

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED, JUNE 30, 2017



**City of Fountain Valley
California**



Thinking Back...Looking Forward

CITY OF FOUNTAIN VALLEY

CALIFORNIA

Comprehensive Annual Financial Report

**With Report on Audit
By Independent
Certified Public Accountants**

**Fiscal Year Ended
June 30, 2017**

**Prepared by the Finance Department
Jason Al-Imam, Director of Finance/City Treasurer
And
Teresa Gonzalez, Accounting Manager**



City Council

June 30, 2017



John Collins
Mayor



Michael Vo
Mayor Pro Tem



Mark McCurdy
Council Member



Steve Nagel
Council Member



Cheryl Brothers
Council Member



CITY OF FOUNTAIN VALLEY

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CITY OF FOUNTAIN VALLEY

www.fountainvalley.org

10200 SLATER AVE – FOUNTAIN VALLEY, CA 92708-4736 (714) 593-4400, FAX (714)593-4498

December 15, 2017

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

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2017, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants. The report was prepared in accordance with the guidelines set forth by the Governmental Accounting Standards Board (GASB).

REPORT PURPOSE AND ORGANIZATION

Purpose and Management Responsibility - The report consists of management's representation concerning the finances of the City of Fountain Valley. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with the Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the

financial position and results of operations of the various funds and component units of the City of Fountain Valley. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Audited Financial Statements - The City of Fountain Valley's financial statements have been audited by White Nelson Diehl Evans, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Fountain Valley's financial statements for the fiscal year ended June 30, 2017, 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.

Single Audit – The independent audit of the financial statements of the City of Fountain Valley 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 internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

Reporting Entities - the reporting entities (the City of Fountain Valley) financial statements includes all funds and account groups of the primary government (i.e. the City of Fountain Valley, as legally defined) as well as all its component units. Component units are legally separate entities for which the primary government is financially accountable.

The City's component units are the Fountain Valley Public Financing Authority and the Fountain Valley Housing Authority. Since the City Council serves as the governing board for these

component units, although legally separate entities are, in substance, part of the primary government's operations. According, the component unit's financial activities have been included in the appropriate combining schedules.

Under ABX1 26 that was approved by the legislature on June 28, 2011, all redevelopment agencies were eliminated effective February 1, 2012, and the Successor Agency was constituted. The City of Fountain Valley became the Successor Agency to the former Community Redevelopment Agency. The Successor Agency's assets and liabilities are reported under the City's Trust/Agency funds.

PROFILE OF THE CITY OF FOUNTAIN VALLEY

Governmental Profile - The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 56,709 and has a land area of 9.75 square miles. It is located in the northern tip of Orange County, California and is bordered by the cities of Santa Ana, Costa Mesa, Huntington Beach, and Westminster. The City is roughly 30 miles southeast of Los Angeles and 90 miles northwest of San Diego. One of the greatest features of the City is Mile Square Park with its three golf courses; large passive park area, Boys and Girls Club, and City run Recreation Center and Sports Park.

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

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

ECONOMIC OVERVIEW

The State of California and the City have continued to see the overall economy improving including increasing housing values in Fountain Valley and sales tax revenue trends that have improved over the last several years. However, historically revenues have not kept pace with the cost of General Fund operations. Therefore, the City Council approved placing a ballot measure (“Measure HH”) on the November 8, 2016 ballot that provided for an additional one percent sales tax to fund city services for a twenty-year period. Measure HH was approved by the voters of Fountain Valley and became effective April 1, 2017, which provided three months of additional revenue in Fiscal Year 2016/17 in the amount of approximately \$2.5 million. Without Measure HH, the operating deficit for Fiscal Year 2016/17 would have been \$778,588. Measure HH provides the necessary funding to maintain and restore essential City services and provides for long-term fiscal sustainability.

Property taxes are one of the City’s largest revenue components and this revenue has continued to experience modest increases. The median sale price of a single-family home in Fountain Valley from January through September 2017 was \$745,000. This represents a \$40,000 (5.7%) increase in the median sale price from 2016. Current median home prices are at or above the pre-recession peak values in many areas. Inventory constraints are the main contributor to increases in home prices over the last year. Overall, the net taxable value for the 2017/18 tax roll reflects an increase of 4.95%, which is largely due to the Proposition 13 inflation adjustment and transfers in ownership.

The City of Fountain Valley is a premier Orange County City that celebrated its sixtieth birthday in 2017. It has the reputation of being “*A Nice Place to Live*”, as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambiance is by design and we are mindful of the residential predominance when ascertaining the level of service that will be provided to the community each year.

ECONOMIC DEVELOPMENT ACTIVITIES

Fountain Valley Crossings - The City is developing the Fountain Valley Crossings Specific Plan which will provide a policy and zoning framework that will allow for alternative land-uses within 160 acres project area bisected by the I-405 freeway. The City’s long-term goal is to incentivize current and future property owners to transform this underutilized and isolated light industrial area into an integrated district with an active and pedestrian friendly environment. It is anticipated that this will include a mix of uses clustered around a center of activity and community gathering for City residents. The ultimate Fountain Valley Crossings Specific Plan

will include a vision, development regulations, streetscape designs, public space improvements, and a range of implementation measures. The City Council will consider the Fountain Valley Crossings Specific Plan in 2018.

Under-Utilized Commercial Centers – The City has identified some under-utilized commercial centers and is having dialogues with property owners to reinvest in Fountain Valley to create synergy similar to the Fountain Valley Town Center. The City Council created the Commercial Property and Business Improvement Loan Program in 2017 to support existing property owners to upgrade the commercial centers through a low interest rate loan to update and improve existing commercial properties in the community. For program details, businesses can visit the City’s website or this link <http://www.fountainvalley.org/35/Business>.

Trade Shows – The City is actively participating in International Council of Shopping Centers. Annually the City plans to attend two local events to market the community with retailers and developers. The events allow the City to promote existing vacancies and build relationship with brokers, developers, and retailers. Having a presence in trade shows will send a message that Fountain Valley wants to do business. The City will continue to pursue opportunities to promote the City to enhance economic development.

LONG-TERM FINANCIAL PLANNING

The City has developed a twenty-year financial plan that outlines the City’s projected financial condition over the next two decades and takes into account the disposition of Measure HH revenues, which are governed by the City’s “Responsible Spending Pledge”. The twenty-year financial plan is an integral part of the City’s long-term financial planning process, which is updated on a regular basis to reflect the most recent activities that could have an impact on either the revenues or expenditures of the General Fund. This twenty-year plan is utilized and integrated into the City’s annual budget and semi-annual strategic planning process.

RELEVANT FINANCIAL POLICIES

The City has adopted prudent fiscal policies to help assist the City Council and staff in making sound financial decisions. Several of the policies that had a signification impact on the current financial statements and the 2017-18 budget were the following key policies concerning investments, budget administration, long range financial planning and fund balance reserve policies.

CITY VISION AND GOALS

The City's Mission Statement is to deliver cost-effective quality public services to provide a safe and desirable community that enriches its residents and businesses. The City goals are to:

- Enhance economic development
- Achieve financial stability
- Attract, develop and retain quality staff within financial constraints
- Maintain and enhance infrastructure and facilities
- Enhance community outreach and engagement

AWARDS AND ACKNOWLEDGEMENTS

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the Fiscal Year ended June 30, 2016. This was the second year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements - The preparation of the Comprehensive Annual Financial Report is made possible by the dedicated efforts of the Finance Department staff with special thanks to Teresa Gonzalez, Accounting Manager, and David Faraone, Budget Analyst. Their dedicated efforts in the preparation of the final financial documents are reflected in the quality of this report. In addition, appreciation is extended to our independent auditors, White Nelson Diehl Evans, for their expertise and advice in preparing this year's financial report.

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

Respectfully submitted,



Director of Finance / City Treasurer

City Directory

**Mayor
John Collins**

Council Members

Michael Vo
Mark McCurdy
Steve Nagel
Cheryl Brothers

Mayor Pro Tempore
Council Member
Council Member
Council Member

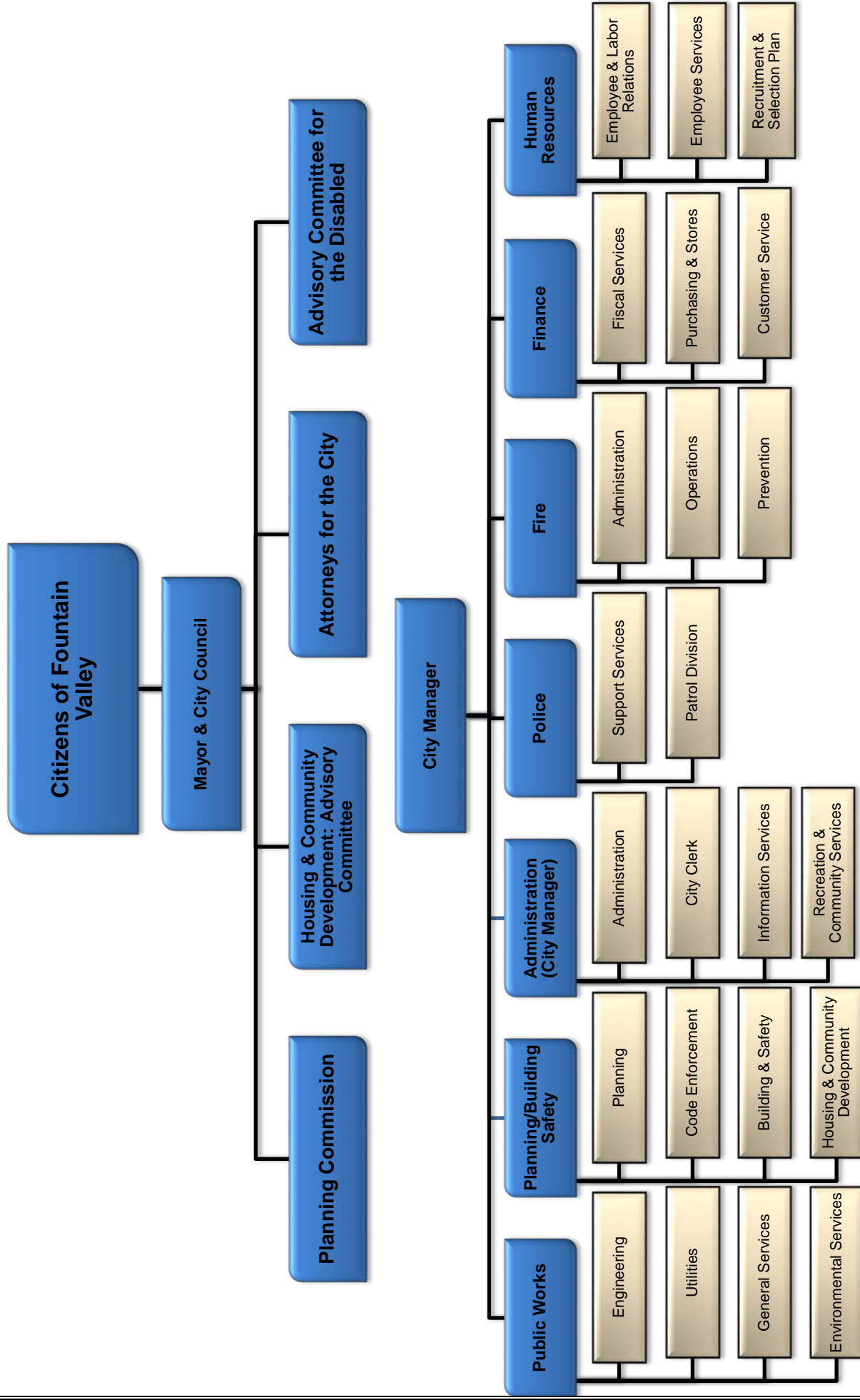
City Officials

Rob Houston
Colin Burns
Jason Al-Imam
Tony Coppolino
Maggie Le
Mark Lewis
Kevin Childe
Matt Mogensen

City Manager
Attorney for the City
Director of Finance/City Treasurer
Fire Chief/Battalion Chief
Interim Human Resources Director
Director of Public Works/City Engineer
Chief of Police
Planning Director/ Building Director



City Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Fountain Valley
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Fountain Valley Financial Section



INDEPENDENT AUDITORS' REPORT

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley (the City), as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, 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, the schedules of proportionate share of the net pension liability - defined benefit plans, the schedules of contributions - defined benefit pension plans, the schedule of funding progress - other post-employment benefits plan, the schedule of employer contributions - other post-employment benefits plan, and the annual money-weighted rate of return on investments - other post-employment benefits plan, the budgetary comparison schedules and related notes to the required supplementary information, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 15, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fountain Valley (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fountain Valley for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

Financial Highlights

During the fiscal year ended June 30, 2017, the City continued to maintain its stable financial position, enabling delivery of appropriate services to the community and undertaking necessary economic development and infrastructure projects.

- At June 30, 2017, the City's governmental activities total assets and deferred outflows of resources were \$202.3 million and total liabilities and deferred inflows were \$121.2 million. The City's net position was \$81.1 million. Net position consists of \$93.4 million net investment in capital assets, \$26.8 million in restricted net position and a \$39.1 million deficit in unrestricted net position created by the implementation of GASB Statement No. 68 *"Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement No. 27"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*.
- The net position of the City's governmental activities increased by \$738 thousand. This increase is mainly attributable to a \$1.8 million decrease to the net pension liability.
- Total revenues from all sources of the City's governmental activities were \$53.3 million as compared to the cost for all City programs of \$52.6 million.
- The business-type activities revenue totaled \$18.9 million as compared to \$17.9 million in 2016, or a 5.9 percent increase over the prior year; expenses totaled \$18.1 million as compared to \$16.4 million in 2016, or a 10.3 percent increase over the prior year. The result produced an increase in business-type net position of \$861 thousand as compared to an increase of \$1.5 million in the prior year before extraordinary items.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$71.2 million. Non-spendable was \$0.8 million, restricted was \$26.8 million, assigned was \$16.9 million, and unassigned was \$26.7 million, available for spending at the City's discretion.

- Total governmental fund balances increased by \$4.6 million from the prior year balance of \$66.6 million. This net increase is mostly attributable to the receipt of \$2.8 million of 2017 Clean Renewable Energy Bond proceeds for the acquisition, construction, and installation of solar photovoltaic systems.
- Total governmental revenues and transfers in from all sources were \$67.1 million as compared to expenditures and transfers out of \$62.5 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fountain Valley include general government, public safety, transportation, community development, community services, capital projects and interest on long term debt. The business-type activities of the City are comprised of water, sewer and solid waste funds.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Housing Authority which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary Funds

The City maintains three different types of *proprietary (Enterprise) funds*. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and solid waste funds.

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes Budgetary Comparison Schedules for the General Fund and Housing Authority, Schedules of Proportionate Share of the Net Pension Liability, Schedules of Contributions – defined benefit pension plans, Schedule of Funding Progress, Schedule of Employer Contributions, and Annual Money-Weighted Rate of Return on Investments for the City's Other Post-Employment Benefits Plan and disclosure information pertaining to the use of the Modified Approach with infrastructure. Required supplementary information can be found immediately following the notes to the basic financial statement.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds, non-major Capital Projects Funds and all non-major Debt Service Funds. These combining and individual fund statements and schedules can be found immediately following the notes to the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. This analysis addresses the financial statements of the City as a whole.

SUMMARY OF NET POSITION

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 81,811	\$ 76,198	\$ 24,958	\$ 22,079	\$ 106,769	\$ 98,277
Capital assets	103,161	102,359	30,300	30,477	133,461	132,836
Total assets	184,972	178,557	55,258	52,556	240,230	231,113
Deferred outflow of resources	17,348	23,725	1,131	713	18,479	24,438
Liabilities:						
Other liabilities	\$ 13,728	\$ 13,181	\$ 4,526	\$ 2,739	\$ 18,254	\$ 15,920
Long-term liabilities	105,032	104,069	20,596	19,983	125,628	124,052
Total liabilities	118,760	117,250	25,122	22,722	143,882	139,972
Deferred inflows of resources	2,459	4,669	168	309	2,627	4,978
Net position:						
Net investment in capital assets	93,401	95,232	22,721	22,772	116,122	118,004
Restricted	26,763	24,307	-	-	26,763	24,307
Unrestricted	(39,063)	(39,176)	8,378	7,466	(30,685)	(31,710)
Total net position	\$ 81,101	\$ 80,363	\$ 31,099	\$ 30,238	\$ 112,200	\$ 110,601

The City's Government-wide total net position was \$112.2 million, with total assets and deferred outflows of resources of \$258.7 million and total liabilities and deferred inflows of resources of \$146.5 million. The net investment in capital assets was \$116.1 million. Another portion of the City's net position, \$26.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$30.7 million represents unrestricted net position. The negative balance in unrestricted net position is due to the implementation of GASB Statement No. 68 and GASB Statement No. 71.

The largest portion of the City's net position (\$116.1 million) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

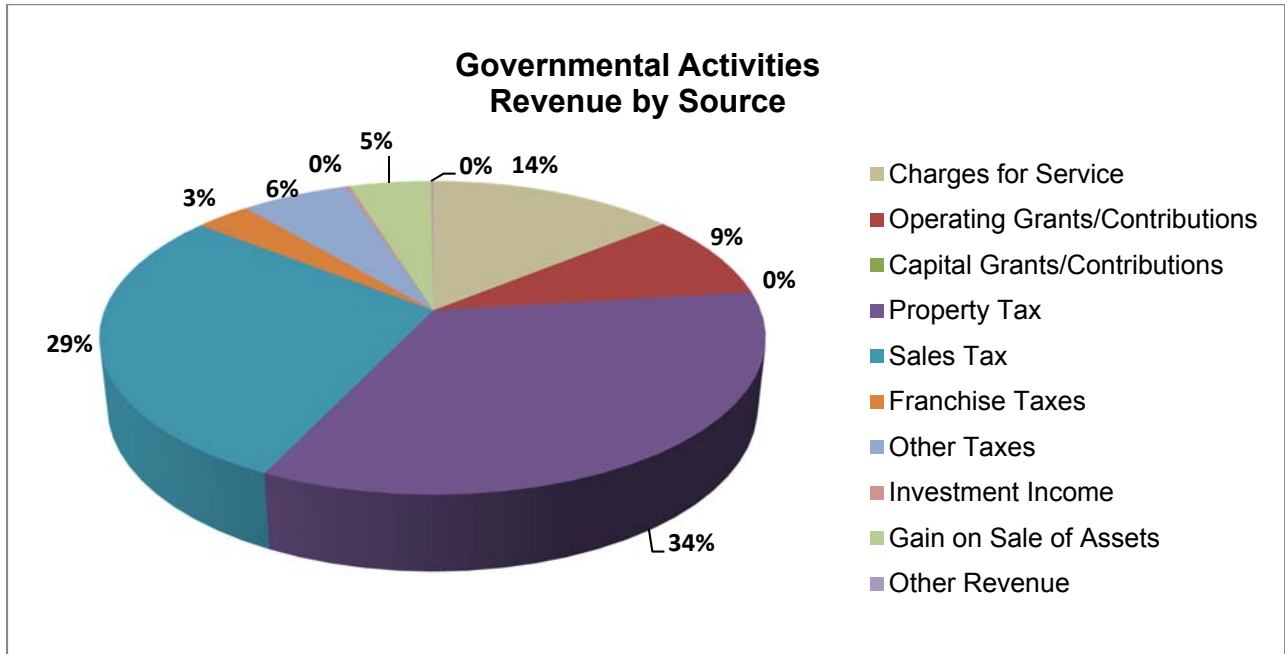
Governmental Activities

Governmental activities increased the City's net position by \$738 thousand. The key element of this increase is related to a \$1.8 million decrease to the net pension liability.

