

CITY OF FOUNTAIN VALLEY CALIFORNIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 2023**



CITY OF FOUNTAIN VALLEY
Annual Comprehensive Financial Report
Year Ended June 30, 2023
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January 26, 2024

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

Transmitted Through the City Manager:

The Annual Comprehensive Financial Report (ACFR) of the City of Fountain Valley for the fiscal year ended June 30, 2023, 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 for 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 Davis Farr 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, 2023, 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, 2023, 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 is usually a 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. The report of the Single Audit is published separately from this ACFR and may be obtained upon request from the City's Finance Department. The City of Fountain Valley is required to have an annual single audit this year due to the acceptance of Highway Safety Improvement Program (HSIP) Cycle 9 funding used to offset City costs related to the implementation of traffic signal improvements at various intersections, including Edinger Ave at Ward St, Brookhurst St at Heil Ave, Harbor Blvd at Lilac Ave, Magnolia St at Slater Ave, Euclid St at Slater Ave, Warner Ave at Los Jardines West, Ellis Ave at Bushard St, and Ellis Ave at Ward St. The City also received community development and transportation grants from the federal government, which are also included in the single audit.

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 include 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. Accordingly, 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 55,930 and 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 two 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. Policymaking and legislative authority are vested in the City Council, which is comprised of five (5) members elected at large, on a non-partisan basis, to four-year terms of office with staggered elections occurring every two (2) years. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the City's department heads. Commissions and Advisory Committees play an integral role in the governmental structure of Fountain Valley and provide opportunities for citizens to participate in community affairs.

As a full-service City, Fountain Valley offers its residents a complete range of municipal services including: 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; street and sidewalk repairs; development services for land use planning and zoning;

housing and community development; a full range of recreation and cultural activities; and legislative, legal, financial and general administrative support.

ECONOMIC OVERVIEW

The City of Fountain Valley is a well-planned, suburban community, with a great balance of land uses. It is located in the heart of Orange County, just minutes from the I-405 Freeway, and points of interest such as Disneyland, Knott's Berry Farm, famous beaches, the Honda Center, Angel Stadium, John Wayne Airport, and world-class shopping.

The City of Fountain Valley boasts a well-earned reputation as "*A Nice Place to Live*," with its thoughtfully designed environment that offers a residential oasis amidst the bustling 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.

On November 8, 2016, the residents of Fountain Valley approved Measure HH, a one-percent transactions and use (i.e. "sales") tax, which provided additional tax revenue in the amount of approximately \$17.4 million in Fiscal Year 2022-23. Without Measure HH, the General Fund would have had an operating deficit for Fiscal Year 2022-23 of \$15,720,862. In accordance with the Responsible Spending Pledge, an additional payment of \$3 million was made to CalPERS consistent with the City's 20-Year Financial Plan where the goal is to pay off all debt by 2037 when Measure HH sunsets. The balance of Measure HH revenue was used to fund essential services such as public safety and senior and youth programs, in addition to increases to reserves set-aside for capital projects as approved by Council.

ECONOMIC DEVELOPMENT ACTIVITIES

Successful economic development calls for creating an environment that supports and strengthens existing business areas, attracts new businesses, and creates employment opportunities in the community, while also enhancing City revenues. To ensure that the City is and remains focused on its economic development efforts, in FY 2022-23, the City worked with HdL ECONsolutions to create a three-year Economic Development Action Plan. This Plan was presented to, and adopted by, the City Council. In the coming three-year period, staff will prioritize the action items within the plan and initiate implementation.

Under-Utilized Commercial Centers – The City continues to target under-utilized commercial centers to encourage property owners to reinvest in Fountain Valley with notable success. The

City Council also 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.

General Plan – In a largely built-out community, planning to meet the challenges of housing and economic development, while enhancing quality of life, services, and infrastructure, requires careful thought. To that end, the City is working on updating its General Plan, which last received a comprehensive update in 1995 and held multiple public workshops throughout the year to inform the public of potential changes. The General Plan is a long-range policy document that will guide the City's growth for the next 20 years. The update effort kicked off in late 2018 and was completed in November of 2023.

