	15.45
2008	15,266,855	710,000	204,800	914,800	16.69
2009	15,890,558	730,000	185,888	915,888	17.35
2010	15,886,598	750,000	164,600	914,600	17.37
2011	15,686,568	775,000	140,756	915,756	17.13
2012	10,534,514 (2)	508,800	73,120	581,920	18.10
2013	-	825,000	84,869	909,869	0.00
2014	-	850,000	52,400	902,400	0.00

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

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

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

City of Fullerton  
Revenue Bond Coverage

1999 Refunding Revenue Bonds (2)  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$ 8,635,187	\$ 385,000	\$ 185,461	\$ 570,461	15.14
2006	9,858,504	395,000	171,601	566,601	17.40
2007	10,486,035	410,000	156,789	566,789	18.50
2008	10,866,308	425,000	141,414	566,414	19.18
2009	10,994,331	445,000	124,414	569,414	19.31
2010	11,679,487	460,000	106,614	566,614	20.61
2011	12,880,794	480,000	87,754	567,754	22.69
2012	N/A	-	-	-	N/A
2013	N/A	-	-	-	N/A
2014	N/A	-	-	-	N/A

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

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

(3) The 1999 Refunding Revenue Bonds were fully retired in FY 11/12

1998 Refunding Revenue Bonds (3)  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$ 11,647,378	\$ 541,940	\$ 948,498	\$ 1,490,438	7.81
2006	12,956,823	548,374	972,563	1,520,937	8.52
2007	14,158,100	551,434	999,778	1,551,212	9.13
2008	15,266,855	559,146	1,032,116	1,591,262	9.59
2009	15,890,558	610,181	1,095,907	1,706,088	9.31
2010	15,886,598	607,916	1,132,471	1,740,387	9.13
2011	15,686,568	606,296	1,167,841	1,774,137	8.84
2012	10,534,514 (2)	-	381,194	381,194	27.64
2013	-	594,517	1,245,870	1,840,387	0.00
2014	-	597,421	1,285,716	1,883,137	0.00

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

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

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

2004 Water Revenue Certificates of Participation  
Last Nine Fiscal Years

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2005	\$ 1,323,543	\$ -	\$ 192,506	\$ 192,506	6.88
2006	2,798,992	165,000	385,513	550,513	5.08
2007	3,493,164	165,000	382,213	547,213	6.38
2008	3,148,581	170,000	376,275	546,275	5.76
2009	2,216,636	175,000	374,550	549,550	4.03
2010	2,960,072	180,000	369,662	549,662	5.39
2011	3,269,046	185,000	363,956	548,956	5.96
2012	3,655,147	190,000	357,625	547,625	6.67
2013	2,954,820	200,000	350,800	550,800	5.36
2014	3,889,609	200,000	343,550	543,550	7.16

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

(2) The bonds were retired in March of 2014.

City of Fullerton  
Revenue Bond Coverage

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

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2006	\$ 16,120,316	\$ -	\$ 686,571	\$ 686,571	23.48
2007	16,881,560	1,515,000	3,920,842	5,435,842	3.11
2008	18,122,318	1,515,000	3,856,602	5,371,602	3.37
2009	18,656,176	1,630,000	3,794,961	5,424,961	3.44
2010	19,314,711	1,575,000	3,735,471	5,310,471	3.64
2011	18,251,819	1,595,000	3,672,986	5,267,986	3.46
2012	10,534,514 (2)	1,635,000	1,874,135	3,509,135	3.00
2013	-	1,675,000	3,517,230	5,192,230	0.00
2014	-	1,735,000	3,438,852	5,173,852	0.00

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

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

Fiscal Year	Gross Revenue (1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
2006	\$ 16,120,316	\$ 80,000	\$ 67,450	\$ 147,450	109.33
2007	16,881,560	100,000	50,688	150,688	112.03
2008	18,122,318	100,000	45,256	145,256	124.76
2009	18,656,176	105,000	40,917	145,917	127.85
2010	19,314,711	110,000	36,233	146,233	132.08
2011	18,251,819	115,000	31,185	146,185	124.85
2012	10,534,514 (2)	60,531	12,896	73,427	143.47
2013	-	130,000	20,068	150,068	0.00
2014	-	135,000	13,710	148,710	0.00

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

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

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

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

City of Fullerton  
Revenue Bond Coverage

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

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

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

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

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

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

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

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

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

City of Fullerton  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)*	Unemployment Rate (3)
2005	135,672	\$ 3,813,876	\$ 28,111	4.6%
2006	136,428	3,659,681	26,825	4.0%
2007	137,367	4,373,628	31,839	3.9%
2008	137,437	4,224,059	30,865	5.0%
2009	137,624	4,110,478	29,903	8.1%
2010	137,459 (4)	4,256,693	30,967	10.9%
2011	135,468	4,196,121	30,975	10.3%
2012	137,481	4,193,583	30,503	9.2%
2013	138,251	NYA	NYA	7.6%
2014	140,131	NYA	NYA	7.1%

Sources:

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

\*Based on Orange County personal income data.