CHANGES IN NET POSITION

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for services	\$ 7,349	\$ 7,260	\$ 19,030	\$ 17,916	\$ 26,379	\$ 25,176
Operating grants and contributions	4,632	3,343	-	-	4,632	3,343
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Taxes:						
Property taxes	17,705	16,782	-	-	17,705	16,782
Sales taxes	14,832	12,964	-	-	14,832	12,964
Franchise taxes	1,635	1,766	-	-	1,635	1,766
Other taxes	3,221	3,158	-	-	3,221	3,158
Intergovernmental	-	-	39	-	39	-
Investment income	118	730	185	153	303	883
Gain on sale of capital assets	3,428	27	-	-	3,428	27
Miscellaneous	62	9	-	-	62	9
Transfers	337	195	(337)	(195)	-	-
Total Revenues	53,319	46,234	18,917	17,874	72,236	64,108
Expenses:						
General government	3,491	4,061	-	-	3,491	4,061
Public safety	30,725	30,520	-	-	30,725	30,520
Transportation	9,957	7,229	-	-	9,957	7,229
Community development	4,986	4,962	-	-	4,986	4,962
Community services	3,090	2,770	-	-	3,090	2,770
Interest charges	332	601	-	-	332	601
Water	-	-	13,475	12,199	13,475	12,199
Solid waste	-	-	2,995	2,980	2,995	2,980
Sewer	-	-	1,586	1,187	1,586	1,187
Total Expenses	52,581	50,143	18,056	16,366	70,637	66,509
Change in net position before extraordinary items	738	(3,909)	861	1,508	1,599	(2,401)
Extraordinary items	-	57	-	-	-	57
Change in net position after extraordinary items	738	(3,852)	861	1,508	1,599	(2,344)
Net position - beginning of year	80,363	84,215	30,238	28,730	110,601	112,945
Net position - ending of year	<u>\$ 81,101</u>	<u>\$ 80,363</u>	<u>\$ 31,099</u>	<u>\$ 30,238</u>	<u>\$112,200</u>	<u>\$110,601</u>



Financial Analysis of the Government Funds

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

Governmental Funds

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

As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$71.2 million an increase of \$4.6 million from the prior year balances. The net increase is related to the receipt of \$2.8 million of 2017 Clean Renewable Energy bond proceeds for the acquisition, construction and installation of solar photovoltaic systems, gain on sale of land in the amount of \$3.4 million and a net \$2.3 million expenditure of funds for a City arterial project. Approximately 1.1% of this amount, \$807 thousand is not available for spending, \$26.7 million, or 37.6% is considered restricted, \$17 million, or 23.8% is assigned and 37.5%, \$26.7 million is available for spending at the government’s discretion within the guidelines of the fund types.

At the end of the current fiscal year, the unassigned fund balance in the general fund, the chief operating fund of the City, was \$27.2 million and total fund balance was \$49.4 million. The general fund balance increased \$2.6 million from the 2016 fiscal year.

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

The Fountain Valley Housing Authority was established in 2011 to preserve the ability to provide affordable housing uses and activities. The fund balance in the Housing Authority Fund at June 30, 2017, was \$11.8 million, an increase of \$3.7 million; this increase is mainly related to a \$3.4 million gain on sale of land.

Proprietary Funds

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

Total net position for the Water Utility Fund increased by \$514 thousand and totaled \$19.5 million at June 30, 2017, of this amount an unrestricted net position amounted to \$4.0 million.

The net position for the Sewer Fund increased by \$314 thousand and totaled \$10.8 million at June 30, 2017; of this amount the unrestricted net position amounted to \$3.6 million.

For the fiscal year ended 2017 the Solid Waste Fund had a net position of \$835 thousand, with an increase of \$32 thousand from last fiscal year.

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the year ended June 30, 2017, is presented as required supplementary information following the notes to the financial statements. Revenues and transfers in were \$48.8 million, 3.1% higher than the City's final budget of \$47.3 million. Significant revenues over budget were received from Bradley Burns Sales Tax (\$715 thousand) and 1% Transactions Sales Tax (\$2.5 million). Significant revenues under budget were a fair market value decrease adjustment to investments (\$529 thousand) and a decrease in developer impact payments (\$757 thousand). Expenditures and transfers out were lower by \$8.6 million than the final budget of \$54.8 million, or 15.7% under budget. The primary differences between actual expenditures and budget is due to the underspending of funds for the economic development project (\$1.0 million), carryover of funds for both the commercial property loans (1.0 million) and the City HVAC and Energy Efficiency project (\$5.4 million) and deferred capital expenditures for the median landscape project (\$1.5 million).

Differences between the original and final revenue budget reflect an increase of \$4.0 million or 9.2%. The most notable adjustments were a \$1.0 increase for a cooperative reimbursement and a \$2.8 million increase for the issuance of the 2017 Clean Renewable Energy bond proceeds.

Differences between the original and final total expenditures budget reflect an increase of \$12.0 million or 28.2%. The most notable adjustments were a \$1.0 million increase for a cooperative project, a \$1.0 million increase for a commercial property loan program, a \$6.2 million increase for the City HVAC and Energy Efficiency project and an increase a \$3.2 million increase for carryover capital project funds from fiscal year 2015-2016.

The following summarizes the General Fund’s original budget, final budget and actual results for 2017 revenues, expenditures and transfers:

GENERAL FUND BUDGETARY COMPARISON

(in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues	\$ 42,106	\$ 43,251	\$ 45,202	\$ 1,951
Expenditures	(41,649)	(53,699)	(44,973)	8,726
Other Financing Sources (Uses)				
Tranfers in	1,231	4,074	3,584	(490)
Transfers out	(1,125)	(1,125)	(1,125)	-
Proceeds from issuance of bonds	-	-	-	-
Bond discount	-	-	-	-
Cost of issuance	-	-	(110)	(110)
Special item	-	-	-	-
Extraordinary item	-	-	-	-
Net Change in Fund Balance	<u>\$ 563</u>	<u>\$ (7,499)</u>	<u>\$ 2,578</u>	<u>\$ 10,077</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The City’s investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$133.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, vehicles and equipment, park facilities, roads, highway, and sidewalks/curbs/gutters. The total increase in the City’s investment in capital assets for the current fiscal year was \$625 thousand or 0.5%. The major additions were for the construction costs in the amount of \$866 thousand for the Sandalwood Street Storm Drain Pump Station rehab project, \$693 thousand for Sewer Improvement projects and \$571 thousand for the purchase of a Pierce Fire Engine.

CAPITAL ASSETS

(net of accumulated depreciation)

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 3,885	\$ 3,885	\$ 123	\$ 123	\$ 4,008	\$ 4,008
Vehicles and equipment	2,644	2,344	128	150	2,772	2,494
Furniture and fixtures	8	9	-	-	8	9
Buildings	8,234	8,615	12,557	13,137	20,791	21,752
Construction in Progress	1,555	283	745	2,230	2,300	2,513
Improvements other than structures	3,432	3,388	16,747	14,837	20,179	18,225
Rights of Way	17,948	17,948	-	-	17,948	17,948
Infrastructure	65,455	65,887	-	-	65,455	65,887
Net capital assets	<u>\$ 103,161</u>	<u>\$ 102,359</u>	<u>\$ 30,300</u>	<u>\$ 30,477</u>	<u>\$ 133,461</u>	<u>\$ 132,836</u>

The City elected to use the modified approach in reporting its street pavement infrastructure network. The condition of the City’s roadway pavement is measured using the Carte Graph Pavement Management System. The system uses a measurement scale that is based on a Pavement Condition Index (PCI) ranging from zero for a very poor pavement to 100 for a pavement in very good condition. The overall condition of the City’s pavement network based on the most recent complete assessment performed in the fiscal year 2016 was “Good” with a weighted average PCI of 85.1 based on the surface area of each segment. There have been no significant changes in the assessed condition of the infrastructure assets from the last fiscal year. The current condition of these assets complies with the condition levels adopted by the City. Variances in budgeted versus actual expenditures is due to timing of project completion. The arterial pavement improvement project for Edinger Avenue and Harbor Boulevard had a budget of \$3.7 million and actual expenditures of \$3.1 million. This project began in fiscal year 2015-2016 and completed in this fiscal year 2016-2017. A new arterial pavement project on Euclid Street is budgeted for the next fiscal year 2017-2018. Additional information on the City’s capital assets can be found in Note 4 in the Financial Section of this report.

OUTSTANDING DEBT AS OF JUNE 30, 2017 AND 2016

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Certificates of participation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	-	-	14,042	14,611	14,042	14,611
Lease Revenue bonds	16,176	13,808	-	-	16,176	13,808
Taxable Pension Obligation bonds	15,679	15,662	-	-	15,679	15,662
Compensated absences	2,147	2,392	251	225	2,398	2,617
Claims payable	3,954	4,758	-	-	3,954	4,758
Other post-employment benefits	4,512	3,839	-	-	4,512	3,839
Leases payable	-	-	-	-	-	-
Net Pension Liability	65,785	67,634	7,010	5,819	72,795	73,453
Total Long Term Liabilities	\$ 108,253	\$ 108,093	\$ 21,303	\$ 20,655	\$ 129,556	\$ 128,748

At year-end, the City had total long term debt outstanding of \$129.5 million; this is an increase of \$808 thousand. The net increase is attributable to the issuance of the 2017 Clean Renewable Energy Bonds in the amount of \$2.8 million and a decrease to Net Pension Liability in the amount of \$1.8 million.

Additional information on the City's long-term liabilities can be found in Note 5 in the Financial Section of this report.

FISCAL YEAR 2016-17 OPERATING BUDGET AND ENTERPRISE RATES

The City Council adopted the fiscal year 2017-2018 Budget with total appropriations of \$103.8 million and projected revenues of \$94.9 million.

The General Fund fiscal year 2017-2018 estimated revenues are \$50 million and budgeted appropriations are \$55.9 million. The General Fund include a substantial amount of one-time capital improvement projects that utilize reserves which are legally required to be spent on specific capital projects.

The voters of the City of Fountain Valley successfully approved Measure HH, a 1% transactions sales tax. This year the budget process was approached differently due to the timing of the receipts of the transactions tax. Although Measure HH was successful, implementation and collection of the new 1% transactions sales tax did not begin until April 1, 2017, which did not provide the City historical data related to the annualized

transactions sales tax amount. The approved fiscal year 2017-2018 budget is reflective of using 2016-2017 adopted budget numbers as the baseline. Essential services levels were restored or items added which will allow the City to continue to maintain these service levels, including public safety. The budget as adopted, reflects baseline expenditures over revenues of \$4.2 million which will be offset by the new transactions sales tax, thus having a balanced operating budget. The goal will be to perform a more detailed review of operations and revenues at mid-year and return to City Council with the balance of the Measure HH implementation if actual transactions sales tax exceeds the initial forecast.

The fiscal year 2017-2018 budget includes an approved increase of 5.75 percent to water rates and 3.0 percent to sewer rates.

Requests for Information

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

City of Fountain Valley Basic Financial Statements



CITY OF FOUNTAIN VALLEY
STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 61,434,556	\$ 15,768,043	\$ 77,202,599
Restricted cash and investments	6,416,254	6,462,456	12,878,710
Receivables:			
Accounts	6,276,672	3,339,369	9,616,041
Accrued interest	216,465	-	216,465
Loans	6,660,094	-	6,660,094
Internal balances	612,000	(612,000)	-
Inventories	81,435	-	81,435
Prepaid items	113,691	-	113,691
Capital assets:			
Not being depreciated	86,937,560	868,436	87,805,996
Being depreciated, net	16,223,809	29,431,927	45,655,736
TOTAL ASSETS	<u>184,972,536</u>	<u>55,258,231</u>	<u>240,230,767</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension plans	17,348,364	1,130,706	18,479,070
LIABILITIES:			
Accounts payable	2,719,467	3,454,290	6,173,757
Accrued wages payable	748,650	-	748,650
Accrued interest payable	188,316	268,316	456,632
Due to other governments	230,784	-	230,784
Unearned revenue	6,428,072	-	6,428,072
Deposits payable	191,593	96,149	287,742
Long-term liabilities:			
Due within one year	3,220,920	707,325	3,928,245
Due in more than one year	105,032,475	20,595,648	125,628,123
TOTAL LIABILITIES	<u>118,760,277</u>	<u>25,121,728</u>	<u>143,882,005</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	2,459,440	167,772	2,627,212
NET POSITION:			
Net investment in capital assets	93,401,436	22,721,048	116,122,484
Restricted for:			
Housing	12,048,990	-	12,048,990
Public safety	936,608	-	936,608
Transportation	2,930,551	-	2,930,551
Community development	10,846,702	-	10,846,702
Debt service	243	-	243
Unrestricted	(39,063,347)	8,378,389	(30,684,958)
TOTAL NET POSITION	<u>\$ 81,101,183</u>	<u>\$ 31,099,437</u>	<u>\$ 112,200,620</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,490,836	\$ 1,322,154	\$ -	\$ -
Public safety	30,725,287	2,628,927	415,443	-
Transportation	9,956,544	-	3,673,900	-
Community development	4,986,214	1,990,806	368,947	-
Community services	3,090,014	1,406,686	174,162	-
Interest on long term debt	332,056	-	-	-
Total governmental activities	<u>52,580,951</u>	<u>7,348,573</u>	<u>4,632,452</u>	<u>-</u>
Business-type activities:				
Water	13,474,865	13,818,022	-	-
Sewer	1,586,054	1,974,735	-	-
Solid waste	<u>2,995,313</u>	<u>3,236,804</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>18,056,232</u>	<u>19,029,561</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 70,637,183</u>	<u>\$ 26,378,134</u>	<u>\$ 4,632,452</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Investment income

Gain on sale of land held for resale

Miscellaneous

Intergovernmental

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,168,682)	\$ -	\$ (2,168,682)
(27,680,917)	-	(27,680,917)
(6,282,644)	-	(6,282,644)
(2,626,461)	-	(2,626,461)
(1,509,166)	-	(1,509,166)
(332,056)	-	(332,056)
<u>(40,599,926)</u>	<u>-</u>	<u>(40,599,926)</u>
-	343,157	343,157
-	388,681	388,681
-	241,491	241,491
<u>-</u>	<u>973,329</u>	<u>973,329</u>
<u>(40,599,926)</u>	<u>973,329</u>	<u>(39,626,597)</u>
17,704,506	-	17,704,506
14,831,750	-	14,831,750
1,635,261	-	1,635,261
3,221,064	-	3,221,064
118,500	184,868	303,368
3,427,663	-	3,427,663
62,167	-	62,167
-	39,625	39,625
336,812	(336,812)	-
<u>41,337,723</u>	<u>(112,319)</u>	<u>41,225,404</u>
737,797	861,010	1,598,807
<u>80,363,386</u>	<u>30,238,427</u>	<u>110,601,813</u>
<u>\$ 81,101,183</u>	<u>\$ 31,099,437</u>	<u>\$ 112,200,620</u>

CITY OF FOUNTAIN VALLEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Special Revenue Fund Housing Authority
ASSETS		
Cash and investments	\$ 46,036,697	\$ 11,832,579
Restricted cash and investments	243	-
Receivables:		
Accounts	4,943,183	-
Accrued interest	216,465	-
Loans	1,238	6,428,072
Due from other funds	500,338	-
Advances to other funds	612,000	-
Inventories	81,435	-
Prepaid items	113,691	-
TOTAL ASSETS	<u>\$ 52,505,290</u>	<u>\$ 18,260,651</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 2,168,472	\$ 983
Accrued wages payable	748,650	-
Deposits payable	9,776	-
Due to other governments	-	-
Unearned revenue	-	6,428,072
Due to other funds	-	-
TOTAL LIABILITIES	<u>2,926,898</u>	<u>6,429,055</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	<u>223,943</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>3,150,841</u>	<u>6,429,055</u>
FUND BALANCES:		
Nonspendable:		
Inventories	81,435	-
Prepaid items	113,691	-
Advances	612,000	-
Restricted for:		
Public safety	-	-
Transportation	-	-
Housing	-	11,831,596
Community development	4,430,691	-
Debt service	243	-
Assigned:		
Fleet replacement	2,000,000	-
Information technology replacement	800,000	-
Major facility replacement	1,750,000	-
Employee benefits	1,003,303	-
Self insurance	2,108,007	-
Capital equipment	800,000	-
Disaster	1,000,000	-
Capital projects	5,000,000	-
Economic development	2,500,000	-
Unassigned	27,155,079	-
TOTAL FUND BALANCES	<u>49,354,449</u>	<u>11,831,596</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 52,505,290</u>	<u>\$ 18,260,651</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total
\$ 3,565,280	\$ 61,434,556
6,416,011	6,416,254
1,333,489	6,276,672
-	216,465
230,784	6,660,094
-	500,338
-	612,000
-	81,435
-	113,691
<u>\$ 11,545,564</u>	<u>\$ 82,311,505</u>
\$ 550,012	\$ 2,719,467
-	748,650
181,817	191,593
230,784	230,784
-	6,428,072
500,338	500,338
<u>1,462,951</u>	<u>10,818,904</u>
<u>46,572</u>	<u>270,515</u>
<u>1,509,523</u>	<u>11,089,419</u>
-	81,435
-	113,691
-	612,000
936,608	936,608
2,930,551	2,930,551
217,394	12,048,990
6,415,989	10,846,680
22	265
-	2,000,000
-	800,000
-	1,750,000
-	1,003,303
-	2,108,007
-	800,000
-	1,000,000
-	5,000,000
-	2,500,000
(464,523)	26,690,556
<u>10,036,041</u>	<u>71,222,086</u>
<u>\$ 11,545,564</u>	<u>\$ 82,311,505</u>

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CITY OF FOUNTAIN VALLEY

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

June 30, 2017

Fund balances - total governmental funds	\$ 71,222,086
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in government fund activities:	
Capital assets	136,378,051
Accumulated depreciation	(33,216,682)
Other post-employment benefit obligation is not accrued in governmental funds, but rather is recognized as an expenditure when paid.	(4,511,963)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:	
2015A Taxable Pension Obligation Bonds	(15,995,000)
Bond discount	315,849
2016A Lease Revenue Bonds	(12,465,000)
Bond premium	(868,021)
2017 Clean Renewable Energy Bond	(2,843,166)
Liability for claims and judgments	(3,954,266)
Compensated absences	(2,147,021)
Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities	
Deferred outflows of resources	17,348,364
Deferred inflows of resources	(2,459,440)
Pension liability	(65,784,807)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(188,316)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	<u>270,515</u>
Net position of governmental activities	<u><u>\$ 81,101,183</u></u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2017