Housing Element Implementation – The City of Fountain Valley's Housing Element was adopted and certified in September and October of 2022. As part of the Housing Element, implementation efforts have been initiated to remain in compliance with the provisions of State Law. In FY 2022-23, the City began the process of rezoning properties consistent with the Opportunity Sites listed in the Housing Element. This only included the creation of new zoning districts to allow for higher density residential development. This process was completed for the majority of the Opportunity Sites in December of 2023.

Streamlining Application Process – A number of initiatives were undertaken in the fiscal year to streamline processes in City Hall. A new queuing software was implemented to reduce waiting times and to make scheduling appointments easier for the public. A new software system was also implemented utilizing Artificial Intelligence to plan check solar applications. Application submittal requirements were also made less burdensome by eliminating the need for items such as soils reports for smaller projects, thus reducing the cost of each construction by a few thousand dollars. The City will also utilize two new firms for plan checking services. These companies integrate both Building and Fire Department review, eliminating redundancies and review by multiple consultants.

LONG-TERM FINANCIAL PLANNING

The City's fiscal policy is guided by the 20-Year Financial Plan, which encompasses the long-term operating and capital needs of the General Fund. The long-term goal is to achieve fiscal sustainability with a balanced operating budget when Measure HH sunsets in 2037. Additional payments are projected to be made to CalPERS over the next twenty years, in addition to the amounts required annually by CalPERS to pay down the City's unfunded actuarial liability (UAL) faster. In addition, the City plans to continue making additional contributions to the City's Pension

Trust, which is designed to mitigate CalPERS investment risk. In 2037, the City's goal is for the UAL to be paid off along with all other long-term debt. This 20-Year Financial Plan is utilized and integrated into the City's annual budget and semi-annual strategic planning processes.

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 had a significant impact on the current financial statements and the 2022-23 budget followed key policies concerning investments, budget administration, long range financial planning and fund balance reserve policies.

CITY VISION AND GOALS

The City of Fountain Valley is a team driven organization committed to providing excellent service to our community through the core values of fiscal stability; honesty, integrity, and ethical behavior; teamwork; excellent customer service; innovation; and quality of life.

The City's current three-year strategic goals are to:

- Enhance the culture and environment of "A Nice Place to Live"
- Achieve fiscal stability by evaluating processes, and attract and retain revenue producing businesses/opportunities
- Attract and retain quality staff through best practices and trends
- Maintain, build, and modernize infrastructure to support growth and future needs of the City

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, 2022. This was the eighth 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 Robin Harnish, Finance Manager, Rimo Hanson, Accounting Manager, and Deborah Beckley, Accountant. 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, Davis Farr, 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,



Maggie Le
City Manager



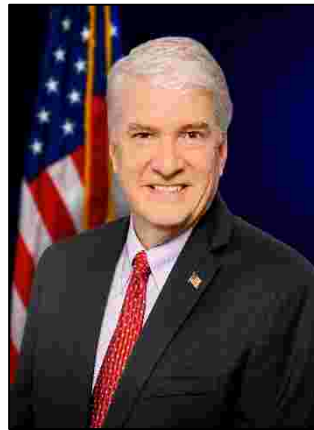
Ryan Smith
Director of Finance / City Treasurer



City Council
June 30, 2023
City Council Directory
City of Fountain Valley, CA



Kim Constantine
Mayor



Glenn Grandis
Mayor Pro Tem



Jim Cunneen
Council Member



Ted Bui
Council Member



Patrick Harper
Council Member

CITY DIRECTORY



COUNCIL MEMBERS

| | |
|-------------------|-----------------|
| Mayor | Kim Constantine |
| Mayor Pro Tempore | Glenn Grandis |
| Council Member | Jim Cunneen |
| Council Member | Ted Bui |
| Council Member | Patrick Harper |