NYA = Not Yet Available

City of Fullerton  
Principal Employers  
Current Year and Ten Years Ago

Employer	2014			2004		
	Employees	Rank	% of Total City Employment*	Employees	Rank	% of Total City Employment
California State University, Fullerton	3,901	1	6.04%	Information not available		
St. Jude Medical Group	2,234	2	3.46%			
Raytheon Systems Co.	1,600	3	2.48%			
Fullerton School District	1,300	4	2.01%			
Fullerton College	1,235	5	1.91%			
Fullerton Joint Union High School District	870	6	1.35%			
Alcoa Fastening Systems	750	7	1.16%			
City of Fullerton	631	8	0.98%			
St. Jude Heritage Health	600	9	0.93%			
Kraft Foods	550	10	0.85%			
<b>Total</b>	<b>13,671</b>		<b>21.17%</b>	<b>-</b>		

\*Based upon U.S. Census Bureau's American Community Survey's estimate of 64,591 residents employed

Source: Fullerton Chamber of Commerce

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

Department	2004-05 Total Positions	2005-06 Total Positions	2006-07 Total Positions	2007-08 Total Positions	2008-09 Total Positions	2009-10 Total Positions	2010-11 Total Positions
City Council	6.0	6.0	6.0	6.0	6.0	6.0	6.0
City Manager	8.3	8.2	8.6	8.7	9.0	9.0	6.8
City Clerk*							
Administrative Svcs.	33.5	35.1	38.3	41.3	41.3	41.3	38.7
Human Resources	10.5	9.5	10.4	10.1	10.1	10.7	9.2
Fire	89.0	93.0	94.0	95.5	95.5	95.0	92.0
Police	222.4	222.6	231.0	235.0	235.0	234.0	213.0
Community Dev.	42.4	43.0	38.0	38.0	38.0	37.0	31.0
Engineering	32.0	31.0	42.5	40.5	41.0	41.0	34.0
Maintenance Svcs.	151.5	161.5	163.5	175.5	175.5	177.5	157.0
Public Works							
Parks & Recreation	31.7	29.2	30.1	30.5	30.5	29.0	25.0
Library	29.7	28.2	29.9	30.4	30.4	30.4	25.4
Redevelopment**	4.0	6.0	7.0	7.0	7.0	7.0	7.0
<i>Subtotal</i>	661.0	673.3	699.3	718.5	719.3	717.9	645.1
Part-Time Hours	189,850	173,901	171,806	190,334	188,794	199,748	166,922
Full-Time Equivalents	91.3	83.6	82.6	91.5	90.8	96.0	80.3
<b>TOTAL POSITIONS</b>	<b>752.3</b>	<b>756.9</b>	<b>781.9</b>	<b>810.0</b>	<b>810.1</b>	<b>813.9</b>	<b>725.4</b>

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

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

\*\*\* The Engineering and Maintenance Services Departments are now merged into the Public Works Department.

(1) Source: City of Fullerton Budget

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

2011-12 Total Positions	2012-13 Total Positions	2013-14 Total Positions
6.0	6.0	6.0
8.0	7.0	6.5
39.0	37.3	32.3
9.7	8.7	8.9
92.0	90.0	90.0
213.0	214.0	210.0
31.0	27.0	27.0
35.0	35.0	
159.0	160.0	
		200.0
26.0	21.0	21.0
25.4	25.4	23.8
0.0	0.0	0.0
644.1	631.4	625.5
193,766	192,762	177,294
93.2	92.7	85.2
<u>737.3</u>	<u>724.1</u>	<u>710.7</u>

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

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Fullerton Elementary School District	13,874	13,890	13,613	13,592	13,450
Fullerton Joint Union High School District	16,742	16,299	16,499	15,212	15,807
Fullerton College	19,891	28,944	19,669	19,669	22,014
California State University - Fullerton	33,078	34,412	35,424	36,018	37,765
Western State University College of Law	421	448	390	367	379
Southern California College of Optometry	380 *	385	392	385 *	385
Hope International University	1,563	1,384	1,428	1,708 *	1,809
Total enrollment in Fullerton's schools and universities	85,949	95,762	87,415	86,951	91,609

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

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

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

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
13,556	13,700	13,621	13,830	13,801
14,170	14,260	14,178	14,046	13,969
22,014	22,014	18,890	18,890	18,890
32,611	36,156	37,677	38,325	38,325
419	485	525	528	459
397	399	400	400	391
<u>1,980</u>	<u>1,739</u>	<u>1,824</u>	<u>1,694</u>	<u>2,011</u>
85,147	88,753	87,115	87,713	87,846