	General	Special Revenue Fund Housing Authority
REVENUES:		
Taxes	\$ 36,060,441	\$ -
Licenses and permits	1,869,865	-
Fines and penalties	564,786	-
Investment income	(82,240)	187,649
Rental income	1,255,618	-
Intergovernmental	175,258	-
Charges for services	4,570,636	-
Miscellaneous	787,600	7,511,820
TOTAL REVENUES	<u>45,201,964</u>	<u>7,699,469</u>
EXPENDITURES:		
Current:		
General government	3,212,619	-
Public safety	28,389,953	-
Transportation	5,486,877	-
Community development	3,653,892	150,104
Community services	2,606,038	-
Capital outlay	1,621,292	3,851,917
Debt service:		
Principal	-	-
Interest	2,379	-
Costs of debt issuance	110,180	-
TOTAL EXPENDITURES	<u>45,083,230</u>	<u>4,002,021</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>118,734</u>	<u>3,697,448</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	3,584,177	-
Transfers out	(1,124,722)	(5,040)
Proceeds from issuance of bonds	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,459,455</u>	<u>(5,040)</u>
NET CHANGE IN FUND BALANCES	2,578,189	3,692,408
FUND BALANCES - BEGINNING OF YEAR	<u>46,776,260</u>	<u>8,139,188</u>
FUND BALANCES - END OF YEAR	<u>\$ 49,354,449</u>	<u>\$ 11,831,596</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total
\$ -	\$ 36,060,441
-	1,869,865
-	564,786
50,753	156,162
-	1,255,618
3,955,664	4,130,922
296,325	4,866,961
17,394	8,316,814
<u>4,320,136</u>	<u>57,221,569</u>
-	3,212,619
160,865	28,550,818
4,427,560	9,914,437
366,853	4,170,849
12,777	2,618,815
909,331	6,382,540
430,000	430,000
442,250	444,629
-	110,180
<u>6,749,636</u>	<u>55,834,887</u>
<u>(2,429,500)</u>	<u>1,386,682</u>
3,427,495	7,011,672
(5,545,098)	(6,674,860)
<u>2,843,166</u>	<u>2,843,166</u>
<u>725,563</u>	<u>3,179,978</u>
(1,703,937)	4,566,660
<u>11,739,978</u>	<u>66,655,426</u>
<u>\$ 10,036,041</u>	<u>\$ 71,222,086</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 4,566,660
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	2,569,494
Depreciation expense	(1,761,361)
Disposal of capital assets	(5,844)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in the governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the Statement of Net Position. The amounts are the net effect of these differences in the treatment of long-term debt:	
Repayment of principal	430,000
Issuance of bonds - principal	(2,843,166)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in other post-employment benefits obligation	(673,196)
Change in compensated absences	245,133
Change in the liability for claims and judgments	803,340
Change in accrued interest on long-term debt	85,061
Amortization of bond premium	44,898
Amortization of bond discount	(17,386)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources	
	(2,318,120)
Revenues that are measurable but not available are not recorded as revenue under the modified accrual basis of accounting.	
	<u>(387,716)</u>
Change in net position of governmental activities	<u>\$ 737,797</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
ASSETS:				
CURRENT ASSETS:				
UNRESTRICTED ASSETS:				
Cash and cash equivalents	\$ 10,457,485	\$ 4,738,753	\$ 571,805	\$ 15,768,043
Accounts receivable	2,520,020	305,730	513,619	3,339,369
TOTAL UNRESTRICTED ASSETS	12,977,505	5,044,483	1,085,424	19,107,412
RESTRICTED ASSETS:				
Cash and cash equivalents	6,462,456	-	-	6,462,456
TOTAL CURRENT ASSETS	19,439,961	5,044,483	1,085,424	25,569,868
NONCURRENT ASSETS:				
Capital assets:				
Not being depreciated	868,436	-	-	868,436
Being depreciated, net	22,224,233	7,207,694	-	29,431,927
TOTAL NONCURRENT ASSETS	23,092,669	7,207,694	-	30,300,363
TOTAL ASSETS	42,532,630	12,252,177	1,085,424	55,870,231
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amounts from pension plans	921,501	209,205	-	1,130,706
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	2,911,792	291,779	250,719	3,454,290
Deposits payable	96,149	-	-	96,149
Interest payable	268,316	-	-	268,316
Advances from other funds	612,000	-	-	612,000
Bonds payable, current portion	510,000	-	-	510,000
Compensated absences, current portion	135,546	61,779	-	197,325
TOTAL CURRENT LIABILITIES	4,533,803	353,558	250,719	5,138,080
NONCURRENT LIABILITIES:				
Compensated absences, net of current portion	36,631	16,696	-	53,327
Bonds payable, net of current portion	13,531,771	-	-	13,531,771
Net pension liability	5,713,444	1,297,106	-	7,010,550
TOTAL NONCURRENT LIABILITIES	19,281,846	1,313,802	-	20,595,648
TOTAL LIABILITIES	23,815,649	1,667,360	250,719	25,733,728
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts from pension plans	136,731	31,041	-	167,772
NET POSITION:				
Net investment in capital assets	15,513,354	7,207,694	-	22,721,048
Unrestricted	3,988,397	3,555,287	834,705	8,378,389
TOTAL NET POSITION	\$ 19,501,751	\$ 10,762,981	\$ 834,705	\$ 31,099,437

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2017

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
OPERATING REVENUES:				
Charges for services	\$ 13,816,457	\$ 1,974,735	\$ 3,236,804	\$ 19,027,996
Miscellaneous	1,565	-	-	1,565
TOTAL OPERATING REVENUES	13,818,022	1,974,735	3,236,804	19,029,561
OPERATING EXPENSES:				
Distribution maintenance	432,517	-	-	432,517
Utility administration	1,189,134	874,235	-	2,063,369
Contract services	-	196,838	2,995,313	3,192,151
Pumping and maintenance	1,196,106	220,657	-	1,416,763
Water treatment	9,219,669	-	-	9,219,669
Depreciation	988,812	294,324	-	1,283,136
TOTAL OPERATING EXPENSES	13,026,238	1,586,054	2,995,313	17,607,605
OPERATING INCOME	791,784	388,681	241,491	1,421,956
NONOPERATING REVENUES (EXPENSES):				
Investment income	142,093	42,775	-	184,868
Intergovernmental	29,544	10,081	-	39,625
Interest expense	(448,627)	-	-	(448,627)
TOTAL NONOPERATING REVENUES (EXPENSES)	(276,990)	52,856	-	(224,134)
INCOME BEFORE TRANSFERS	514,794	441,537	241,491	1,197,822
TRANSFERS:				
Transfers in	209,107	-	-	209,107
Transfers out	(209,493)	(127,319)	(209,107)	(545,919)
TOTAL TRANSFERS	(386)	(127,319)	(209,107)	(336,812)
CHANGES IN NET POSITION	514,408	314,218	32,384	861,010
NET POSITION - BEGINNING OF YEAR	18,987,343	10,448,763	802,321	30,238,427
NET POSITION - END OF YEAR	<u>\$ 19,501,751</u>	<u>\$ 10,762,981</u>	<u>\$ 834,705</u>	<u>\$ 31,099,437</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2017

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 13,418,086	\$ 1,903,672	\$ 3,219,449	\$ 18,541,207
Cash payments to suppliers of goods and services	(8,024,362)	(442,242)	(2,993,431)	(11,460,035)
Cash payments to employees for services	(1,973,720)	(434,069)	-	(2,407,789)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,420,004	1,027,361	226,018	4,673,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	209,107	-	-	209,107
Cash received from grants	29,544	10,081	-	39,625
Cash paid to other funds	(491,493)	(127,319)	(209,107)	(827,919)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(252,842)	(117,238)	(209,107)	(579,187)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash paid for acquisition and construction of capital assets	(810,230)	(234,150)	-	(1,044,380)
Principal paid on debt	(495,000)	-	-	(495,000)
Interest paid on debt	(590,581)	-	-	(590,581)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,895,811)	(234,150)	-	(2,129,961)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	142,093	42,775	-	184,868
NET CASH PROVIDED BY INVESTING ACTIVITIES	142,093	42,775	-	184,868
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,413,444	718,748	16,911	2,149,103
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	15,506,497	4,020,005	554,894	20,081,396
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 16,919,941	\$ 4,738,753	\$ 571,805	\$ 22,230,499

See accompanying notes to the basic financial statements.

(Continued)

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2017

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 791,784	\$ 388,681	\$ 241,491	\$ 1,421,956
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	988,812	294,324	-	1,283,136
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(407,504)	(22,356)	(17,355)	(447,215)
(Increase) decrease in deferred outflows of resources from pension plans	(340,474)	(77,296)	-	(417,770)
Increase (decrease) in accounts payable	1,523,050	272,952	1,882	1,797,884
Increase (decrease) in deposits payable	7,564	(48,704)	-	(41,140)
Increase (decrease) in compensated absences	141	25,282	-	25,423
Increase (decrease) in net pension liability	971,339	220,520	-	1,191,859
Increase (decrease) in deferred inflows of resources from pension plans	(114,708)	(26,042)	-	(140,750)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,420,004</u>	<u>\$ 1,027,361</u>	<u>\$ 226,018</u>	<u>\$ 4,673,383</u>
CASH AND CASH EQUIVLENTS - FINANCIAL STATEMENT CLASSIFICATION:				
Cash and cash equivalents	\$ 10,457,485	\$ 4,738,753	\$ 571,805	\$ 15,768,043
Restricted cash and cash equivalents	<u>6,462,456</u>	<u>-</u>	<u>-</u>	<u>6,462,456</u>
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 16,919,941</u>	<u>\$ 4,738,753</u>	<u>\$ 571,805</u>	<u>\$ 22,230,499</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private-Purpose Trust Funds	Other Post- Employment Benefit (OPEB) Trust Fund	Agency Funds
ASSETS:			
Cash and investments	\$ 736,152	\$ -	\$ 473,636
Cash and investments held by trust	-	8,433,819	-
TOTAL ASSETS	736,152	8,433,819	\$ 473,636
LIABILITIES:			
Accounts payable	117,956	-	\$ -
Deposits payable	-	-	473,636
TOTAL LIABILITIES	117,956	-	\$ 473,636
NET POSITION:			
Held in trust for Successor Agency	\$ 618,196	\$ -	
Held in trust for OPEB benefits	-	8,433,819	
TOTAL NET POSITION	\$ 618,196	\$ 8,433,819	

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2017

	Private-Purpose Trust Funds	Other Post- Employment Benefit (OPEB) Trust Fund
	<u> </u>	<u> </u>
ADDITIONS:		
Taxes	\$ 1,109,771	\$ -
Investment income	-	828,006
	<u>1,109,771</u>	<u>828,006</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Administrative	53,723	-
Community development	281,964	-
Interest	-	-
Administrative expense	-	40,708
	<u>335,687</u>	<u>40,708</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	774,084	787,298
NET POSITION - BEGINNING OF YEAR	<u>(155,888)</u>	<u>7,646,521</u>
NET POSITION - END OF YEAR	<u>\$ 618,196</u>	<u>\$ 8,433,819</u>

See accompanying notes to the basic financial statements.

City of Fountain Valley **Notes To The** **Basic Financial Statements**



CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Reporting Entity:

The City of Fountain Valley is a general law city governed by an elected five-member city council. As required by generally accepted accounting principles, these financial statements present the City of Fountain Valley (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from the City. However, the City's elected officials have a continuing full or partial accountability for fiscal matters of the other entities.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City and the City either has a financial benefit or burden relationship or has operational responsibility for the component unit. The component units discussed below have governing bodies substantially the same as the City and the City has operational responsibility for them. Therefore, these component units of the City are blended within the financial statements of the City.

The Fountain Valley Housing Authority (Housing Authority) was established in 2011 to preserve the ability to provide affordable housing activities. The City provides management assistance to the Housing Authority and the members of the City Council also act as the Housing Authority's governing body. The activities of the Housing Authority are reported in the Housing Authority Special Revenue Fund. Separate financial statements are not prepared for this blended component unit.

The Fountain Valley Public Financing Authority (Authority) was established on August 19, 2014, for the purpose of issuing tax exempt obligations for the water utility proprietary fund (2014 Revenue Bond) and for the City's governmental activities (Lease Revenue Bond, Series 2016A and Clean Renewable Energy Bonds). The activities of the Authority are reported in the Water Utility Proprietary Fund and the Fountain Valley Public Financing Authority Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

Government-Wide Financial Statements:

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-Wide Financial Statements (Continued):

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's Water Utility, Sewer, and Solid Waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements:

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Financial Statements (Continued):

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

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

Governmental Funds:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued):

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

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

Noncurrent portions of long-term receivables between governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources”, since they do not represent available resources. Noncurrent portions of other long-term receivables are offset by due to other governments or unearned revenue.

Proprietary Funds:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Proprietary Funds (Continued):

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

Fiduciary Funds:

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

c. Fund Classifications:

The City reports the following major governmental funds:

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

Housing Authority Special Revenue Fund - This special revenue fund is used to account for the housing activities of the former Fountain Valley Agency for Community Development. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low and moderate income housing.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

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

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

Sewer Utility Fund - This enterprise fund is used to account for fees and services for sewer activities.

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

Additionally, the government reports the following fund types:

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

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

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

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

The Other Post-Employment Benefit (OPEB) Trust Fund accounts for resources of the trust fund established for the purpose of pre-funding pension obligations.

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements:

GASB Current Year Standards:

GASB 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and resulted in additional disclosures and required supplementary information.

GASB 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and resulted in additional disclosures.

GASB 79, *Certain External Investment Pools and Pool Participants*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards:

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

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

e. Cash and Investments:

Investments are reported in the accompanying basic financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external pools are valued based on the stated fair value represented by the external pool.

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

f. Cash Equivalents:

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

g. Inventories:

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

h. Prepaid Items:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets:

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

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

Depreciation of all exhaustible capital assets used by the governmental and business-type activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net position.

Depreciation has been calculated using the straight-line method over the following estimated useful lives:

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets (Continued):

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

j. Deferred Outflows/Inflows of Resources:

In addition to assets, the 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pension plans for the changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the difference between projected and actual earnings on plan investments of the pension plans fiduciary net position. These amounts are amortized over five years.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

k. Property Taxes:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Property Taxes (Continued):

The property tax calendar is as follows:

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

l. Claims and Judgments:

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the government-wide financial statements and has typically been paid from the City's general fund.

m. Employee Leave Benefits:

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. Net Position:

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

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

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

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

o. Net Position Flow Assumption:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

p. Fund Balances:

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

p. Fund Balances (Continued):

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

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

Unassigned Fund Balance - this includes the remaining spendable amounts which are not included in one of the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Only the General Fund shows a positive unassigned fund balance.

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

q. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

r. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 77,202,599
Restricted cash and investments	12,878,710
Statement of Fiduciary Net Position:	
Cash and investments	1,209,788
Cash and investments held by trust	<u>8,433,819</u>
Total cash and investments	<u>\$ 99,724,916</u>

Cash and investments held by the City at June 30, 2017 consisted of the following:

Cash on hand	\$ 28,775
Deposits with financial institutions	17,538,502
Investments	<u>82,157,639</u>
Total cash and investments	<u>\$ 99,724,916</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

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

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City or the investment of the funds within the OPEB Trust that are governed by the agreement between the District and the trustee, rather than the general provisions of the California Government Code or the City's investment policy.

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

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

N/A - Not Applicable

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Local Agency Investment Fund	\$ 26,973,224	\$ -	\$ -	\$ -	\$ 26,973,224
U.S. Government Sponsored					
Agency Securities	999,900	3,169,629	10,045,320	-	14,214,849
U.S. Treasury Notes	-	3,388,471	6,630,148	-	10,018,619
Money Market Mutual Funds	822,391	-	-	-	822,391
Medium Term Notes	4,712,876	3,444,899	6,342,392	-	14,500,167
Held by Fiscal Agent:					
Money Market Mutual Funds	7,194,570	-	-	-	7,194,570
Held by Trust:					
PARS Pooled Trust:					
Money Market Mutual Funds	255,772	-	-	-	255,772
Money Market Funds - Equity	4,215,416	-	-	-	4,215,416
Money Market Funds - Fixed Income	3,962,631	-	-	-	3,962,631
	<u>\$ 49,136,780</u>	<u>\$ 10,002,999</u>	<u>\$ 23,017,860</u>	<u>\$ -</u>	<u>\$ 82,157,639</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk:

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

Investment Type	Minimum Legal Rating	Total as of June 30, 2017	Ratings as of Fiscal Year End			
			AAA	AA+	Other	Not Rated
Local Agency Investment Fund	N/A	\$ 26,973,224	\$ -	\$ -	\$ -	\$26,973,224
U.S. Government Sponsored						
Agency Securities	N/A	14,214,849	-	14,214,849	-	-
U.S. Treasury Notes	N/A	10,018,619	-	-	-	10,018,619
Money Market Mutual Funds	A	822,391	822,391	-	-	-
Medium Term Notes	A	14,500,167	4,230,745	956,196	9,313,226	-
Held by Fiscal Agent:						
Money Market Mutual Funds	A	7,194,570	7,194,570	-	-	-
Held by Trust:						
PARS Pooled Trust:						
Money Market Mutual Funds	N/A	255,772	255,772	-	-	-
Money Market Funds - Equity	N/A	4,215,416	-	-	-	4,215,416
Money Market Funds - Fixed Income	N/A	<u>3,962,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,962,631</u>
		<u>\$ 82,157,639</u>	<u>\$12,503,478</u>	<u>\$15,171,045</u>	<u>\$ 9,313,226</u>	<u>\$45,169,890</u>

The ratings for the "Other" category above are as follows:

Investment Type	AA-	A+	A	A-	Total
Medium Term Notes	<u>\$ 2,906,691</u>	<u>\$ 1,840,048</u>	<u>\$ 4,014,782</u>	<u>\$ 551,705</u>	<u>\$ 9,313,226</u>

Concentration of Credit Risk:

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	\$ 6,997,675
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	4,758,239

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2017, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

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

Investment in State Investment Pool:

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

Cash and Investments - OPEB Trust:

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City's OPEB health plan. The OPEB Trust's specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments - OPEB Trust (Continued):

Those guidelines are as follows:

Risk Tolerance:	Moderate
Risk Management:	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment Objective:	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges:	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

Fair Value Measurements:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

The City has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Government Sponsored				
Agency Securities	\$ -	\$ 14,214,849	\$ -	\$ 14,214,849
U.S. Treasury Notes	-	10,018,619	-	10,018,619
Medium Term Notes	-	14,500,167	-	14,500,167
Held by Trust:				
PARS Pooled Trust:				
Money Market Funds - Equity	4,215,416	-	-	4,215,416
Money Market Funds - Fixed Income	<u>3,962,631</u>	<u>-</u>	<u>-</u>	<u>3,962,631</u>
Total Leveled Investments	<u>\$ 8,178,047</u>	<u>\$ 38,733,635</u>	<u>\$ -</u>	46,911,682
Local Agency Investment Fund*				26,973,224
Money Market Mutual Funds*				822,391
Held by Fiscal Agent:				
Money Market Mutual Funds*				7,194,570
Held by Trust:				
PARS Pooled Trust:				
Money Market Mutual Funds*				<u>255,772</u>
Total Investment Portfolio				<u>\$ 82,157,639</u>

* Not subject to fair value measurements.

3. INTERFUND ACTIVITY:

The following represents the interfund activity of the City for the fiscal year ended June 30, 2017.

Due to/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 500,338</u>

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

3. INTERFUND ACTIVITY (CONTINUED):

Advances To/From Other Funds:

Advances to other funds and from other funds at June 30, 2017 are as follows:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
General Fund	Water Utility Fund	<u>\$ 612,000</u>

An advance of \$2,500,000 evidenced by a promissory note with an interest rate of 5.5% was made by the General Fund to the Water Enterprise Fund to pay for construction of Well No.9. The promissory note calls for annual payments of \$332,000 representing principal and interest. The unpaid principal balance at June 30, 2017 was \$612,000 and is scheduled to be repaid by fiscal year 2018-2019.