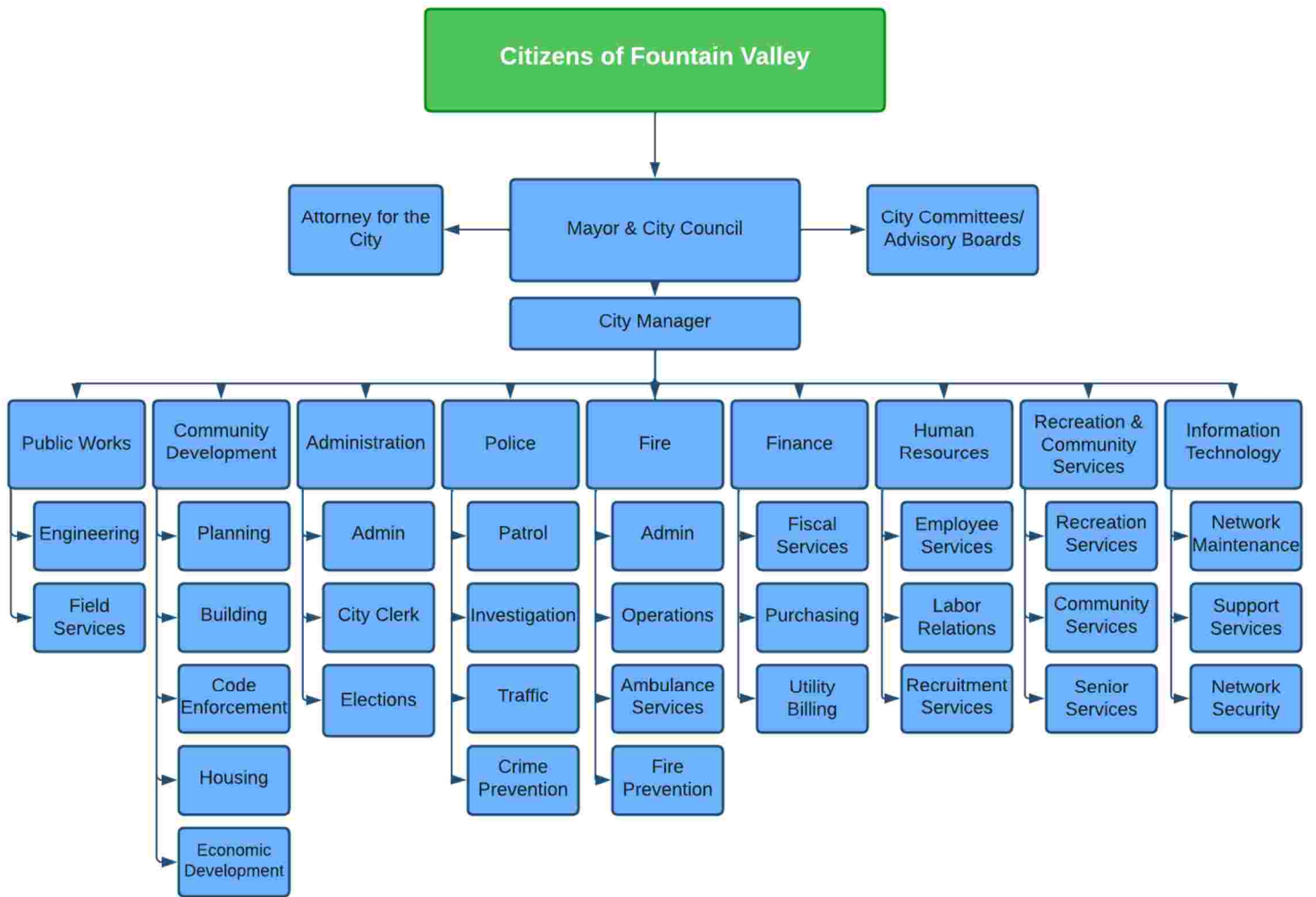
CITY OFFICIALS

| | |
|----------------------------------------------------|---------------|
| City Manager | Maggie Le |
| Deputy City Manager/Community Development Director | Omar Dadabhoy |
| Chief of Police | Matt Sheppard |
| Fire Chief | Bill McQuaid |
| Director of Finance/Treasurer | Ryan Smith |
| Director of Human Resources | Carrie Hanes |
| Director of Public Works/City Engineer | Vacant |
| Director of Community Services | Rob Frizzelle |
| City Clerk Administrator | Rick Miller |