City of Fullerton  
Operating Indicators by Function  
Last Ten Fiscal Years

Function:	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
<b>Police</b>					
Calls dispatched	17,000	91,600	41,029	40,163	48,596
Crime reports	11,500	13,700	11,601	18,652	18,302
Moving citations	14,000	9,900	14,255	9,608	18,078
Parking citations	33,700	61,300	60,352	32,347	63,050
<b>Fire</b>					
Unit responses	13,110	13,137	13,145	13,917	13,796
Medical calls	7,619	7,682	9,803	8,184	8,283
Annual fire inspections	3,937	5,706	3,502	4,734	3,480
<b>Water</b>					
Number of customer accounts	30,948	31,500	31,360	32,202	31,500
Average daily consumption (millions of gallons)	26.7	28.1	28.6	26.8	28.0
Water samples taken	5,320	4,960	3,100	6,569	5,100
<b>Sewers</b>					
Feet of sewer mains root cut/ chemically treated	109,261	87,949	113,218	218,151	220,563
Number of chemically or mechanically treated sewer laterals	1,012	1,456	1,474	2,357	2,251
<b>Traffic and General Engineering</b>					
Traffic signals maintained	142	145	146	147	147
Infrastructure improvement projects administered	68	79	74	82	71
Private development plans reviewed	800	950	950	1,331	1,059
<b>Maintenance</b>					
Square ft. graffiti removal	250,000	439,971	438,000	655,270	677,010
Street sweeping miles	33,600	34,029	38,529	37,633	36,324
Trees pruned per year	13,000	13,044	11,529	12,128	14,955
<b>Culture and Recreation</b>					
Park event attendance	65,000	33,154	25,570	13,129	12,100
Independ/ Park /Comm. Ctr. participants	56,500	61,425	60,000	54,322	60,000
Fullerton Museum Center attendance	21,000	21,378	26,000	24,898	28,000

Sources: City of Fullerton Budget Division and various City departments

City of Fullerton  
 Operating Indicators by Function  
 Last Ten Fiscal Years

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
53,339	43,581	44,755	46,762	47,292
16,924	15,359	15,321	16,233	16,645
26,233	24,668	9,788	5,440	5,350
51,465	48,077	39,917	28,658	35,371
13,781	14,516	12,043	16,108	11,646
8,222	9,403	6,595	6,993	9,494
3,954	4,650	4,336	5,578	4,700
31,546	31,547	31,600	31,577	31,544
23.0	22.2	22.8	23.8	25.4
4,563	4,650	4,143	4,300	2,554
266,265	245,261	276,144	408,144	249,744
1,764	2,031	1,737	1,722	2,600
147	148	150	151	151
83	70	65	86	96
585	857	767	933	1,038
665,735	538,606	392,022	370,166	403,016
36,352	35,582	36,837	36,030	38,399
14,105	13,000	13,000	13,000	13,542
12,100	12,100	12,100	28,000	29,500
60,000	60,000	60,000	130,500	152,000
28,000	28,000	21,145	15,000	23,987

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

Function:	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Public Safety					
Police stations	1	1	1	1	1
Number of patrol units	31	31	31	31	31
Fire stations	6	6	6	6	6
Number of ladder trucks	2	2	2	2	1
Number of fire engines	9	9	10	9	6
Highways and streets					
Miles of streets	275.66	275.66	275.66	275.66	285.00
Traffic Signals	145	145	145	147	147
Streetlights	7,300	7,283	7,283	7,261	7,263
Water					
Number of water wells	12	12	11	11	11
Number of reservoirs	15	15	15	15	15
Miles of lines & mains	400	426	426	426	430
Sewer					
Miles of sanitary sewers	290.22	310.00	304.00	311.00	325.00
Miles of storm drains	68.14	68.14	68.14	68.14	70.68
Culture and Recreation					
Number of recreation and cultural facilities	52	67	55	67	67
Number of acres for above	678	678	683	683	741
Number of libraries	2	2	2	2	2
Number of library books	247,000	286,000	355,771	357,700	351,580

Sources: City of Fullerton Budget Division and various City departments

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

<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
1	1	1	1	1
36	36	26	26	30
6	6	6	6	6
2	2	2	2	2
9	10	10	11	11
275.6	290.7	290	290	290
147	148	150	150	151
7263	7263	7263	7263	7275
11	11	11	11	11
15	15	15	15	15
429	420	422	420	423
312.00	321.00	325.00	324.00	320.00
71.21	71.21	71.20	71.20	71.20
67	67	67	67	67
683	683	683	683	683
2	2	2	2	2
351,580	241,058	241,058	241,058	241,058

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