Transfers In/Out:

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Housing Authority Special Revenue Fund (a)	\$ 5,040
	Other Governmental Funds (a)	3,366,450
	Water Utility Fund (a)	126,278
	Sewer Fund (a)	86,409
Other Governmental Funds	General Fund (b)	1,124,722
	Other Governmental Funds (c)	2,178,648
	Water Utility Fund (d)	83,215
	Sewer Fund (e)	40,910
Water Utility Fund	Solid Waste Fund (f)	<u>209,107</u>
		<u>\$ 7,220,779</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

3. INTERFUND ACTIVITY (CONTINUED):

Transfers In/Out (Continued):

- (a) Transfers in to the General Fund include \$428,835 from the Gas Tax Special Revenue Fund to fund certain street projects, \$67,365 from the Measure M2 Special Revenue Fund for funding assistance for Senior Mobility Program from M2 Funds, \$2,843,166 from the Fountain Valley Public Financing Authority Capital Projects Fund to move proceeds from the 2017 Clean Renewable Energy Bond (CREBS) to the General Fund for the Energy Efficiency Project, \$26,420 from the Pollution Reduction Special Revenue Fund for purchase of police vehicle with funding assistance from AQMD and for OPEB charges, \$86,409 from the Sewer Proprietary Fund to fund certain projects and for OPEB charges, \$664 from the Abandoned Vehicle Abatement Special Revenue Fund for OPEB charges, \$5,040 from the Housing Authority Special Revenue Fund for OPEB charges, and \$126,278 from the Water Utility Proprietary Fund for OPEB charges.
- (b) Transfers out of the General Fund include \$872,224 to the Fountain Valley Public Financing Authority Debt Service Fund for debt service payments on the Lease Revenue Bonds, Series 2016A, and \$252,498 to the Gas Tax Special Revenue Fund for funding assistance from waste franchise for residential road rehabilitation.
- (c) Transfers out of the Measure M2 Special Revenue Fund to the Traffic Improvement Special Revenue Fund for \$1,905,372 for funding assistance for various capital projects funded by local share of M2 Funds. Transfers out of the Fountain Valley Public Financing Authority Capital Project Fund to the Drainage Special Revenue Fund for \$273,276 for funding the storm drain pump station project.
- (d) Transfers out of the Water Utility Proprietary Fund include \$64,350 to the Gas Tax Special Revenue Fund for residential rehabilitation projects and \$18,865 to the Traffic Improvement Special Revenue Fund for the Harbor Blvd & Edinger Arterial project.
- (e) Transfers out of Sewer Proprietary Fund include \$25,655 to the Gas Tax Special Revenue Fund for residential road rehabilitation projects and \$15,255 to the Traffic Improvement Special Revenue Fund for Harbor Blvd & Edinger Arterial project.
- (f) Transfer out of the Solid Waste Proprietary Fund includes \$209,107 for administrative charges of Rainbow billing services recorded in the Water Utility Proprietary Fund.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

4. CAPITAL ASSETS:

Governmental Activities:

Changes in capital assets for governmental activities for the year ended June 30, 2017 were as follows:

	<u>Balances at</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Infrastructure (modified approach)	\$ 63,548,697	\$ -	\$ -	\$ 63,548,697
Land	3,885,105	-	-	3,885,105
Rights of way	17,948,464	-	-	17,948,464
Construction in progress	<u>283,170</u>	<u>1,447,146</u>	<u>(175,022)</u>	<u>1,555,294</u>
Total capital assets, not being depreciated	<u>85,665,436</u>	<u>1,447,146</u>	<u>(175,022)</u>	<u>86,937,560</u>
Capital assets, being depreciated:				
Buildings	17,992,149	-	-	17,992,149
Improvements	4,545,497	290,269	-	4,835,766
Vehicles and equipment	9,407,168	1,007,101	(397,067)	10,017,202
Furniture and fixtures	20,302	-	-	20,302
Infrastructure (depreciation approach)	<u>16,575,072</u>	<u>-</u>	<u>-</u>	<u>16,575,072</u>
Total capital assets, being depreciated	<u>48,540,188</u>	<u>1,297,370</u>	<u>(397,067)</u>	<u>49,440,491</u>
Less accumulated depreciation:				
Buildings	(9,377,548)	(380,444)	-	(9,757,992)
Improvements	(1,158,019)	(246,238)	-	(1,404,257)
Vehicles and equipment	(7,062,971)	(701,028)	391,223	(7,372,776)
Furniture and fixtures	(11,380)	(1,373)	-	(12,753)
Infrastructure (depreciation approach)	<u>(14,236,626)</u>	<u>(432,278)</u>	<u>-</u>	<u>(14,668,904)</u>
Total accumulated depreciation	<u>(31,846,544)</u>	<u>(1,761,361)</u>	<u>391,223</u>	<u>(33,216,682)</u>
Total capital assets being depreciated, net	<u>16,693,644</u>	<u>(463,991)</u>	<u>(5,844)</u>	<u>16,223,809</u>
Capital assets, net	<u>\$ 102,359,080</u>	<u>\$ 983,155</u>	<u>\$ (180,866)</u>	<u>\$ 103,161,369</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

4. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

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

General government	\$ 312,157
Transportation	3,206
Public safety	467,799
Community development	676,346
Community services	<u>301,853</u>
	<u>\$ 1,761,361</u>

Business-type Activities:

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2017 were as follows:

	<u>Balances at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 123,076	\$ -	\$ -	\$ 123,076
Construction in progress	<u>2,230,111</u>	<u>1,106,712</u>	<u>(2,591,463)</u>	<u>745,360</u>
Total capital assets, not being depreciated	<u>2,353,187</u>	<u>1,106,712</u>	<u>(2,591,463)</u>	<u>868,436</u>
Capital assets, being depreciated:				
Buildings	21,692,606	-	-	21,692,606
Improvements other than buildings	25,403,517	2,591,463	-	27,994,980
Machinery and equipment	<u>244,222</u>	<u>-</u>	<u>-</u>	<u>244,222</u>
Total capital assets, being depreciated	<u>47,340,345</u>	<u>2,591,463</u>	<u>-</u>	<u>49,931,808</u>
Less accumulated depreciation:				
Buildings	(8,555,792)	(579,697)	-	(9,135,489)
Improvements other than buildings	(10,566,542)	(681,849)	-	(11,248,391)
Machinery and equipment	<u>(94,411)</u>	<u>(21,590)</u>	<u>-</u>	<u>(116,001)</u>
Total accumulated depreciation	<u>(19,216,745)</u>	<u>(1,283,136)</u>	<u>-</u>	<u>(20,499,881)</u>
Total capital assets being depreciated, net	<u>28,123,600</u>	<u>1,308,327</u>	<u>-</u>	<u>29,431,927</u>
Capital assets, net	<u>\$ 30,476,787</u>	<u>\$ 2,415,039</u>	<u>\$ (2,591,463)</u>	<u>\$ 30,300,363</u>

Depreciation expense in the amount of \$988,812 and \$294,324 was charged to the Water Utility and Sewer Funds, respectively.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2017 (including unamortized discounts and refunding costs) are as follows:

	Balance at		Balance at		Due Within
	July 1, 2016	Additions	Deletions	June 30, 2017	One Year
Governmental Activities:					
Taxable Pension Obligation Bonds					
Series 2015A	\$ 15,995,000	\$ -	\$ -	\$ 15,995,000	\$ -
Less: Unamortized Bond Discount	(333,235)	-	17,386	(315,849)	-
Lease Revenue Bonds, Series 2016A	12,895,000	-	(430,000)	12,465,000	435,000
Add: Unamortized Bond Premium	912,919	-	(44,898)	868,021	-
2017 Clean Renewable Energy Bonds	-	2,843,166	-	2,843,166	35,398
Compensated absences	2,392,154	1,970,081	(2,215,214)	2,147,021	1,690,242
Claims and judgments (Note 6)	<u>4,757,606</u>	<u>867,429</u>	<u>(1,670,769)</u>	<u>3,954,266</u>	<u>1,060,280</u>
	<u>\$ 36,619,444</u>	<u>\$ 5,680,676</u>	<u>\$ (4,343,495)</u>	<u>\$ 37,956,625</u>	<u>\$ 3,220,920</u>

2017 Clean Renewable Energy Bonds:

On January 7, 2017, the Fountain Valley Public Financing Authority issued \$2,843,166 in Clean Renewable Energy bonds for the financing of the City's energy efficiency project including the acquisition, construction, and installation of solar photovoltaic systems. The bonds are payable from Lease Payments to be made by the City to the Fountain Valley Public Financing Authority. The bonds bear interest of 4.44%, payable semiannually on March 1 and September 1, commencing September 1, 2017. The amount of bonds outstanding at June 30, 2017 is \$2,843,166.

Future debt service principal and interest payments on the 2017 Clean Renewable Energy Bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 35,398	\$ 136,406	\$ 171,804
2019	86,105	123,879	209,984
2020	103,981	119,716	223,697
2021	109,205	115,042	224,247
2022	114,607	110,135	224,742
2023 - 2027	660,700	468,301	1,129,001
2028 - 2032	825,825	305,641	1,131,466
2033 - 2037	<u>907,345</u>	<u>103,487</u>	<u>1,010,832</u>
	<u>\$ 2,843,166</u>	<u>\$ 1,482,607</u>	<u>\$ 4,325,773</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

Taxable Pension Obligation Bonds Series 2015A:

On August 19, 2015, the City issued \$15,995,000 in Taxable Pension Obligation bonds for the financing of the City's outstanding side fund obligation to CalPERS with respect to its Tier I Safety Plan (3% @ 50) and Tier I Miscellaneous Plan (2.5% @ 55). The bonds are obligations imposed by law payable from any source of funds to be appropriated by the City pursuant to Retirement Law. The City will deposit with the Trustee on or before August 1 of each Fiscal Year the amount which, together with excess moneys remaining in the bond fund after the last interest payment date of each fiscal year, is sufficient to pay the City's debt service obligations on the bonds payable during such fiscal year. The bonds bear interest ranging from 3.33% to 6.39%, payable semiannually on March 1 and September 1, commencing March 1, 2016.

The bonds maturing on September 1, 2035 are subject to mandatory sinking fund redemption on September 1 in each year, commencing September 1, 2030, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate principal amounts ranging from \$650,000 to \$1,020,000.

The amount of bonds outstanding at June 30, 2017 is \$15,995,000.

Future debt service principal and interest payments on the Taxable Pension Obligation Bonds Series 2015A are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 599,006	\$ 599,006
2019	510,000	593,906	1,103,906
2020	570,000	582,750	1,152,750
2021	630,000	569,213	1,199,213
2022	690,000	551,381	1,241,381
2023 - 2027	4,650,000	2,343,972	6,993,972
2028 - 2032	5,340,000	1,276,391	6,616,391
2033 - 2036	<u>3,605,000</u>	<u>332,609</u>	<u>3,937,609</u>
	<u>\$ 15,995,000</u>	<u>\$ 6,849,228</u>	<u>\$ 22,844,228</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

Lease Revenue Bonds, Series 2016A:

On January 27, 2016, the Fountain Valley Public Financing Authority issued \$12,895,000 in Lease Revenue Bonds for the purpose of refunding the 2003 Certificates of Participation and financing the improvement of two storm water pump stations of the City. The issuance of the Lease Revenue Bonds, Series 2016A resulted in the full repayment of the 2003 Certificates of Participation in the fiscal year ended June 30, 2016. The bonds are payable from Lease Payments to be made by the City to the Fountain Valley Public Financing Authority. The bonds bear interest ranging from 3.000% to 3.125%, payable semiannually on May 1 and November 1, commencing May 1, 2016.

The amount of bonds outstanding at June 30, 2017 is \$12,465,000.

Future debt service principal and interest payments on the Lease Revenue Bonds, Series 2016A are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 435,000	\$ 433,600	\$ 868,600
2019	450,000	422,500	872,500
2020	465,000	408,775	873,775
2021	475,000	394,675	869,675
2022	490,000	377,750	867,750
2023 - 2027	2,765,000	1,571,050	4,336,050
2028 - 2032	3,370,000	960,750	4,330,750
2033 - 2037	<u>4,015,000</u>	<u>316,894</u>	<u>4,331,894</u>
	<u>\$ 12,465,000</u>	<u>\$ 4,885,994</u>	<u>\$ 17,350,994</u>

Compensated Absences:

Governmental compensated absences are generally liquidated by the general fund.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

Changes in long-term liabilities for business-type activities for the year ended June 30, 2017 are as follows:

	Balance at <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2017</u>	Due Within <u>One Year</u>
Business-type Activities:					
2014A Revenue Bond	\$ 13,230,000	\$ -	\$ (495,000)	\$ 12,735,000	\$ 510,000
2014A Revenue Bond premium	1,381,443	-	(74,672)	1,306,771	-
Compensated absences	<u>225,229</u>	<u>199,266</u>	<u>(173,843)</u>	<u>250,652</u>	<u>197,325</u>
	<u>\$ 14,836,672</u>	<u>\$ 199,266</u>	<u>\$ (743,515)</u>	<u>\$ 14,292,423</u>	<u>\$ 707,325</u>

2014A Revenue Bonds

On December 17, 2014, the Fountain Valley Public Financing Authority (the Authority) issued approximately \$13,695,000 in Revenue bonds for the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (the 2014 Project) and to refinance the Orange County Water District Note Payable. The Bonds are special limited obligation of the Authority payable solely from Authority revenues, which consist of installment payments to be made by the City to the Authority pursuant to an installment purchase agreement, dated as of December 1, 2014 by and between the City and the Authority. The Bonds are secured by installment payments to be made pursuant to an Installment Purchase Agreement, by and between the City and the Authority. The 2014A Revenue Bonds were issued to provide for the refinancing of the OCWD Well Loan and the financing of the 2014 Project, which installment payments will be payable from net revenues of the City's water system. The Installment Purchase Agreement also requires the water fund to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 120% of the debt service for such fiscal year. For fiscal year 2016-2017, the net revenues equal 277.6% of the debt service. Total interest expense for the 2014A bonds was \$536,632 of which \$62,332 has been capitalized as an addition to the cost of construction for the year ended June 30, 2017. Unspent proceeds total \$5,684,140 as of June 30, 2017 and are reported as restricted cash and cash equivalents in the proprietary fund statement of net position.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

5. LONG-TERM LIABILITIES (CONTINUED):

2014A Revenue Bonds (Continued):

Future requirements to amortize outstanding 2014A Revenue Bonds as of June 30, 2017 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	\$ 510,000	\$ 526,431	\$ 1,036,431
2019	535,000	505,531	1,040,531
2020	555,000	483,731	1,038,731
2021	580,000	461,031	1,041,031
2022	600,000	437,431	1,037,431
2023 - 2027	3,195,000	1,736,781	4,931,781
2028 - 2032	3,985,000	884,306	4,869,306
2033 - 2035	<u>2,775,000</u>	<u>140,216</u>	<u>2,915,216</u>
	<u>\$ 12,735,000</u>	<u>\$ 5,175,458</u>	<u>\$ 17,910,458</u>

Compensated Absences:

Business-type compensated absences are generally liquidated by the Water Utility and Sewer Funds.

Commitment:

The City is a member agency of the 800 MHz Countywide Coordinated Communication System (CCCS). The CCCS supports countywide radio communications including the City's Fire, Police, and Public Works Departments. CCCS is replacing the old system that will require the City to fund their portion of the next generation 800MHz radio system. The City's portion of the cost for the new 800 MHz radio system is \$2,098,208 over the next fiscal year.

6. CLAIMS AND JUDGMENTS:

Self-Insurance:

At June 30, 2017, the City was self-insured for workers' compensation, employee long-term disability, and earthquake and flood insurance. Additionally, the City has purchased coverage for individual workers' compensation claims in excess of \$750,000 for general employees and \$1,000,000 for public safety. The City has also purchased coverage for individual earthquake and flood claims in excess of \$50,000 up to a limit of \$10,000,000 per occurrence.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

The City's general and auto liability self-insurance retention is \$25,000, and the balance extending to \$50,000,000 is covered by the use of pooling maintained through the California Joint Powers Insurance Authority (CJPIA). The City also purchases commercial insurance for other risks of loss, including property loss, fidelity and vehicle physical damage.

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary Liability Program

In the primary liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

Primary Liability Program (Continued)

For 2016-17 the Insurance Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Insurance Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Insurance Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Purchased Insurance:

Pollution Legal Liability Insurance

The City of Fountain Valley participates in the pollution legal liability insurance program which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Insurance Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. The City property currently has all-risk property insurance protection in the amount of \$60,140,665. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

6. CLAIMS AND JUDGMENTS (CONTINUED):

Purchased Insurance (Continued):

Crime Insurance

The City of Fountain Valley purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority.

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2016-17.

Changes in Claims and Judgments Payable:

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2014-2015	\$ 3,080,961	\$ 2,269,862	\$ (1,966,667)	\$ 3,384,156
2015-2016	3,384,156	2,775,651	(1,402,201)	4,757,606
2016-2017	4,757,606	867,429	(1,670,769)	3,954,266

7. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Plan Description (Continued):

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

For employees hired after February 16, 1986, benefits with the City will terminate upon reaching age 65. For fire employees hired prior to August 10, 1985, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For fire employees hired after August 10, 1985, benefits with the City will terminate upon reaching age 65. For police employees, insurance with the City will be supplemental to Medicare upon reaching the age of 65. Department Directors receive paid supplemental coverage after the age of 65.

Eligibility:

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2017:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits	127	117	244
Active plan members	<u>121</u>	<u>96</u>	<u>217</u>
	<u>248</u>	<u>213</u>	<u>461</u>

Accounting for the Plan:

The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Method Used to Value Investments:

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2016-17, the City contributed \$1,603,193 to the plan for current premiums and \$525,000 for the implied subsidy portion of the ARC. No contributions were made to the PARS OPEB trust in the fiscal year ended June 30, 2017.

Annual OPEB Cost and Net OPEB Obligation:

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

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 967,980	\$ 1,879,020	\$ 2,847,000
Interest on net OPEB obligation	(10,030)	167,419	157,389
Adjustments to annual required contribution	<u>(69,020)</u>	<u>(133,980)</u>	<u>(203,000)</u>
Annual OPEB cost (expense)	888,930	1,912,459	2,801,389
Premium payments including			
benefit payments	(739,747)	(863,446)	(1,603,193)
Implied subsidy portion of ARC	<u>(178,500)</u>	<u>(346,500)</u>	<u>(525,000)</u>
Increase (decrease) in net OPEB obligation	(29,317)	702,513	673,196
Net OPEB obligation (asset) -			
Beginning of year	<u>(244,633)</u>	<u>4,083,400</u>	<u>3,838,767</u>
Net OPEB obligation (asset) - End of year	<u>\$ (273,950)</u>	<u>\$ 4,785,913</u>	<u>\$ 4,511,963</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued):

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

Miscellaneous			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/15	\$ 867,964	83.81%	\$ (104,976)
6/30/16	883,820	115.80%	(244,633)
6/30/17	888,930	103.30%	(273,950)

Safety			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/15	\$ 1,774,590	47.30%	\$ 3,070,124
6/30/16	1,868,066	45.76%	4,083,400
6/30/17	1,912,459	63.27%	4,785,913

Total			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/15	\$ 2,642,554	59.29%	\$ 2,965,148
6/30/16	2,751,886	68.25%	3,838,767
6/30/17	2,801,389	75.97%	4,511,963

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Funded Status and Funding Progress:

As of January 1, 2017, the most recent actuarial valuation date, the plan was 17.01% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was \$46,553,000 and the actuarial value of assets was \$7,918,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,635,000. Assets were valued using the market value of assets. The covered payroll (annual payroll of active employees covered by the plan) was \$19,002,000, and the ratio of the UAAL to the covered payroll was 203.32%.