Council meetings are held on the 1st & 3rd Tuesday of the month at 6:00 p.m. and are located in the City Hall Council Chambers



Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fountain Valley
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

**CITY OF FOUNTAIN VALLEY
FINANCIAL SECTION**

Independent Auditor's Report

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fountain Valley (City), as of and for the year June 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

During the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96: Subscription-based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 *combining and individual nonmajor fund financial statements and schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Irvine, California
January 26, 2024

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, 2023. 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, 2023, 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. The City's fiscal policy continues to be guided by a 20-Year Financial Plan.

Long-term Economic Resource (Government-wide) Focus – Economic resources are differentiated from financial resources in that the economic measurement focus measures changes in net position as soon as the event occurs regardless of the timing of related cash flows.

Therefore, this measurement focus includes current spendable resources, fixed non-spendable assets plus deferred outflows of resources, and long-term claims against these assets plus deferred inflows of resources. The resulting net position utilizing this measurement focus provides one measure of the City's overall long-term financial condition.

- The City's total net position – the difference between its assets and deferred outflows compared to its liabilities and deferred inflows of resources – was \$181.3 million, an increase of \$27.8 million, or 18.1%, compared to last fiscal year. The net position of governmental activities increased by \$20.3 million, or 18.6%, while the net position of business-type activities increased by \$7.5 million, or 16.9%.
- Net position of \$181.3 million consisted of: \$143.2 million of net investment in capital assets; \$27.5 million of resources that are subject to external restrictions on how they may be used; \$27.7 million that may be used to meet the City's obligations for its business-type activities; and a \$17.1 million deficit related to its governmental activities.
- Total city-wide governmental revenues for fiscal year 2023 were \$108.5 million, a slight increase of \$740,000, or 0.7%, compared to the prior year. Program revenues decreased \$7.7 million, or 14.9%, to \$44.2 million. In contrast, general revenues increased by \$8.5 million, or 15.2%, to \$64.3 million. Expenses for governmental and business-type activities were \$80.7 million, a decrease of \$1.6 million.

Short-term Financial Resource (Fund) Focus – The Financial Resources focus measures inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities, otherwise known as fund balance (or net working capital in the private sector), is a measure of the City's ability to finance activities in the near term.

- The City's governmental funds reported a combined ending fund balance of \$112.9 million, a decrease of \$0.3 million compared to the previous fiscal year. Of this amount, \$50.5 million (the sum of assigned and unassigned fund balances) is available for spending at the City's discretion.

- The City adheres to a Reserve Policy governing committed and assigned fund balances. As of June 30, 2023, the Committed fund balance for the General Fund was \$18.4 million, representing 54.4% of total sales tax revenue, inclusive of Measure HH. In the same period, the General Fund's Assigned and Unassigned fund balances were \$50.3 million and \$0.2 million, respectively. This denotes a shift from the previous fiscal year's fund balances of \$54.2 million in Assigned and a negative \$0.7 million in Unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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, 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

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 thirteen 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 are generally used to account for services for which the City charges outside customers, or internal departments of the City. Proprietary funds provide the same type of information as shown in the government-wide statements, only in more detail. The City maintains three different types of proprietary funds.

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

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

Fiduciary funds financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the private-purpose trust funds and City's fiduciary custodial funds. The private-purpose trust funds account for the assets held by the City for the Successor Agency to the Fountain Valley Community Development. The City uses custodial funds to account for the collection and disbursement of funds for fees assessed by other governments collected by the City on behalf of others. 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 Basic 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* concerning the City's proportionate share of the net pension liability, contributions to the CalPERS pension plans, annual money-weighted rate of return on investments – OPEB, changes in the net OPEB liability and related ratios and budget to actual comparisons for major funds, 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 statements.