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

The schedule of funding progress, the schedule of employer contributions, and the annual money-weighted rate of return on investments, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits and the annual required contribution that was contributed.

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 4.10% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate established as follows: a) non-Medicare: 7.5% decreasing to an ultimate rate of 6.75% in five years; b) Medicare: 6.5% decreasing to an ultimate rate of 5.90% in five years. A general inflation rate of 2.75% per annum was utilized. The UAAL is being amortized as a level percentage of projected payroll over a 30 year closed period. It is assumed the City's payroll will increase 3.00% per year.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Changes in Assumptions:

The discount rate utilized in the actuarial report dated July 1, 2017 decreased to 4.1% (from 4.6% in the actuarial report dated January 1, 2014). This decrease is due to the expected return on trust assets.

8. DEFINED BENEFIT PENSION PLANS (CalPERS):

a. General Information about the Pension Plans:

Plan Descriptions:

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

a. General Information about the Pension Plans (Continued):

Benefits Provided (Continued):

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
	Tier I Prior to December 25, 2010	Tier II On or After December 25, 2010	Tier III - PEPRA On or After January 1, 2013
Hire date			
Benefit formula	2.5%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates:			
Normal cost rate	10.808%	7.159%	6.555%
Payment of unfunded liability	\$ 1,721,819	\$ 451	\$ 522

	Safety - Police		
	Tier I Prior to October 30, 2010	Tier II On or After October 30, 2010	Tier III - PEPRA On or After January 1, 2013
Hire date			
Benefit formula	3%@50	3%@55	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2% to 2.7%
Required employee contribution rates	12%	9%	11.5%
Required employer contribution rates:			
Normal cost rate	21.230% (1)	16.656%	12.082%
Payment of unfunded liability	\$ 2,508,432	\$ -	\$ 517

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

	Safety - Fire		
	Tier I Prior to March 31, 2012	Tier II On or After March 31, 2012	Tier III - PEPRA On or After January 1, 2013
Hire date			
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%	2% to 2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates:			
Normal cost rate	21.230% (1)	14.785%	12.082%
Payment of unfunded liability	\$ 2,508,432	\$ -	\$ 875

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

a. General Information about the Pension Plans (Continued):

Contributions:

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

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 26,411,625
Safety	46,383,732
Total Net Pension Liability	<u>\$ 72,795,357</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2015	1.00465%	1.11371%
Proportion - June 30, 2016	0.76029%	0.89557%
Change - Increase (Decrease)	-0.24436%	-0.21814%

For the year ended June 30, 2017, the City recognized pension expense of \$3,000,039 for the miscellaneous plan and \$5,669,242 for the safety plan. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,935,810	\$ -
Differences between actual and expected experience	84,000	(19,247)
Change in assumptions	-	(794,717)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,155,021	-
Net differences between projected and actual earnings on plan investments	4,136,235	-
Total	<u>\$ 7,311,066</u>	<u>\$ (813,964)</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,781,998	\$ -
Differences between actual and expected experience	-	(322,881)
Change in assumptions	-	(1,407,787)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	469,615	(82,580)
Net differences between projected and actual earnings on plan investments	6,916,391	-
Total	<u>\$ 11,168,004</u>	<u>\$ (1,813,248)</u>

\$1,935,810 and \$3,781,998 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the miscellaneous and safety plan, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaenous	
Year Ending June 30,	Amount
2017	\$ 829,249
2018	772,470
2019	1,888,240
2020	1,071,333
2021	-

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows (continued):

Safety	
Year Ending June 30,	Amount
2017	\$ 180,193
2018	410,744
2019	3,181,281
2020	1,800,540
2021	-
Thereafter	-

Actuarial Assumptions:

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Assumptions (Continued):

The measurement period June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Salary Increases	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions:

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate:

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED):

- b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 39,375,579	\$ 70,496,284
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 26,411,625	\$ 46,383,732
1% Increase	8.65%	8.65%
Net Pension Liability	\$ 15,697,560	\$ 26,589,797

Pension Plans Fiduciary Net Position:

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

Subsequent Events:

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

- c. Payable to the Pension Plans:

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

9. DEFINED CONTRIBUTION PENSION PLAN (PARS):

As of January 1, 1992, the City implemented a defined contribution pension Plan through PARS for all of its non-regular employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All non-regular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council has resolved to match the employees' contributions of 3.75% for employees hired prior to August 29, 2014. Employees hired after August 29, 2014 are required to pay the full 7.5%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2017, the City's payroll covered by the plan was \$496,434 and the City made employer contributions of \$7,653 (3.75% of current covered payroll for employees hired before August 29, 2014).

10. LOANS RECEIVABLE:

The City has outstanding rehabilitation and first time home buyer loans receivable totaling \$1,601,406 from qualified applicants. Loans receivable of \$1,370,622 is recorded in the Housing Authority Fund; \$167,095 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$63,689 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules. The loans receivable are offset by due to other governments or unearned revenue.

On October 1, 2002, the City entered into an Affordable Housing Agreement with Fountain Valley Partners, L.P. for the development of an apartment complex for seniors. Under the agreement, the City agreed to loan Fountain Valley Housing Partners, L.P. \$5,606,071 at an interest rate of 2%. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. The loan receivable is offset by unearned revenue in the Housing Authority Special Revenue Fund. The amount outstanding at June 30, 2017 is \$5,057,450.

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

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

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

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

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. The Housing Authority elected on January 10, 2012 to serve as the Housing Successor Agency.

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

In the current and future fiscal years, the Successor Agency will only be allocated revenue from the County of Orange in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Dissolved RDA until all enforceable obligations of the Dissolved RDA have been paid in full and all assets have been liquidated. The remaining obligations of the Successor Agency are two development agreements that require annual payment in future fiscal years.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

12. TAX ABATEMENT:

Sales Tax Sharing Agreement:

The City (landlord) entered into a twenty-year sales tax reimbursement agreement in 2002 with a tenant as consideration for the construction of tenant-paid improvements. The sales tax reimbursement agreement provides sharing of up to 50% of the sales tax generated from the tenant's Fountain Valley sales operations. The amount of tax that has been abated is prohibited from being disclosed since sales tax data is required to be kept confidential by California Revenue and Taxation Code Section 7056.

Hotel Incentive Program:

In January 2017 the City Council adopted guidelines that established a Hotel Incentive Program (HIP), which provides economic incentives to develop 3 to 5 star quality hotels in the City of Fountain Valley. The City will reimburse up to 50 percent of the total new transient occupancy tax (TOT) each year over a period of 15 years or less for new hotels with 100 or more rooms maintained at 3 to 5 star quality. Reimbursement applies for TOT above a \$200,000 revenue requirement. No amounts have been abated under the HIP.

13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

At June 30, 2017, the following funds had deficit fund balances:

Other Governmental Funds:

Community Development Block Grant	
Special Revenue Fund	\$ (10)
Drainage Capital Projects Fund	(464,513)

Management intends to eliminate these deficits by transferring construction funds from the 2016A Lease Revenue Bonds.

Excess of Expenditures over Appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
Housing Authority Special Revenue Fund:			
Capital outlay	\$ -	\$ 3,851,917	\$ (3,851,917)

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2017

14. SUBSEQUENT EVENTS:

Events occurring after June 30, 2017 have been evaluated for possible adjustments to the financial statements or disclosure as of December 15, 2017, the date the financial statements were available to be issued.

City of Fountain Valley Required Supplementary Information



CITY OF FOUNTAIN VALLEY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous		
	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.30523%	0.40155%	0.35004%
Plan's proportionate share of the net pension liability	\$ 26,411,625	\$ 27,562,365	\$ 21,781,373
Plan's covered - employee payroll	\$ 8,337,303	\$ 7,985,207	\$ 7,904,107
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	316.79%	345.17%	275.57%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	76.48%
Plan's proportionate share of aggregate employer contributions	\$ 2,602,305	\$ 2,279,664	\$ 1,915,598

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017: there were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF FOUNTAIN VALLEY
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous		
	June 30, 2017	(1) June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 1,935,810	\$ 2,350,238	\$ 1,605,582
Contributions in relation to the actuarially determined contributions	<u>(1,935,810)</u>	<u>(8,436,539)</u>	<u>(1,605,582)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (6,086,301)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 8,613,145	\$ 8,337,303	\$ 7,985,207
Contributions as a percentage of covered - employee payroll	22.48%	101.19%	20.11%

Notes to Schedule:

Valuation Date 6/30/2014

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on Age, Service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 for all plans with the exception of 52 for Miscellaneous PEPRA 2% @ 62**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

(1) Fiscal year 2016 - Contributions in relationship to the actuarially determined contributions includes the City's pay off of its CalPERS Side Fund liability.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	Safety		
	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.53604%	0.66857%	0.64568%
Plan's proportionate share of the net pension liability	\$ 46,383,732	\$ 45,889,913	\$ 40,177,430
Plan's covered - employee payroll	\$ 10,947,647	\$ 10,362,480	\$ 9,883,584
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	423.69%	442.85%	406.51%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	76.12%
Plan's proportionate share of aggregate employer contributions	\$ 4,535,038	\$ 4,005,245	\$ 3,624,917

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 69, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017: there were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

CITY OF FOUNTAIN VALLEY
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Safety		
	June 30, 2017	(1) June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 3,781,998	\$ 4,097,511	\$ 3,339,873
Contributions in relation to the actuarially determined contributions	<u>(3,781,998)</u>	<u>(13,823,511)</u>	<u>(3,339,873)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (9,726,000)</u>	<u>\$ -</u>
Covered - employee payroll	\$ 11,128,552	\$ 10,947,647	\$ 10,362,480
Contributions as a percentage of covered - employee payroll	33.98%	126.27%	32.23%

Notes to Schedule:

Valuation Date 6/30/2014

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on Age, Service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 for all plans
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

(1) Fiscal year 2016 - Contributions in relationship to the actuarially determined contributions includes the City's pay off of its CalPERS Side Fund liability.

CITY OF FOUNTAIN VALLEY

SCHEDULE OF FUNDING PROGRESS,
SCHEDULE OF EMPLOYER CONTRIBUTIONS, AND
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2017

SCHEDULE OF FUNDING PROGRESS
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
01/01/2012	\$ 5,474	\$ 34,694	\$ 29,220	15.78%	\$ 18,041	161.96%
01/01/2014	7,003	39,604	32,601	17.68%	16,565	196.81%
01/01/2017	7,918	46,553	38,635	17.01%	19,002	203.32%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(dollar amounts in thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 2,526	42.50%
2011	2,709	243.67%
2012	2,533	70.42%
2013	2,533	63.69%
2014	2,658	58.89%
2015	2,653	59.05%
2016	2,774	67.70%
2017	2,847	74.78%

ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

Year Ended June 30,	Annual Money-Weighted Rate of Return, Net of Investment Expense (1)
2017	10.85%

- (1) Ten years of historical information is required by the Governmental Accounting Standards Board, Statement No. 74. Fiscal year ended June 30, 2017 was the first year of implementation; therefore, only one year is presented.

CITY OF FOUNTAIN VALLEY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 32,803,000	\$ 32,803,000	\$ 36,060,441	\$ 3,257,441
Licenses and permits	1,834,333	1,834,333	1,869,865	35,532
Fines and penalties	625,000	625,000	564,786	(60,214)
Investment income	351,000	351,000	(82,240)	(433,240)
Rental income	1,166,000	1,166,000	1,255,618	89,618
Intergovernmental	96,000	1,179,827	175,258	(1,004,569)
Charges of services	4,060,389	4,080,389	4,570,636	490,247
Miscellaneous	1,170,851	1,211,196	787,600	(423,596)
TOTAL REVENUES	<u>42,106,573</u>	<u>43,250,745</u>	<u>45,201,964</u>	<u>1,951,219</u>
EXPENDITURES:				
Current:				
General government	3,170,725	3,336,975	3,212,619	124,356
Public safety	26,447,757	26,711,718	28,389,953	(1,678,235)
Transportation	5,490,084	5,435,084	5,486,877	(51,793)
Community development	3,410,013	4,561,956	3,653,892	908,064
Community services	2,506,586	2,518,376	2,606,038	(87,662)
Capital outlay	618,637	11,018,759	1,621,292	9,397,467
Debt service:				
Interest	5,200	5,200	2,379	2,821
Costs of issuance	-	111,000	110,180	820
TOTAL EXPENDITURES	<u>41,649,002</u>	<u>53,699,068</u>	<u>45,083,230</u>	<u>8,615,838</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>457,571</u>	<u>(10,448,323)</u>	<u>118,734</u>	<u>10,567,057</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,230,524	4,073,690	3,584,177	(489,513)
Transfers out	(1,125,250)	(1,125,250)	(1,124,722)	528
TOTAL OTHER FINANCING SOURCES (USES)	<u>105,274</u>	<u>2,948,440</u>	<u>2,459,455</u>	<u>(488,985)</u>
NET CHANGE IN FUND BALANCE	562,845	(7,499,883)	2,578,189	10,078,072
FUND BALANCE - BEGINNING OF YEAR	<u>46,776,260</u>	<u>46,776,260</u>	<u>46,776,260</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 47,339,105</u>	<u>\$ 39,276,377</u>	<u>\$ 49,354,449</u>	<u>\$ 10,078,072</u>

See accompanying notes to required supplementary information.

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

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 112,000	\$ 112,000	\$ 187,649	\$ 75,649
Miscellaneous	3,513,083	3,513,083	7,511,820	3,998,737
TOTAL REVENUES	3,625,083	3,625,083	7,699,469	4,074,386
EXPENDITURES:				
Current:				
Community development	339,887	339,887	150,104	189,783
Capital outlay	-	-	3,851,917	(3,851,917)
TOTAL EXPENDITURES	339,887	339,887	4,002,021	(3,662,134)
EXCESS OF REVENUES OVER EXPENDITURES	3,285,196	3,285,196	3,697,448	412,252
OTHER FINANCING USES:				
Transfers out	(5,040)	(5,040)	(5,040)	-
NET CHANGE IN FUND BALANCE	3,280,156	3,280,156	3,692,408	412,252
FUND BALANCE - BEGINNING OF YEAR	8,139,188	8,139,188	8,139,188	-
FUND BALANCE - END OF YEAR	\$ 11,419,344	\$ 11,419,344	\$ 11,831,596	\$ 412,252

See accompanying notes to required supplementary information.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY DATA:

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

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

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

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

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

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

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2017

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

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

Streets:

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

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

The overall condition of the City’s pavement network based on the most recent complete assessment performed in fiscal year 2016 was “Good” with a weighted average PCI of 85.1 based on the surface area of each segment. The City’s four assessments performed previously in fiscal years 2014, 2012, 2010, and 2009 were “Very Good” with a weighted average Overall Condition Index (OCI) of 81.4, 80.8, 74, and 72.3, respectively.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2017

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

Sidewalks:

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

Sidewalk Maintenance

- 0" to ½" - will be flagged for identification purposes, however will be excluded from the budgetary section of the report. These distress locations are potential hazards and should be considered for future maintenance.
- ½" to 1" - will be flagged for grinding maintenance.
- 1" to 2"- will be flagged for ramping maintenance.
- >2" caused by a tree - will be flagged as ramp maintenance until the tree is removed. Then the City will remove the deficient sidewalk and/or curbs and gutter.

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

Curbs and Gutters:

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

Comparison of Needed-to-Actual Maintenance/Preservation:

	<u>Fiscal Year</u> <u>2016-2017</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ -
Actual	-
Roadway Classification:	
Arterial and Collectors:	
Budgeted	4,265,295
Actual	3,095,394
Residential Roadway:	
Budgeted	1,400,000
Actual	1,177,871

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2017

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

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

	<u>Fiscal Year 2015-2016</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ -
Actual	-
Roadway Classification:	
Arterial and Collectors:	
Budgeted	3,100,000
Actual	34,704
Residential Roadway:	
Budgeted	2,299,200
Actual	1,976,474

	<u>Fiscal Year 2014-2015</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ 200,000
Actual	200,000
Roadway Classification:	
Arterial and Collectors:	
Budgeted	1,909,303
Actual	635,912
Residential Roadway:	
Budgeted	2,373,718
Actual	2,367,310

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2017

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

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

	<u>Fiscal Year 2013-2014</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ -
Actual	-

Roadway Classification:	
Arterial and Collectors:	
Budgeted	2,842,640
Actual	1,974,449
Residential Roadway:	
Budgeted	2,000,000
Actual	1,682,019

	<u>Fiscal Year 2012-2013</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ -
Actual	-

Roadway Classification:	
Arterial and Collectors:	
Budgeted	2,988,847
Actual	1,185,542
Residential Roadway:	
Budgeted	4,047,725
Actual	2,098,638

City of Fountain Valley Supplementary Schedules



CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS

June 30, 2017

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

Debt service funds are used to account for resources restricted or assigned for expenditure of principal and interest.

Fountain Valley Public Financing Authority - This fund is used to account for the repayment of principal and interest on the Lease Revenue Bonds, Series 2016A.

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CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2017

CAPITAL PROJECTS FUNDS

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

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

Fountain Valley Public Financing Authority - This fund is used to account for the construction of certain improvements associated with the issuance of Lease Revenue Bonds, Series 2016A.

CITY OF FOUNTAIN VALLEY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2017

Special Revenue Funds					
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
ASSETS					
Cash and investments	\$ 438,597	\$ 652,185	\$ 38,891	\$ -	\$ 444,345
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	82,082	102,066	-	910,546	18,411
Loans	-	-	-	-	-
TOTAL ASSETS	\$ 520,679	\$ 754,251	\$ 38,891	\$ 910,546	\$ 462,756
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 255	\$ 158	\$ -	\$ 112,473	\$ -
Deposits payable	-	-	-	144,480	-
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	483,303	-
TOTAL LIABILITIES	255	158	-	740,256	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues	46,572	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	46,827	158	-	740,256	-
FUND BALANCES (DEFICITS):					
Restricted for:					
Public safety	473,852	-	-	-	462,756
Transportation	-	754,093	38,891	170,290	-
Housing	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	473,852	754,093	38,891	170,290	462,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 520,679	\$ 754,251	\$ 38,891	\$ 910,546	\$ 462,756

Special Revenue Funds (Continued)			Debt Service Fund	Capital Projects Funds		
HOME Grant	Measure M2	Community Development Block Grant	Fountain Valley Public Financing Authority	Drainage	Fountain Valley Public Financing Authority	Total
\$ 217,394	\$ 1,773,868	\$ -	\$ -	\$ -	\$ -	\$ 3,565,280
-	-	-	22	-	6,415,989	6,416,011
-	193,409	26,975	-	-	-	1,333,489
63,689	-	167,095	-	-	-	230,784
<u>\$ 281,083</u>	<u>\$ 1,967,277</u>	<u>\$ 194,070</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 6,415,989</u>	<u>\$ 11,545,564</u>
\$ -	\$ -	\$ 10,395	\$ -	\$ 426,731	\$ -	\$ 550,012
-	-	-	-	37,337	-	181,817
63,689	-	167,095	-	-	-	230,784
-	-	16,590	-	445	-	500,338
<u>63,689</u>	<u>-</u>	<u>194,080</u>	<u>-</u>	<u>464,513</u>	<u>-</u>	<u>1,462,951</u>
-	-	-	-	-	-	46,572
<u>63,689</u>	<u>-</u>	<u>194,080</u>	<u>-</u>	<u>464,513</u>	<u>-</u>	<u>1,509,523</u>
-	-	-	-	-	-	936,608
-	1,967,277	-	-	-	-	2,930,551
217,394	-	-	-	-	-	217,394
-	-	-	-	-	6,415,989	6,415,989
-	-	-	22	-	-	22
-	-	(10)	-	(464,513)	-	(464,523)
<u>217,394</u>	<u>1,967,277</u>	<u>(10)</u>	<u>22</u>	<u>(464,513)</u>	<u>6,415,989</u>	<u>10,036,041</u>
<u>\$ 281,083</u>	<u>\$ 1,967,277</u>	<u>\$ 194,070</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 6,415,989</u>	<u>\$ 11,545,564</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2017

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
REVENUES:					
Investment income	\$ 3,177	\$ 3,665	\$ 407	\$ 722	\$ 4,059
Intergovernmental	336,683	1,101,959	-	998,735	72,424
Charges for services	-	-	-	295,238	-
Miscellaneous	10,000	-	-	-	-
TOTAL REVENUES	349,860	1,105,624	407	1,294,695	76,483
EXPENDITURES:					
Current:					
Public safety	160,134	-	-	-	731
Transportation	-	1,209,526	-	3,218,034	-
Community development	-	-	-	-	-
Community services	-	-	12,777	-	-
Capital outlay	-	-	-	-	43,053
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	160,134	1,209,526	12,777	3,218,034	43,784
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	189,726	(103,902)	(12,370)	(1,923,339)	32,699
OTHER FINANCING SOURCES (USES):					
Transfers in	-	342,503	-	1,939,492	-
Transfers out	-	(428,835)	(664)	-	(26,420)
Proceeds from issuance of bonds	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(86,332)	(664)	1,939,492	(26,420)
NET CHANGE IN FUND BALANCES	189,726	(190,234)	(13,034)	16,153	6,279
FUND BALANCES - BEGINNING OF YEAR	284,126	944,327	51,925	154,137	456,477
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 473,852</u>	<u>\$ 754,093</u>	<u>\$ 38,891</u>	<u>\$ 170,290</u>	<u>\$ 462,756</u>

Special Revenue Funds (Continued)			Debt Service Fund	Capital Projects Funds		
HOME Grant	Measure M2	Community Development Block Grant	Fountain Valley Public Financing Authority	Drainage	Fountain Valley Public Financing Authority	Total
\$ 2,102	\$ 27,996	\$ -	\$ 47	\$ -	\$ 8,578	\$ 50,753
-	1,086,414	359,449	-	-	-	3,955,664
-	-	-	-	1,087	-	296,325
-	-	7,394	-	-	-	17,394
<u>2,102</u>	<u>1,114,410</u>	<u>366,843</u>	<u>47</u>	<u>1,087</u>	<u>8,578</u>	<u>4,320,136</u>
-	-	-	-	-	-	160,865
-	-	-	-	-	-	4,427,560
-	-	366,853	-	-	-	366,853
-	-	-	-	-	-	12,777
-	-	-	-	866,278	-	909,331
-	-	-	430,000	-	-	430,000
-	-	-	442,250	-	-	442,250
-	-	366,853	872,250	866,278	-	6,749,636
<u>2,102</u>	<u>1,114,410</u>	<u>(10)</u>	<u>(872,203)</u>	<u>(865,191)</u>	<u>8,578</u>	<u>(2,429,500)</u>
-	-	-	872,224	273,276	-	3,427,495
-	(1,972,737)	-	-	-	(3,116,442)	(5,545,098)
-	-	-	-	-	2,843,166	2,843,166
-	(1,972,737)	-	872,224	273,276	(273,276)	725,563
2,102	(858,327)	(10)	21	(591,915)	(264,698)	(1,703,937)
<u>215,292</u>	<u>2,825,604</u>	<u>-</u>	<u>1</u>	<u>127,402</u>	<u>6,680,687</u>	<u>11,739,978</u>
<u>\$ 217,394</u>	<u>\$ 1,967,277</u>	<u>\$ (10)</u>	<u>\$ 22</u>	<u>\$ (464,513)</u>	<u>\$ 6,415,989</u>	<u>\$ 10,036,041</u>

CITY OF FOUNTAIN VALLEY

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

CRIMINAL ACTIVITIES SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,000	\$ 1,000	\$ 3,177	\$ 2,177
Intergovernmental	150,000	325,332	336,683	11,351
Miscellaneous	15,000	15,000	10,000	(5,000)
TOTAL REVENUES	166,000	341,332	349,860	8,528
EXPENDITURES:				
Current:				
Public safety	121,673	290,104	160,134	129,970
TOTAL EXPENDITURES	121,673	290,104	160,134	129,970
EXCESS OF REVENUES OVER EXPENDITURES	44,327	51,228	189,726	138,498
FUND BALANCE - BEGINNING OF YEAR	284,126	284,126	284,126	-
FUND BALANCE - END OF YEAR	\$ 328,453	\$ 335,354	\$ 473,852	\$ 138,498

CITY OF FOUNTAIN VALLEY

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 4,000	\$ 4,000	\$ 3,665	\$ (335)
Intergovernmental	1,171,306	1,171,306	1,101,959	(69,347)
TOTAL REVENUES	1,175,306	1,175,306	1,105,624	(69,682)
EXPENDITURES:				
Current:				
Transportation	1,444,500	1,469,500	1,209,526	259,974
TOTAL EXPENDITURES	1,444,500	1,469,500	1,209,526	259,974
EXCESS OF REVENUES UNDER EXPENDITURES	(269,194)	(294,194)	(103,902)	190,292
OTHER FINANCING SOURCES (USES):				
Transfers in	323,000	323,000	342,503	19,503
Transfers out	(502,049)	(502,049)	(428,835)	73,214
TOTAL OTHER FINANCING SOURCES (USES)	(179,049)	(179,049)	(86,332)	92,717
NET CHANGE IN FUND BALANCE	(448,243)	(473,243)	(190,234)	283,009
FUND BALANCE - BEGINNING OF YEAR	944,327	944,327	944,327	-
FUND BALANCE - END OF YEAR	\$ 496,084	\$ 471,084	\$ 754,093	\$ 283,009

CITY OF FOUNTAIN VALLEY

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

ABANDONED VEHICLE ABATEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 407	\$ 407
TOTAL REVENUES	-	-	407	407
EXPENDITURES:				
Current:				
Community services	13,999	13,999	12,777	1,222
TOTAL EXPENDITURES	13,999	13,999	12,777	1,222
EXCESS OF REVENUES UNDER EXPENDITURES	(13,999)	(13,999)	(12,370)	1,629
OTHER FINANCING USES:				
Transfers out	(664)	(664)	(664)	-
TOTAL OTHER FINANCING USES	(664)	(664)	(664)	-
NET CHANGE IN FUND BALANCE	(14,663)	(14,663)	(13,034)	1,629
FUND BALANCE - BEGINNING OF YEAR	51,925	51,925	51,925	-
FUND BALANCE - END OF YEAR	\$ 37,262	\$ 37,262	\$ 38,891	\$ 1,629

CITY OF FOUNTAIN VALLEY

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

TRAFFIC IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 722	\$ 722
Intergovernmental	1,469,000	1,469,000	998,735	(470,265)
Charges for services	10,000	10,000	295,238	285,238
TOTAL REVENUES	1,479,000	1,479,000	1,294,695	(184,305)
EXPENDITURES:				
Current:				
Transportation	1,565,000	4,728,666	3,218,034	1,510,632
TOTAL EXPENDITURES	1,565,000	4,728,666	3,218,034	1,510,632
EXCESS OF REVENUES UNDER EXPENDITURES	(86,000)	(3,249,666)	(1,923,339)	1,326,327
OTHER FINANCING SOURCES:				
Transfers in	3,135,940	3,140,940	1,939,492	(1,201,448)
TOTAL OTHER FINANCING SOURCES	3,135,940	3,140,940	1,939,492	(1,201,448)
NET CHANGE IN FUND BALANCE	3,049,940	(108,726)	16,153	124,879
FUND BALANCE - BEGINNING OF YEAR	154,137	154,137	154,137	-
FUND BALANCE - END OF YEAR	\$ 3,204,077	\$ 45,411	\$ 170,290	\$ 124,879

CITY OF FOUNTAIN VALLEY

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

POLLUTION REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,000	\$ 2,000	\$ 4,059	\$ 2,059
Intergovernmental	157,200	157,200	72,424	(84,776)
TOTAL REVENUES	159,200	159,200	76,483	(82,717)
EXPENDITURES:				
Current:				
Public safety	2,727	2,727	731	1,996
Capital outlay	92,200	184,400	43,053	141,347
TOTAL EXPENDITURES	94,927	187,127	43,784	143,343
EXCESS OF REVENUES OVER EXPENDITURES	64,273	(27,927)	32,699	60,626
OTHER FINANCING USES:				
Transfers out	(120,036)	(125,036)	(26,420)	98,616
TOTAL OTHER FINANCING USES	(120,036)	(125,036)	(26,420)	98,616
NET CHANGE IN FUND BALANCE	(55,763)	(152,963)	6,279	159,242
FUND BALANCE - BEGINNING OF YEAR	456,477	456,477	456,477	-
FUND BALANCE - END OF YEAR	\$ 400,714	\$ 303,514	\$ 462,756	\$ 159,242

CITY OF FOUNTAIN VALLEY

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

MEASURE M2 SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 14,000	\$ 14,000	\$ 27,996	\$ 13,996
Intergovernmental	1,674,011	1,674,011	1,086,414	(587,597)
TOTAL REVENUES	1,688,011	1,688,011	1,114,410	(573,601)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	1,688,011	1,688,011	1,114,410	(573,601)
OTHER FINANCING USES:				
Transfers out	(3,568,965)	(3,768,965)	(1,972,737)	1,796,228
TOTAL OTHER FINANCING USES	(3,568,965)	(3,768,965)	(1,972,737)	1,796,228
NET CHANGE IN FUND BALANCE	(1,880,954)	(2,080,954)	(858,327)	1,222,627
FUND BALANCE - BEGINNING OF YEAR	2,825,604	2,825,604	2,825,604	-
FUND BALANCE - END OF YEAR	\$ 944,650	\$ 744,650	\$ 1,967,277	\$ 1,222,627

CITY OF FOUNTAIN VALLEY

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 408,963	\$ 408,963	\$ 359,449	\$ (49,514)
Miscellaneous	-	-	7,394	7,394
TOTAL REVENUES	<u>408,963</u>	<u>408,963</u>	<u>366,843</u>	<u>(42,120)</u>
EXPENDITURES:				
Current:				
Community development	408,963	540,548	366,853	173,695
TOTAL EXPENDITURES	<u>408,963</u>	<u>540,548</u>	<u>366,853</u>	<u>173,695</u>
EXCESS OF REVENUES UNDER EXPENDITURES	-	(131,585)	(10)	131,575
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ (131,585)</u>	<u>\$ (10)</u>	<u>\$ 131,575</u>

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 47	\$ 47
TOTAL REVENUES	-	-	47	47
EXPENDITURES:				
Debt service:				
Principal	430,000	430,000	430,000	-
Interest	442,250	442,250	442,250	-
TOTAL EXPENDITURES	872,250	872,250	872,250	-
EXCESS OF REVENUES UNDER EXPENDITURES	(872,250)	(872,250)	(872,203)	47
OTHER FINANCING SOURCES:				
Transfers in	872,250	872,250	872,224	(26)
TOTAL OTHER FINANCING SOURCES	872,250	872,250	872,224	(26)
NET CHANGE IN FUND BALANCE	-	-	21	21
FUND BALANCE - BEGINNING OF YEAR	1	1	1	-
FUND BALANCE - END OF YEAR	\$ 1	\$ 1	\$ 22	\$ 21

CITY OF FOUNTAIN VALLEY

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

DRAINAGE CAPITAL PROJECTS FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 500	\$ 500	\$ 1,087	\$ 587
TOTAL REVENUES	500	500	1,087	587
EXPENDITURES:				
Capital outlay	3,500,000	3,500,000	866,278	2,633,722
TOTAL EXPENDITURES	3,500,000	3,500,000	866,278	2,633,722
EXCESS OF REVENUES UNDER EXPENDITURES	(3,499,500)	(3,499,500)	(865,191)	2,634,309
OTHER FINANCING SOURCES:				
Transfers in	3,500,000	3,500,000	273,276	(3,226,724)
TOTAL OTHER FINANCING SOURCES	3,500,000	3,500,000	273,276	(3,226,724)
NET CHANGE IN FUND BALANCE	500	500	(591,915)	(592,415)
FUND BALANCE - BEGINNING OF YEAR	127,402	127,402	127,402	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 127,902	\$ 127,902	\$ (464,513)	\$ (592,415)

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY PUBLIC FINANCING AUTHORITY CAPITAL PROJECTS FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 8,578	\$ 8,578
TOTAL REVENUES	-	-	8,578	8,578
EXPENDITURES:	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	8,578	8,578
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,500,000)	(6,343,166)	(3,116,442)	3,226,724
Proceeds from issuance of bonds	-	2,843,166	2,843,166	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,500,000)	(3,500,000)	(273,276)	3,226,724
NET CHANGE IN FUND BALANCE	(3,500,000)	(3,500,000)	(264,698)	3,235,302
FUND BALANCE - BEGINNING OF YEAR	6,680,687	6,680,687	6,680,687	-
FUND BALANCE - END OF YEAR	\$ 3,180,687	\$ 3,180,687	\$ 6,415,989	\$ 3,235,302

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City of Fountain Valley Fiduciary Funds



CITY OF FOUNTAIN VALLEY

FIDUCIARY FUNDS

June 30, 2017

PRIVATE PURPOSE TRUST FUNDS

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

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

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

AGENCY FUNDS

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

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

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

June 30, 2017

	Successor Agency Funds			Total
	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust	
ASSETS:				
Cash and investments	\$ -	\$ 736,152	\$ -	\$ 736,152
TOTAL ASSETS	-	736,152	-	736,152
LIABILITIES:				
Accounts payable	-	117,956	-	117,956
TOTAL LIABILITIES	-	117,956	-	117,956
NET POSITION:				
Held in trust for Successor Agency	\$ -	\$ 618,196	\$ -	\$ 618,196

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2017

	Successor Agency Funds			Total
	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust	
ADDITIONS:				
Taxes	\$ -	\$ -	\$ 1,109,771	\$ 1,109,771
DEDUCTIONS:				
Administrative	-	53,723	-	53,723
Community development	-	281,964	-	281,964
TOTAL DEDUCTIONS	-	335,687	-	335,687
INCOME (LOSS), BEFORE TRANSFERS	-	(335,687)	1,109,771	774,084
TRANSFERS:				
Transfers from other trust funds	532,520	577,251	-	1,109,771
Transfers to other trust funds	-	-	(1,109,771)	(1,109,771)
TOTAL TRANSFERS	532,520	577,251	(1,109,771)	-
CHANGES IN NET POSITION	532,520	241,564	-	774,084
NET POSITION - BEGINNING OF YEAR	(532,520)	376,632	-	(155,888)
NET POSITION - END OF YEAR	\$ -	\$ 618,196	\$ -	\$ 618,196

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS

June 30, 2017

	Agency Funds		
	Special Deposit and Receipt	Developer Agreements	Total
ASSETS:			
Cash and investments	\$ 408,501	\$ 65,135	\$ 473,636
LIABILITIES:			
Deposits payable	\$ 408,501	\$ 65,135	\$ 473,636

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
SPECIAL DEPOSIT AND RECEIPT FUND				
ASSETS:				
Cash and investments	\$ 433,502	\$ 99,894	\$ (124,895)	\$ 408,501
LIABILITIES:				
Deposits payable	\$ 433,502	\$ 99,894	\$ (124,895)	\$ 408,501
REIMBURSEMENT AGREEMENT FUND				
ASSETS:				
Cash and investments	\$ 57,726	\$ 51,264	\$ (43,855)	\$ 65,135
LIABILITIES:				
Deposits payable	\$ 57,726	\$ 51,264	\$ (43,855)	\$ 65,135
ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 491,228	\$ 151,158	\$ (168,750)	\$ 473,636
LIABILITIES:				
Deposits payable	\$ 491,228	\$ 151,158	\$ (168,750)	\$ 473,636

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City of Fountain Valley Statistical Section (Unaudited)



CITY OF FOUNTAIN VALLEY

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2017

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

Contents:	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	122
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	133
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	138
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	145
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	147

CITY OF FOUNTAIN VALLEY

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30, 2017			
	2008	2009	2010	2011
Governmental activities:				
Net Investment in Capital Assets	\$ 48,559,056	\$ 52,818,364	\$ 74,207,233	\$ 92,919,149
Restricted	82,467,911	50,821,452	55,038,160	52,990,041
Unrestricted	35,629,136	63,661,029	56,156,029	60,549,852
Total governmental activities net assets	<u>\$ 166,656,103</u>	<u>\$ 167,300,845</u>	<u>\$ 185,401,422</u>	<u>\$ 206,459,042</u>
Business-type activities				
Net Investment in Capital Assets	\$ 6,351,432	\$ 9,308,318	\$ 10,479,014	\$ 10,945,907
Restricted	-	-	-	-
Unrestricted	10,429,534	8,679,178	6,170,774	4,531,257
Total business-type activity net assets	<u>\$ 16,780,966</u>	<u>\$ 17,987,496</u>	<u>\$ 16,649,788</u>	<u>\$ 15,477,164</u>
Primary government:				
Net Investment in Capital Assets	\$ 54,910,488	\$ 62,126,682	\$ 84,686,247	\$ 103,865,056
Restricted	82,467,911	50,821,452	55,038,160	52,990,041
Unrestricted	46,058,670	72,340,207	62,326,803	65,081,109
Total primary government net assets	<u>\$ 183,437,069</u>	<u>\$ 185,288,341</u>	<u>\$ 202,051,210</u>	<u>\$ 221,936,206</u>