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

Analysis of Net Position

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.

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$181.3 million as of June 30, 2023. This is an increase of \$27.8 million compared to the City's net position at the end of last fiscal year, as shown in the condensed statement of net position on the following page.

CONDENSED STATEMENT OF NET POSITION
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current and other assets | \$ 127,056 | \$ 126,230 | \$ 40,321 | \$ 35,268 | \$ 167,377 | \$ 161,498 |
| Capital assets | 132,155 | 121,078 | 33,796 | 34,960 | 165,951 | 156,038 |
| Total assets | <u>259,211</u> | <u>247,308</u> | <u>74,117</u> | <u>70,228</u> | <u>333,328</u> | <u>317,536</u> |
| Deferred outflow of resources | 55,845 | 28,446 | 4,032 | 2,121 | 59,877 | 30,567 |
| Liabilities: | | | | | | |
| Other liabilities | \$ 5,716 | \$ 4,171 | \$ 3,815 | \$ 4,058 | \$ 9,531 | \$ 8,229 |
| Long-term liabilities | 147,702 | 100,156 | 19,792 | 17,793 | 167,494 | 117,949 |
| Total liabilities | <u>153,418</u> | <u>104,327</u> | <u>23,607</u> | <u>21,851</u> | <u>177,025</u> | <u>126,178</u> |
| Deferred inflows of resources | 32,448 | 62,527 | 2,380 | 5,888 | 34,828 | 68,415 |
| | 194,086 | | | | | |
| Net position: | | | | | | |
| Net investment in capital assets | 118,812 | 107,890 | 24,405 | 24,914 | 143,217 | 132,804 |
| Restricted | 27,459 | 29,866 | - | - | 27,459 | 29,866 |
| Unrestricted | (17,081) | (28,855) | 27,757 | 19,696 | 10,676 | (9,159) |
| Total net position | <u>\$ 129,190</u> | <u>\$ 108,901</u> | <u>\$ 52,162</u> | <u>\$ 44,610</u> | <u>\$ 181,352</u> | <u>\$ 153,511</u> |

The City continued to report positive balances in two of the three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities.

Net position – Restricted for governmental activities (\$27.5 million or 21.1% of total net position) represents resources that are subject to external restrictions on how they may be used. This is a decrease of \$2.4 million or 8.1% compared to the previous fiscal year.

Net position – Net investment in capital assets represents the largest portion (78.7%) of the City’s net position for both governmental and business-type activities. The City’s investment of \$143.2 million in capital assets is net of accumulated depreciation and any related outstanding debt used to acquire those assets. This is an overall increase of \$10.4 million, or 7.8% from the prior year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position – Unrestricted has a surplus balance of \$10.7 million as of June 30, 2023, compared to a deficit of \$9.2 million in the prior year. The surplus balance is the result of implementing Governmental Accounting Standards Board (GASB) statements related to pension and other post-employment benefits (OPEB) liabilities. The surplus reflects the extent to which the City must defer to future periods the financing of a portion of its pension and OPEB liabilities. Generally accepted accounting principles require financial statement recording when a liability is incurred. However, the City, like many other governments, raises and budgets resources needed to liquidate certain liabilities during the year in which the liability is incurred. In the case of the pension liability, the City will continue to fund this obligation on an actuarial basis, contributing the full amount of annual required contributions to the pension system every year. For the OPEB liability, the City pays this obligation on a pay-as-you-go basis. To assist with the paydown of these liabilities, the City set up two IRS Section 115

Trust Funds. Monies deposited into these accounts are restricted and may only be used for the purpose of the trust.

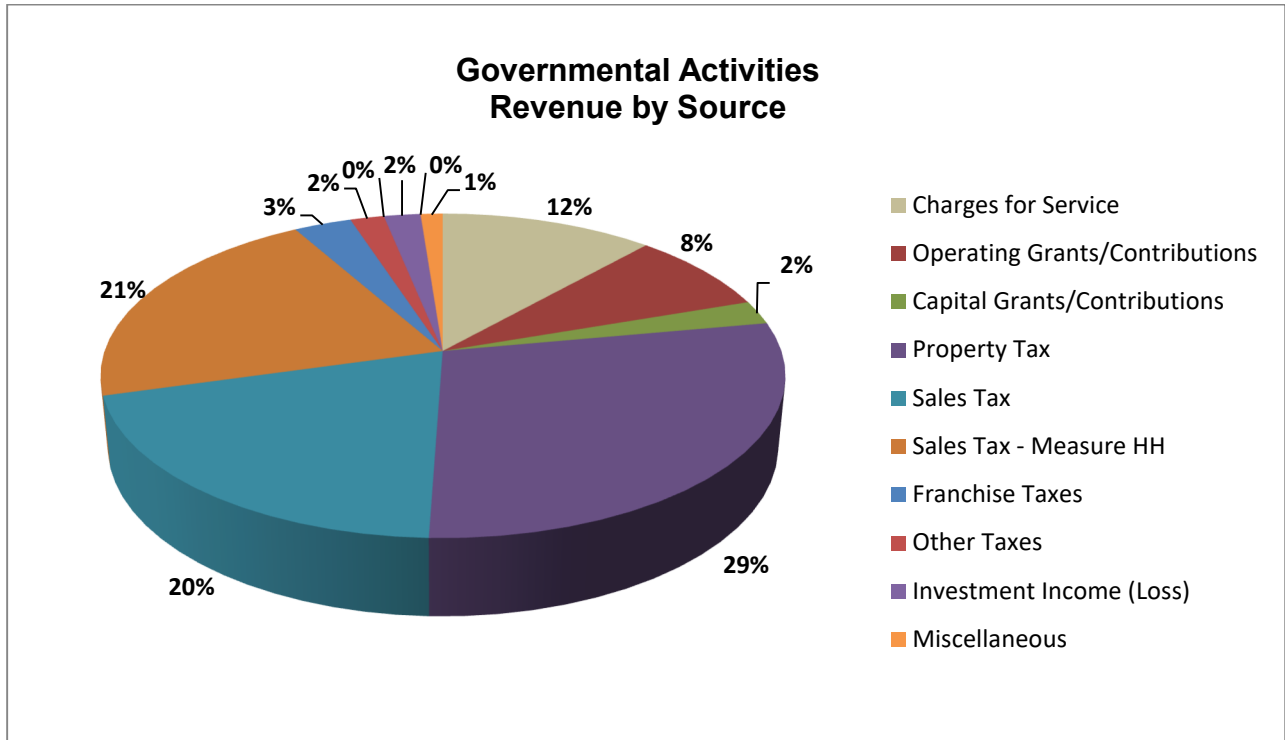
Analysis of Activities

The Statement of Activities shows how the government's net position changed during the fiscal year. As shown in the condensed Statement of Activities below, the City's net position increased by \$27.8 million in FY 2022-23.