Fiscal Year Ended June 30, 2017

2012	2013	2014	2015	2016	2017
\$ 103,091,982	\$ 99,543,316	\$ 101,557,748	\$ 97,768,732	\$ 95,231,907	\$ 93,401,436
14,475,232	14,428,516	15,452,824	19,856,331	24,307,690	26,763,094
55,985,076	42,839,271	39,381,257	(33,410,687)	(39,176,211)	(39,063,347)
<u>\$ 173,552,290</u>	<u>\$ 156,811,103</u>	<u>\$ 156,391,829</u>	<u>\$ 84,214,376</u>	<u>\$ 80,363,386</u>	<u>\$ 81,101,183</u>
\$ 11,746,210	\$ 11,799,936	\$ 11,878,770	\$ 22,427,033	\$ 22,772,437	\$ 22,721,048
-	-	-	9,720,189	-	-
6,049,769	5,828,113	6,467,394	(3,417,051)	7,465,990	8,378,389
<u>\$ 17,795,979</u>	<u>\$ 17,628,049</u>	<u>\$ 18,346,164</u>	<u>\$ 28,730,171</u>	<u>\$ 30,238,427</u>	<u>\$ 31,099,437</u>
\$ 114,838,192	\$ 111,343,252	\$ 113,436,518	\$ 120,195,765	\$ 118,004,344	\$ 116,122,484
14,475,232	14,428,516	15,452,824	29,576,520	24,307,690	26,763,094
62,034,845	48,667,384	45,848,651	(36,827,738)	(31,710,221)	(30,684,958)
<u>\$ 191,348,269</u>	<u>\$ 174,439,152</u>	<u>\$ 174,737,993</u>	<u>\$ 112,944,547</u>	<u>\$ 110,601,813</u>	<u>\$ 112,200,620</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30, 2017			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	\$ 4,560,162	\$ 4,708,164	\$ 4,389,509	\$ 2,288,544
Public safety	24,642,618	26,816,254	25,294,734	26,634,914
Transportation	9,005,540	12,923,795	10,842,575	9,535,081
Community development	10,457,159	3,730,625	3,638,224	4,546,691
Community services	4,669,708	4,818,069	4,789,810	2,198,738
Capital projects	-	-	-	-
Interest and other charges	3,445,535	3,152,506	1,446,472	1,058,808
Total governmental activities expenses	<u>56,780,722</u>	<u>56,149,413</u>	<u>50,401,324</u>	<u>46,262,776</u>
Business-type activity:				
Water	8,946,570	7,530,478	10,752,153	9,464,335
Sewer	*	*	*	*
Solid Waste	*	*	2,985,275	2,859,051
Total business-type activity expenses	<u>8,946,570</u>	<u>7,530,478</u>	<u>13,737,428</u>	<u>12,323,386</u>
Total primary government expenses	<u>65,727,292</u>	<u>63,679,891</u>	<u>64,138,752</u>	<u>58,586,162</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,760,778	1,841,010	1,986,574	1,799,114
Public safety	2,931,907	2,619,078	2,261,734	2,145,255
Transportation	1,104,839	-	-	-
Community development	3,398,343	2,386,267	2,696,944	2,764,100
Community services	2,869,246	4,158,532	3,085,631	1,416,509
Interest and other activities	-	-	-	-
Operating grants and contributions	4,966,810	5,356,881	4,500,691	20,306,778
Capital grants and contributions	8,430,015	3,847,667	2,478,423	380,511
Total governmental activities program revenues	<u>26,461,938</u>	<u>20,209,435</u>	<u>17,009,997</u>	<u>28,812,267</u>
Business-type activities:				
Charges for services:				
Water	8,659,952	8,830,145	8,634,443	10,550,050
Sewer	*	*	*	*
Solid Waste	*	*	3,001,822	3,007,925
Total business-type activities program revenues	<u>8,659,952</u>	<u>8,830,145</u>	<u>11,636,265</u>	<u>13,557,975</u>
Total primary government program revenues	<u>35,121,890</u>	<u>29,039,580</u>	<u>28,646,262</u>	<u>42,370,242</u>
Net revenues (expenses):				
Governmental activities	(30,318,784)	(35,939,978)	(33,391,327)	(17,450,509)
Business-type activities	<u>(286,618)</u>	<u>1,299,667</u>	<u>(2,101,163)</u>	<u>1,234,589</u>
Total net revenues (expenses)	<u>(30,605,402)</u>	<u>(34,640,311)</u>	<u>(35,492,490)</u>	<u>(16,215,920)</u>

* Sewer and Solid Waste Funds previously reported in governmental activities

Fiscal Year Ended June 30, 2017

2012	2013	2014	2015	2016	2017
\$ 3,623,812	\$ 3,268,718	\$ 3,398,739	\$ 3,394,812	\$ 4,060,614	\$ 3,490,836
26,039,750	26,100,788	25,531,715	27,397,338	30,519,703	30,725,287
10,486,308	8,085,945	8,602,763	8,270,272	7,228,722	9,956,544
4,709,958	5,675,610	5,256,405	5,068,347	4,962,051	4,986,214
2,520,280	2,433,094	2,649,541	2,602,832	2,770,264	3,090,014
-	401,606	-	-	-	-
631,851	389,544	349,089	334,168	600,774	332,056
<u>48,011,959</u>	<u>46,355,305</u>	<u>45,788,252</u>	<u>47,067,769</u>	<u>50,142,128</u>	<u>52,580,951</u>
9,640,203	11,961,160	12,344,634	12,173,386	12,198,363	13,474,865
*	*	*	1,050,288	1,187,547	1,586,054
2,912,260	2,923,270	2,936,437	2,976,404	2,979,627	2,995,313
<u>12,552,463</u>	<u>14,884,430</u>	<u>15,281,071</u>	<u>16,200,078</u>	<u>16,365,537</u>	<u>18,056,232</u>
<u>60,564,422</u>	<u>61,239,735</u>	<u>61,069,323</u>	<u>63,267,847</u>	<u>66,507,665</u>	<u>70,637,183</u>
1,542,780	1,313,296	1,589,201	1,541,214	1,485,945	1,322,154
2,402,968	2,551,306	2,437,171	2,407,751	2,580,643	2,628,927
-	-	-	-	-	-
3,452,877	4,570,944	3,571,688	1,798,307	1,857,165	1,990,806
1,349,743	2,865,863	1,696,636	2,031,969	1,335,765	1,406,686
-	-	-	-	-	-
4,808,433	3,763,161	4,417,860	3,844,012	3,342,815	4,632,452
703,155	255,300	-	-	-	-
<u>14,259,956</u>	<u>15,319,870</u>	<u>13,712,556</u>	<u>11,623,253</u>	<u>10,602,333</u>	<u>11,981,025</u>
11,434,206	12,030,680	12,939,652	13,104,591	12,723,158	13,818,022
*	*	*	1,891,019	1,917,391	1,974,735
3,221,070	3,175,972	3,096,014	3,226,183	3,275,267	3,236,804
<u>14,655,276</u>	<u>15,206,652</u>	<u>16,035,666</u>	<u>18,221,793</u>	<u>17,915,816</u>	<u>19,029,561</u>
<u>28,915,232</u>	<u>30,526,522</u>	<u>29,748,222</u>	<u>29,845,046</u>	<u>28,518,149</u>	<u>31,010,586</u>
(33,752,003)	(31,035,435)	(32,075,696)	(35,444,516)	(39,539,795)	(40,599,926)
2,102,813	322,222	754,595	2,021,715	1,550,279	973,329
<u>(31,649,190)</u>	<u>(30,713,213)</u>	<u>(31,321,101)</u>	<u>(33,422,801)</u>	<u>(37,989,516)</u>	<u>(39,626,597)</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30, 2017			
	2008	2009	2010	2011
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 19,077,590	\$ 16,690,555	\$ 13,753,615	\$ 16,259,507
Franchise taxes	1,467,613	1,789,533	1,660,650	1,710,195
Sales tax	11,967,435	9,964,534	9,179,402	10,328,426
Other taxes	1,065,886	737,630	616,375	732,375
Revenue from other governmental agencies	5,104,203	4,787,550	4,623,154	4,792,704
Other revenue	-	-	-	-
Investment income	3,134,116	3,751,641	2,003,963	1,222,953
Assessments	-	-	-	-
Transfers	(67,609)	344,796	-	2,489,616
Gain (loss) on sale of property	196,553	2,733	-	577
Miscellaneous	-	-	208,667	971,776
Extraordinary gain (loss)	-	-	-	-
Total governmental activities	<u>41,945,787</u>	<u>38,068,972</u>	<u>32,045,826</u>	<u>38,508,129</u>
Business-type activities:				
Investment income	454,799	251,659	120,820	82,403
Transfers	67,609	(344,796)	318,176	(2,489,616)
Miscl.				
Extraordinary Gain (Loss)				
Total business-type activities	<u>522,408</u>	<u>(93,137)</u>	<u>438,996</u>	<u>(2,407,213)</u>
Total primary government	<u>42,468,195</u>	<u>37,975,835</u>	<u>32,484,822</u>	<u>36,100,916</u>
Changes in net position:				
Governmental activities	11,627,003	2,128,994	(1,345,501)	21,057,620
Business-type activities	235,790	1,206,530	(1,662,167)	(1,172,624)
Total primary government	<u>\$ 11,862,793</u>	<u>\$ 3,335,524</u>	<u>\$ (3,007,668)</u>	<u>\$ 19,884,996</u>

Fiscal Year Ended June 30, 2017

2012	2013	2014	2015	2016	2017
\$ 14,247,327	\$ 16,071,106	\$ 10,423,211	\$ 16,247,191	\$ 16,782,178	\$ 17,704,506
1,775,922	1,712,754	1,628,690	1,790,685	1,766,769	1,635,261
10,948,760	11,407,422	11,442,672	11,556,673	12,963,883	14,831,750
744,079	2,632,282	2,739,433	3,032,589	3,158,311	3,221,064
4,468,380	4,587,172	4,569,352	-	-	-
-	-	-	-	-	-
552,828	(65,914)	707,717	547,066	729,762	118,500
-	-	-	-	-	-
824,382	72,940	79,800	197,855	195,240	336,812
3,612	2,404	32,419	465,509	26,696	3,427,663
550,830	225,313	33,128	87,486	9,320	62,167
(33,237,247)	(14,983,772)	-	4,918,798	56,646	-
878,873	21,661,707	31,656,422	38,843,852	35,688,805	41,337,723
54,604	50,416	33,905	126,889	153,217	184,868
(824,382)	(72,940)	(79,800)	(197,855)	(195,240)	(336,812)
-	44,142	9,415	-	-	39,625
-	(511,770)	-	4,000,000	-	-
(769,778)	(490,152)	(36,480)	3,929,034	(42,023)	(112,319)
109,095	21,171,555	31,619,942	42,772,886	35,646,782	41,225,404
(32,873,130)	(9,373,728)	(419,274)	3,399,336	(3,850,990)	737,797
1,333,035	(167,930)	718,115	5,950,749	1,508,256	861,010
\$ (31,540,095)	\$ (9,541,658)	\$ 298,841	\$ 9,350,085	\$ (2,342,734)	\$ 1,598,807

CITY OF FOUNTAIN VALLEY

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30, 2017			
	2008	2009	2010	2011
General fund:				
Reserved	\$ 458,346	\$ 346,140	\$ -	\$ -
Unreserved	43,417,603	41,451,520	-	-
Total general fund	<u>\$ 43,875,949</u>	<u>\$ 41,797,660</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ 40,193,043	\$ 33,890,215	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	(4,886,262)	5,482,130	-	-
Debt service funds	2,814,230	2,814,116	-	-
Capital projects funds	37,123,954	32,279,931	-	-
Total all other governmental funds	<u>\$ 75,244,965</u>	<u>\$ 74,466,392</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ 2,360,972	\$ 2,271,395
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	38,233,080	40,563,646
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,594,052</u>	<u>\$ 42,835,041</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ 10,755,520	\$ 10,260,000
Restricted	-	-	56,518,979	53,968,387
Assigned	-	-	7,152,709	7,243,162
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,427,208</u>	<u>\$ 71,471,549</u>

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

Fiscal Year Ended June 30, 2017

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,831,432	\$ 1,846,323	\$ 1,966,451	\$ 1,599,806	\$ 1,698,026	\$ 807,126
-	-	-	4,714,142	4,555,926	4,430,934
-	-	12,100,000	21,971,647	22,547,158	16,961,310
<u>38,916,288</u>	<u>40,745,212</u>	<u>28,497,308</u>	<u>19,191,130</u>	<u>17,975,150</u>	<u>27,155,079</u>
<u>\$ 40,747,720</u>	<u>\$ 42,591,535</u>	<u>\$ 42,563,759</u>	<u>\$ 47,476,725</u>	<u>\$ 46,776,260</u>	<u>\$ 49,354,449</u>
\$ 17,219,367	\$ 7,216,367	\$ -	\$ -	\$ -	
7,258,865	7,212,149	15,452,824	15,142,189	19,751,764	22,332,160
<u>5,838,725</u>	<u>6,346,772</u>	<u>3,831,549</u>	<u>161,316</u>	<u>127,402</u>	<u>(464,523)</u>
<u>\$ 30,316,957</u>	<u>\$ 20,775,288</u>	<u>\$ 19,284,373</u>	<u>\$ 15,303,505</u>	<u>\$ 19,879,166</u>	<u>\$ 21,867,637</u>

CITY OF FOUNTAIN VALLEY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30, 2017			
	2008	2009	2010	2011
Revenues:				
Taxes	\$ 32,068,803	\$ 30,214,810	\$ 29,746,135	\$ 30,796,616
Licenses and permits	1,904,415	1,798,630	1,510,769	1,597,034
Fines and forfeitures (penalties)	919,127	871,673	810,868	915,314
Revenue from use of money and property	894,371	978,415	1,377,236	1,488,521
Investment income	5,288,416	3,750,171	1,879,310	1,219,533
Intergovernmental	15,394,421	12,389,425	9,167,306	8,798,365
Charges for services	9,109,895	8,312,658	4,923,766	5,213,090
Miscellaneous	4,118,932	1,880,004	1,219,229	2,623,945
Total revenues	69,698,380	60,195,786	50,634,619	52,652,418
Expenditures				
Current:				
General government	4,440,714	4,189,795	3,893,528	4,431,120
Public safety	24,899,666	25,400,083	23,478,042	28,612,844
Transportation	9,036,928	13,290,929	9,081,940	9,011,091
Community development	10,445,502	2,983,448	4,107,181	4,658,578
Community services	4,463,218	4,607,806	1,736,105	2,014,282
Capital outlay	15,774,107	4,737,265	772,615	1,047,498
Debt service:				
Principal retirement	1,883,385	2,018,023	2,114,535	2,205,258
Interest and fiscal charges	2,620,715	2,180,617	1,761,157	1,103,263
Costs of debt issuance	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Pass-through payments	644,577	1,032,558	4,536,093	1,888,001
Total expenditures	74,208,812	60,440,524	51,481,196	54,971,935
Excess (deficiency) of revenues over (under) expenditures	<u>(4,510,432)</u>	<u>(244,738)</u>	<u>(846,577)</u>	<u>(2,319,517)</u>
Other financing sources (uses):				
Transfers in	9,799,212	8,380,744	3,818,818	16,787,826
Transfers out	(9,866,821)	(9,619,948)	(4,003,456)	(16,003,210)
Proceeds from issuance of bonds	-	-	-	-
Bond premium (discount)	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Issuance of leases	457,541	381,332	112,882	-
Total other financing sources (uses)	389,932	(857,872)	(71,756)	784,616
Net change in fund balances, before extraordinary/special item	<u>(4,120,500)</u>	<u>(1,102,610)</u>	<u>(918,333)</u>	<u>(1,534,901)</u>
Special Item				
Payment of defined benefit pension plan side fund	-	-	-	-
Extraordinary gain (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ (4,120,500)	\$ (1,102,610)	\$ (918,333)	\$ (1,534,901)
Debt service as a percentage of noncapital expenditures				
	7.79%	7.61%	7.76%	6.18%

Fiscal Year Ended June 30, 2017

2012	2013	2014	2015	2016	2017
\$ 27,551,121	\$ 30,142,198	\$ 24,609,300	\$ 30,655,218	\$ 32,689,435	\$ 36,060,441
1,661,600	2,260,643	1,834,212	1,915,471	2,006,480	1,869,865
771,860	799,794	751,302	705,372	643,936	564,786
1,445,466	1,151,228	1,163,515	1,203,964	1,094,844	1,255,618
800,796	(15,506)	744,447	572,377	757,868	156,162
9,301,515	8,066,501	8,489,979	3,758,497	2,920,345	4,130,922
6,047,713	6,552,896	6,124,998	4,285,172	4,335,669	4,866,961
1,792,391	3,197,853	1,679,542	2,021,825	1,371,496	8,316,814
<u>49,372,462</u>	<u>52,155,607</u>	<u>45,397,295</u>	<u>45,117,896</u>	<u>45,820,073</u>	<u>57,221,569</u>
3,174,656	2,919,814	2,870,199	2,883,285	3,085,759	3,212,619
24,797,114	25,071,510	24,616,202	25,333,018	27,618,810	28,550,818
9,853,602	8,084,134	8,446,708	7,903,404	7,082,567	9,914,437
3,885,966	4,449,856	3,989,139	4,041,504	4,026,081	4,170,849
2,249,853	2,123,704	2,321,707	2,328,863	2,407,019	2,618,815
4,147,242	1,194,478	3,640,756	2,085,519	839,613	6,382,540
2,285,397	717,422	747,414	644,547	659,275	430,000
798,958	381,711	363,661	344,400	440,725	444,629
-	-	-	-	395,488	110,180
-	-	-	-	889,617	-
-	-	-	-	-	-
<u>51,192,788</u>	<u>44,942,629</u>	<u>46,995,786</u>	<u>45,564,540</u>	<u>47,444,954</u>	<u>55,834,887</u>
<u>(1,820,326)</u>	<u>7,212,978</u>	<u>(1,598,491)</u>	<u>(446,644)</u>	<u>(1,624,881)</u>	<u>1,386,682</u>
2,040,038	1,402,365	3,061,091	3,225,390	17,012,787	7,011,672
(2,944,656)	(1,329,425)	(2,981,291)	(3,027,535)	(16,817,547)	(6,674,860)
-	-	-	-	28,890,000	2,843,166
-	-	-	-	580,162	-
-	-	-	-	(6,785,383)	-
-	-	-	-	-	-
<u>(904,618)</u>	<u>72,940</u>	<u>79,800</u>	<u>197,855</u>	<u>22,880,019</u>	<u>3,179,978</u>
(2,724,944)	7,285,918	(1,518,691)	(248,789)	21,255,138	4,566,660
-	-	-	-	(17,436,588)	-
<u>(40,483,347)</u>	<u>(14,983,772)</u>	<u>-</u>	<u>4,918,798</u>	<u>56,646</u>	<u>-</u>
<u>\$ (43,208,291)</u>	<u>\$ (7,697,854)</u>	<u>\$ (1,518,691)</u>	<u>\$ 4,670,009</u>	<u>\$ 3,875,196</u>	<u>\$ 4,566,660</u>
6.56%	2.49%	2.55%	2.26%	2.35%	1.64%

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CITY OF FOUNTAIN VALLEY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	City			Total Direct Tax Rate (1)
	Secured	Unsecured	Taxable Assessed Value	
2008	\$ 6,310,344,079	\$ 284,437,291	\$ 6,594,781,370	0.12870
2009	6,382,947,330	287,957,315	6,670,904,645	0.12870
2010	6,482,764,941	287,619,118	6,770,384,059	0.12870
2011	6,679,192,884	302,119,850	6,981,312,734	0.12870
2012	6,777,682,538	259,218,249	7,036,900,787	0.12870
2013	6,922,510,895	241,861,867	7,164,372,762	0.12870
2014	7,131,038,979	295,542,241	7,426,581,220	0.12870
2015	7,659,415,546	335,167,621	7,994,583,167	0.12870
2016	8,142,124,957	249,380,905	8,391,505,862	0.12870
2017	8,444,881,513	237,687,508	8,682,569,021	0.12870

Notes:

Amounts are shown net of exemptions

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

(1) Total Direct Tax Rate is the weighted average City general fund share of the 1% Prop 13 rate for all TRA's