CONDENSED STATEMENT OF ACTIVITIES

(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Charges for services | \$ 9,588 | \$ 11,271 | \$ 25,949 | \$ 26,320 | \$ 35,537 | \$ 37,591 |
| Operating grants and contributions | 6,646 | 13,554 | 62 | - | 6,708 | 13,554 |
| Capital grants and contributions | 1,935 | 705 | - | 71 | 1,935 | 776 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 23,366 | 22,019 | - | - | 23,366 | 22,019 |
| Sales taxes | 16,504 | 16,091 | - | - | 16,504 | 16,091 |
| Sales taxes - Measure HH | 17,363 | 17,162 | - | - | 17,363 | 17,162 |
| Franchise taxes | 2,595 | 2,089 | - | - | 2,595 | 2,089 |
| Other taxes | 1,523 | 1,305 | - | - | 1,523 | 1,305 |
| Intergovernmental | - | - | - | - | - | - |
| Investment income (loss) | 1,649 | (3,390) | 356 | (669) | 2,005 | (4,059) |
| Gain on sale of capital assets | - | 156 | - | - | - | 156 |
| Miscellaneous | 993 | 1,105 | - | - | 993 | 1,105 |
| Total Revenues | <u>82,162</u> | <u>82,067</u> | <u>26,367</u> | <u>25,722</u> | <u>108,529</u> | <u>107,789</u> |
| Expenses: | | | | | | |
| General government | 4,113 | 7,138 | - | - | 4,113 | 7,138 |
| Public safety | 42,182 | 30,385 | - | - | 42,182 | 30,385 |
| Transportation | 9,633 | 12,599 | - | - | 9,633 | 12,599 |
| Community development | 5,481 | 6,638 | - | - | 5,481 | 6,638 |
| Community services | 2,926 | 3,736 | - | - | 2,926 | 3,736 |
| Interest charges | 425 | 453 | - | - | 425 | 453 |
| Water | - | - | 10,475 | 16,096 | 10,475 | 16,096 |
| Solid waste | - | - | 1,025 | 1,370 | 1,025 | 1,370 |
| Sewer | - | - | 4,429 | 3,854 | 4,429 | 3,854 |
| Total Expenses | <u>64,760</u> | <u>60,949</u> | <u>15,929</u> | <u>21,320</u> | <u>80,689</u> | <u>82,269</u> |
| Transfers | <u>2,887</u> | <u>1,006</u> | <u>(2,887)</u> | <u>(1,006)</u> | <u>-</u> | <u>-</u> |
| Change in net position | 20,289 | 22,124 | 7,551 | 3,396 | 27,840 | 25,520 |
| Net position - beginning of year | <u>108,901</u> | <u>86,777</u> | <u>44,610</u> | <u>41,214</u> | <u>153,511</u> | <u>127,991</u> |
| Net position - ending of year | <u>\$ 129,190</u> | <u>\$ 108,901</u> | <u>\$ 52,162</u> | <u>\$ 44,610</u> | <u>\$ 181,352</u> | <u>\$ 153,511</u> |



Governmental activities increased the City’s net position by \$20.3 million compared to fiscal year 2022. Program revenue decreased by \$7.4 million, or 28.8%, to \$18.2 million. This reduction is primarily due to a one-time payment from the American Rescue Plan Act (ARPA) in the preceding fiscal year.

General revenue totaled \$64.0 million, a \$7.5 million, or 13.2% increase over the previous fiscal year. The majority of the rise is attributed to a notable \$1.6 million in investment income, which marks a substantial \$5.0 million increase compared to last year. The increase is due to rising interest rates coupled with the accounting practice of aligning the City’s investments with their fair market value (FMV) at fiscal year-end. It’s important to note that this revenue contains an unrealized gain that reflects changes in the value of the City’s investments, based on market conditions as of June 30, 2023, and is not necessarily spendable. The remainder of the increase came from Property taxes, which are up 6.1% to \$23.4 million; Sales tax and Measure HH transaction tax, which increased 2.0% to \$16.5 and \$17.4 million, respectively; and Franchise taxes, which increased 24.3% to \$2.6 million.

Expenses for governmental activities total \$64.8 million, an increase of \$3.8 million, or 6.3% compared to 2022. The variance is largely due to a \$2.8 million increase in pension expense combined with \$3.2 million more in street related improvement projects. These cost increases were offset by a \$1.0 million decrease to OPEB expense and an overall reduction in expenses resulting from staffing shortages and continued supply chain delays.