CITY OF FOUNTAIN VALLEY

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

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
City Direct Rate (1)	0.12870	0.12870	0.12870	0.12870
Fountain Valley Elementary General Fund	0.29490	0.29490	0.29490	0.29490
Huntington Beach Union High General Fund	0.19230	0.19230	0.19230	0.19230
Educational Revenue Augmentation Fund	0.15300	0.15300	0.15300	0.15300
Coast Community College General Fund	0.08120	0.08120	0.08120	0.08120
Orange County General Fund	0.05200	0.05200	0.05200	0.05200
O.C. Snitation #3 Operating	0.03160	0.03160	0.03160	0.03160
Orange County Flood Control District	0.01667	0.01667	0.01667	0.01667
Orange County Public Library	0.01405	0.01405	0.01405	0.01405
O.C. Harbors Beaches & Park Csa 26	0.01288	0.01288	0.01288	0.01288
O.C. Dept. of Education - General Fund	0.01199	0.01199	0.01199	0.01199
Orange County Water District	0.00739	0.00739	0.00739	0.00739
Orange County Transit Authority	0.00237	0.00237	0.00237	0.00237
Orange County Vector Control District	0.00084	0.00084	0.00084	0.00084
Orange County Water District Water Reserve	0.00011	0.00011	0.00011	0.00011
Total Basic Levy	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:				
Huntington Beach High School 2004 - Bond 2004A	0.02366	0.02522	0.02605	0.02617
Coast Community College	0.01472	0.01673	0.17500	0.01754
Metro Water District of Orange County	0.00430	0.00430	0.00370	0.00370
Huntington Beach High School 2004 - Bond 2005	0.00232	0.00260	0.00265	0.00266
Huntington Beach High School 2004 - Bond 2007	0.00024	0.00159	0.00144	0.00143
Total Overlapping Rates	0.04524	0.05044	0.20884	0.05150
Total Direct & Overlapping Tax Rates	1.04524	1.05044	1.20884	1.05150

Notes:

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

(1) Total Direct Tax Rate is the weighted average City general fund share of the 1% Prop 13 rate for all TRA's

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016	2017
0.12870	0.12870	0.12870	0.12870	0.12870	0.12870
0.29490	0.29490	0.29490	0.29490	0.29490	0.29490
0.19230	0.19230	0.19230	0.19230	0.19230	0.19230
0.15300	0.15300	0.15300	0.15300	0.15300	0.15300
0.08120	0.08120	0.08120	0.08120	0.08120	0.08120
0.05200	0.05200	0.05200	0.05200	0.05200	0.05200
0.03160	0.03160	0.03160	0.03160	0.03160	0.03160
0.01667	0.01667	0.01667	0.01667	0.01667	0.01667
0.01405	0.01405	0.01405	0.01405	0.01405	0.01405
0.01288	0.01288	0.01288	0.01288	0.01288	0.01288
0.01199	0.01199	0.01199	0.01199	0.01199	0.01199
0.00739	0.00739	0.00739	0.00739	0.00739	0.00739
0.00237	0.00237	0.00237	0.00237	0.00237	0.00237
0.00084	0.00084	0.00084	0.00084	0.00084	0.00084
0.00011	0.00011	0.00011	0.00011	0.00011	0.00011
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02726	0.02605	0.02271	0.02400	0.02440	0.02451
0.01881	0.01750	0.02899	0.03015	0.03092	0.03116
0.00350	0.00370	0.00350	0.00350	0.00350	0.00350
0.00275	0.00265	0.00001	0.00214	0.00001	0.00001
0.00142	0.00144	0.00132	0.00123	0.00119	0.00091
0.05374	0.05134	0.05653	0.06102	0.06002	0.06009
<u>1.05374</u>	<u>1.05134</u>	<u>1.05653</u>	<u>1.06102</u>	<u>1.06002</u>	<u>1.06009</u>

CITY OF FOUNTAIN VALLEY
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Hyundai Motor America	\$ 186,584,782	2.15%	\$ 42,987,322	0.65%
Fountain Valley Regional Hospital	159,571,796	1.84%	161,832,388	2.45%
Orange Coast Memorial Medical Center	115,272,112	1.33%	88,423,134	1.34%
BEXAEW the Havens LP	109,271,198	1.26%		0.00%
JKS-CMFV LLC	77,978,651	0.90%	63,754,538	0.97%
Memorial Health Services	44,035,479	0.51%		0.00%
Shea Center Crystal Springs LLC	43,730,925	0.50%	38,616,636	0.59%
Yakult USA Inc	41,372,691	0.48%		0.00%
Fountain Valley Senior Housing LLC	40,673,069	0.47%	35,937,423	0.54%
US Millennium, LP	39,899,256	0.46%	35,949,186	0.55%
Fountain Valley City Center LLC		0.00%	77,942,688	1.18%
Kawaguchi Enterprises Limited Partnership		0.00%	30,715,222	0.47%
Shea Center Corte Bella, LLC		0.00%	29,711,217	0.45%
	<u>\$ 858,389,959</u>	<u>9.89%</u>	<u>\$ 605,869,754</u>	<u>9.19%</u>

The amounts shown above include assessed value data for the City .

CITY OF FOUNTAIN VALLEY

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years**	Total Collections to Date	
		Amount*	Percent of Levy		Amount	Percent of Levy
2008	\$ 8,449,522	\$ 8,353,866	98.87%	\$ 264,181	\$ 8,618,047	101.99%
2009	8,271,990	8,306,058	100.41%	146,890	8,452,948	102.19%
2010	8,249,362	8,671,222	105.11%	58,017	8,729,239	105.82%
2011	8,506,281	8,355,562	98.23%	45,028	8,400,590	98.76%
2012	8,546,953	8,411,980	98.42%	79,327	8,491,307	99.35%
2013	8,844,898	8,731,657	98.72%	48,937	8,780,594	99.27%
2014	9,227,976	9,114,156	98.77%	40,888	9,155,044	99.21%
2015	9,757,887	9,652,108	98.92%	30,039	9,682,147	99.22%
2016	10,286,311	10,155,604	98.73%	41,013	10,196,617	99.13%
2017	10,652,346	10,543,581	98.98%	33,732	10,577,313	99.30%

Note:

*The amounts presented include City property taxes only.

**These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years.

CITY OF FOUNTAIN VALLEY

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities							Total Governmental Activities
	Leases Payable	Tax Allocation Bonds	Notes Payable	Certificates of Participation (1)	Taxable Pension Obligation Bonds (3)	Lease Revenue Bonds (4) (5)		
2008	\$ 1,373,218	\$ 12,900,000	\$ 18,910,346	\$ 11,635,000	-	\$ -	\$ 44,818,564	
2009	1,219,811	11,510,000	19,262,062	11,190,000	-	-	43,181,873	
2010	1,124,313	10,065,000	16,536,398	10,730,000	-	-	38,455,711	
2011	899,055	8,555,000	-	10,260,000	-	-	19,714,055	
2012	668,658	-	-	9,775,000	-	-	10,443,658	
2013	451,236	-	-	9,275,000	-	-	9,726,236	
2014	218,822	-	-	8,760,000	-	-	8,978,822	
2015	109,275	-	-	8,225,000	-	-	8,334,275	
2016	-	-	-	-	15,661,765	13,807,919	29,469,684	
2017	-	-	-	-	15,679,151	16,176,187	31,855,338	

- (1) On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of \$13,270,000.
- (2) On December 17, 2014, the City issued 2014A Revenue Bonds in the amount of \$13,695,000
- (3) On September 2, 2015, the City issued 2015A Taxable Pension Obligation Bonds in the amount of \$15,995,000
- (4) On February 10, 2016, the City issued 2016A Lease Revenue Bonds in the amount of \$12,895,000
- (5) On January 7, 2017 the City issued 2017 Clean Renewable Energy Bonds in the amount of \$2,843,166
- (6) These ratios are calculated using personal income and population for the prior calendar year

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

		Business-type Activities				
Loans Payable	Revenue Bonds (2)	Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt per Capita (6)	
\$ 810,377	\$ -	\$ 810,377	\$ 45,628,941	1.62%	\$ 788	
768,379	-	768,379	43,950,252	1.53%	754	
724,912	-	724,912	39,180,623	1.49%	667	
679,923	-	679,923	20,393,978	0.73%	369	
633,359	-	633,359	11,077,017	0.38%	197	
585,165	-	585,165	10,311,401	0.34%	183	
535,285	-	535,285	9,514,107	0.30%	168	
-	15,188,452	15,188,452	23,522,727	0.71%	413	
-	14,611,443	14,611,443	44,081,127	1.26%	777	
-	14,041,771	14,041,771	45,897,109	1.30%	809	

CITY OF FOUNTAIN VALLEY

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Certificates of Participation	Taxable Pension Obligation Bonds	Lease Revenue Bonds	Total	Percent of Assessed Value (1)	Per Capita
2008	\$ 11,635,000	-	-	\$ 11,635,000	0.18%	\$ 201
2009	11,190,000	-	-	11,190,000	0.17%	192
2010	10,730,000	-	-	10,730,000	0.16%	183
2011	10,260,000	-	-	10,260,000	0.15%	185
2012	9,775,000	-	-	9,775,000	0.14%	174
2013	9,275,000	-	-	9,275,000	0.13%	164
2014	8,760,000	-	-	8,760,000	0.12%	154
2015	8,225,000	-	-	8,225,000	0.10%	144
2016	-	15,661,766	13,807,919	29,469,685	0.35%	520
2017	-	15,679,151	16,176,187	31,855,338	0.37%	562

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

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

CITY OF FOUNTAIN VALLEY
DIRECT AND OVERLAPPING DEBT

June 30, 2017

2016-2017 City Assessed Valuation
Total Assessed Valuation

\$ 8,682,569,021

	Percentage Applicable (1)	Total Debt June 30, 2017	City's Share of Debt June 30, 2017
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.336%	\$ 74,905,000	\$ 251,681
Coast Community College District	6.755%	805,844,504	54,434,796
Rancho Santiago Community College District	0.352%	258,096,533	908,500
Rancho Santiago Community College District SFID No. 1	0.673%	57,025,000	383,778
Garden Grove Unified School District	11.231%	329,640,160	37,021,886
Huntington Beach Union High School District	12.092%	193,079,998	23,347,233
Fountain Valley School District Certificates of Participation	72.632%	21,000,000	15,252,720
Ocean View School District Certificates of Participation	0.944%	45,000,000	424,800
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 132,025,394</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.654%	227,516,000	3,763,115
Orange County Pension Obligations	1.654%	386,762,539	6,397,052
Orange County Board of Education Certificates of Participation	1.654%	14,440,000	238,838
Coast Community College District Certificates of Participation	6.755%	3,610,000	243,856
Huntington Beach Union High School District Certificates of Participation	12.092%	63,961,090	7,734,175
Ocean View School District Certificates of Participation	0.944%	23,920,000	225,805
TOTAL OVERLAPPING GENERAL FUND DEBT			<u>\$ 18,602,841</u>
TOTAL OVERLAPPING DEBT			<u>\$ 150,628,235</u>
<u>DIRECT GENERAL FUND DEBT</u>			
City of Fountain Valley Pension Obligation Bonds	100.000%	15,679,151	15,679,151
City of Fountain Valley Lease Revenue Bonds	100.000%	16,176,187	16,176,187
TOTAL DIRECT DEBT			<u>\$ 31,855,338</u>

COMBINED TOTAL DIRECT AND OVERLAPPING DEBT (2)

\$ 182,483,573 (2)

(1) Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable

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

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.52%
Total Direct Debt (\$31,855,338).....	0.37%
Combined Total Debt.....	2.10%

Source: California Municipal Statistics, Inc. (August 28, 2017)

CITY OF FOUNTAIN VALLEY

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Assessed valuation	\$6,594,781,370	\$ 6,670,904,645	\$ 6,770,384,059	\$6,981,312,734
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,648,695,343	1,667,726,161	1,692,596,015	1,745,328,184
Debt limit percentage	15%	15%	15%	15%
Debt limit	247,304,301	250,158,924	253,889,402	261,799,228
Total net debt applicable to limitation: General obligation bonds	-	-	-	-
Legal debt margin	\$ 247,304,301	\$ 250,158,924	\$ 253,889,402	\$ 261,799,228
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Fiscal Year Ended June 30,					
2012	2013	2014	2015	2016	2017
\$ 7,036,900,784	\$ 7,164,372,762	\$ 7,426,581,220	\$ 7,994,583,167	\$ 8,391,505,862	\$ 8,682,569,021
25%	25%	25%	25%	25%	25%
1,759,225,196	1,791,093,191	1,856,645,305	1,998,645,792	2,097,876,466	2,170,642,255
15%	15%	15%	15%	15%	15%
263,883,779	268,663,979	278,496,796	299,796,869	314,681,470	325,596,338
-	-	-	-	-	-
<u>\$ 263,883,779</u>	<u>\$ 268,663,979</u>	<u>\$ 278,496,796</u>	<u>\$ 299,796,869</u>	<u>\$ 314,681,470</u>	<u>\$ 325,596,338</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF FOUNTAIN VALLEY
 PLEDGED-REVENUE COVERAGE

Last Three Fiscal Years

Fiscal Year Ended June 30,	Series 2014A Revenue Bonds						
	Operating Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2015	\$13,424,147	\$11,314,798	\$ 2,109,349	\$465,000	\$299,531	\$ 764,531	275.9%
2016	\$13,051,544	\$10,851,750	\$ 2,199,794	\$495,000	\$546,531	\$ 1,041,531	211.2%
2017	\$14,174,832	\$11,269,638	\$ 2,905,194	\$510,000	\$536,631	\$ 1,046,631	277.6%

Notes:

(1) Total operating revenues (including investment income).

(2) Total operating expenses exclusive of depreciation and amortization.

On December 17, 2014, the City issued 2014A Revenue Bonds in the amount of \$13,695,000.

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

CITY OF FOUNTAIN VALLEY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2008	57,925	\$ 154,800	\$ 48,523	7.70%
2009	58,309	161,700	49,298	11.90%
2010	58,741	145,100	44,789	12.10%
2011 *	55,313	159,000	50,372	11.80%
2012	56,153	168,800	51,770	9.60%
2013	56,464	172,400	53,320	9.20%
2014	56,707	180,700	56,697	7.10%
2015	57,010	191,700	58,311	5.60%
2016	56,714	205,000	61,663	4.09%
2017	56,709	214,700	62,063	4.50%

Sources:

(1) California State Department of Finance/Demographic Research Unit: City of F.V, (estimates: last updated 05/01/2016)

(2) California Department of Transportation - Economic Analysis Branch (data shown is forecasted for Orange County: last updated 9/2015)

(3) State of California Employment Development Department/U.S. Bureau of Labor Statistics (last updated 11/2/2016)

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

CITY OF FOUNTAIN VALLEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017		2008	
	Number of Employees	Percent of Total Employment (1)	Number of Employees	Percent of Total Employment
Fountain Valley Regional Hospital	1,816	7.46%	1,558	6.16%
Memorial Health Services	1,493	6.14%	553	2.19%
Orange Coast Memorial Med.	1,061	4.36%	1,077	4.26%
Hyundai Motor America, Inc.	1,034	4.25%	443	1.75%
Kingston Technology Corporation	620	2.55%	924	3.65%
Antech Diagnostics, Inc.	325	1.34%	-	0.00%
Costco Wholesale #411	322	1.32%	381	1.51%
Surfire, Inc.	287	1.18%	555	2.19%
Ceridian Tax Service, Inc	270	1.11%	474	1.87%
Sam's Club #6615	218	0.90%	259	1.02%
Spec Services, Inc	194	0.80%	-	0.00%
Manor Care	192	0.79%	-	0.00%
Fry's Electronics, Inc.	-	0.00%	349	1.38%
Hyundai Motor Finance	-	0.00%	309	1.22%
D-Link Systems, Inc.	-	0.00%	240	0.95%
	<u>7,832</u>	<u>32.19%</u>	<u>7,122</u>	<u>28.15%</u>
Total Employment	24,332		25,300	

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

Source: City of Fountain Valley, Business License Division

CITY OF FOUNTAIN VALLEY

FULL-TIME CITY EMPLOYEES
BY DEPARTMENT

Last Ten Fiscal Years

Department	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	3.0	3.0	2.0	2.0	3.0	3.0	3.0	3.0	2.0	1.0
City Clerk	3.0	3.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Finance	15.0	12.0	11.0	11.0	10.6	10.6	10.6	10.8	10.8	9.8
Information services	*	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Personnel	4.0	4.0	3.5	3.5	3.5	3.5	3.5	4.0	4.0	3.0
Planning/Building	9.0	9.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0	6.0
Public works	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Field services	45.0	45.0	32.0	31.5	32.0	31.0	28.0	28.0	23.0	22.0
Fire	47.0	47.0	43.0	43.0	43.0	43.0	43.0	42.0	42.0	39.0
Police	89.0	89.0	78.0	78.0	78.0	79.0	85.0	83.0	82.0	72.5
Community services	6.0	6.0	4.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0
Utilities (water and sewer)	21.0	21.0	21.0	22.0	22.0	22.0	22.0	22.0	20.0	19.0
Total	<u>252.0</u>	<u>252.0</u>	<u>215.5</u>	<u>217.0</u>	<u>218.1</u>	<u>219.1</u>	<u>223.1</u>	<u>220.8</u>	<u>211.8</u>	<u>192.3</u>

Source: City of Fountain Valley; Personnel Dept: Authorized List for Full-Time Employees, July 1, 2017

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

CITY OF FOUNTAIN VALLEY

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Police:				
Arrests	2,230	2,134	2,037	1,779
Parking citations issued	11,534	10,550	9,562	8,143
Fire:				
Number of emergency calls	4,661	5,042	4,260	4,260
Inspections	12,890	11,582	13,346	16,126
Public works:				
Street resurfacing (miles)	26	14	11	11
Parks and recreation:				
Number of recreation classes	1,098	-	1,140	1,169
Number of facility rentals	184	-	453	1,760
Water:				
New connections	1,027	1,080	1,512	399
Average daily consumption (thousands of gallons)	10,064	8,866	8,222	7,995

Source: City of Fountain Valley

Fiscal Year Ended June 30,						
2012	2013	2014	2015	2016	2017	
1,563	1,649	1,636	1,423	1,616	1,475	
8,138	7,209	7,373	6,789	6,604	8,246	
4,366	4,557	4,638	4,638	5,359	5,488	
7,902	7,885	2,542	5,973	7,627	8,156	
14	11	9	9	8	7	
1,143	1,257	1,103	1,103	3,923	1,357	
1,642	1,108	3,768	3,768	1,565	2,673	
107	21	340	1,253	1,310	1,298	
8,110	7,775	7,876	7,395	6,630	6,937	

2004 through 2010 new connections were based on all new and returning connections
2011 to current new connections are all new customers connected

CITY OF FOUNTAIN VALLEY

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	2	2	2	2
Public works:				
Street (miles)	141.30	141.30	141.30	141.30
Streetlights**	N/A	N/A	N/A	N/A
Traffic signals	52	53	53	53
Parks and recreation:				
Parks	19	20	20	20
Community centers	2	2	2	2
Water:				
Water mains (miles)	184.00	185.00	185.00	187.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	15,000,000

**Streetlights are owned by So. Cal Edison

Fiscal Year Ended June 30,						
2012	2013	2014	2015	2016	2017	
1	1	1	1	1	1	1
2	2	2	2	2	2	2
141.30	165.00	165.00	165.00	165.00	165.00	165.00
N/A	N/A	N/A	N/A	N/A	N/A	N/A
53	53	54	54	54	54	54
20	20	20	20	20	20	20
2	2	2	2	2	2	2
187.00	202.00	202.00	202.00	202.00	202.00	209.00
12,500,000	13,500,000	13,500,000	16,700,000	11,500,000	12,000,000	

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