Business-type activities increased the City’s net position by \$7.5 million. Program revenue was 1.4% lower than last fiscal year, at \$26.0 million, while general revenues increased by \$1.0 million due to investment income and an unrealized gain from the FMV adjustment. The majority of the increase to net position was due to a 25.3% reduction in expenses for business-type activities. The Water Fund had the most substantial year-over-year decrease at \$5.6 million, or 34.9%, due to a \$3.6 million decrease in pension expense and a \$1.8

million decrease from the expiration of a sales tax share agreement. Expenses in the Sewer Fund declined by \$0.3 million, or 25.1%, also due to a reduction in pension expense. These reductions were lessened by an increase of \$0.6 million, or 14.9% to expenses in Solid Waste due to a trash collection rate increase.

FINANCIAL ANALYSIS OF CITY FUNDS

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

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 Fiscal Year 2022-23, the City's governmental funds reported a combined ending fund balance of \$112.9 million, a decrease of \$0.3 million from the prior year balance. Approximately \$1.2 million, or 1.1% of this combined amount is not available for spending; \$42.8 million, or 37.9% is restricted; \$18.4 million, or 16.3% is committed; \$50.3 million, or 44.5% is assigned; and \$0.2 million, or 0.2% is unassigned.

As of June 30, 2023, the general fund's total fund balance was \$88.6 million, an increase of \$1.8 million, or 2.2% from the 2022 fiscal year. The net increase is attributed primarily to additional contributions to the City's Pension Trust, rebounding interest rates, and a loan from the General Fund to the Housing Authority special revenue fund to support the purchase of the Central Cities Navigation Center to address homelessness.

As of June 30, 2023, combined special revenue fund balances totaled \$24.3 million, a decrease of \$2.2 million compared to the 2022 fiscal year. The overall decrease in fund balance is primarily due to activity in the Fountain Valley Housing Authority Fund, Gas Tax Fund, Traffic Improvement Fund, and Pollution Reduction Fund. The Housing Authority fund balance decreased by \$0.8 million due to a contribution to the Central Cities Navigation Center. The Gas Tax fund balance decreased by \$0.5 million due to reduced highway users tax revenue coupled with increased expenditures for the Residential Roadway Rehabilitation project. The Traffic Improvement fund balance decreased by \$0.8 million because of increased expenditures for pavement rehabilitation and traffic signal modification improvements. Finally, the fund balance for Pollution Reduction decreased by \$76 thousand due to the purchase of three (3) electric vehicles.

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. At the end of the fiscal year, the fund balance in the Housing Authority Fund was \$17.9 million, a decrease of \$0.8 million, mainly due to the large one-time capital outlay expenditure to support the purchase of the Central Cities Navigation Center.

The City's **proprietary funds** provide the same type of information found in the government-wide financial statements, but in more detail. There are currently three (3) funds in this group: Water Utility, Sewer, and Solid Waste.

Total net position for the Water Utility Fund increased by \$6.1 million, to \$35.4 million as of June 30, 2023. Of this total, \$18.8 million was unrestricted.

Total net position for the Sewer Fund increased by \$1.3 million, to \$15.4 million as of June 30, 2023. Of this total, \$7.7 million was unrestricted.

Total net position for the Solid Waste Fund increased by \$0.1 million, to \$1.2 million as of June 30, 2023. The entire amount was unrestricted.

Water and Sewer rates increased as part of the Council approved five-year implementation that began July 1, 2018. Despite the rate increase, however, a 10% reduction in overall water consumption resulted in a 5.3% decline in Water revenue, when compared to the prior year. Sewer revenues increased 4.5% as a result of the scheduled July 1 rate increase, and Solid Waste revenues increased 15% due to rate increases in October 2022 and January 2023.

GENERAL FUND BUDGETARY HIGHLIGHTS

A detailed budgetary comparison schedule for the year ended June 30, 2023, is presented as required supplementary information following the notes to the financial statements. Revenues, transfers in, and the issuance of IT subscriptions related to GASB 96 were \$78.9 million, or \$9.6 million lower than the City's final budget of \$88.5 million. Significant revenues over budget were largely due to Sales & Use Tax (including Measure HH Transaction Tax and Public Safety Sales Tax), which were \$0.6 million higher than the final budget. Additionally, investment income exceeded the final budget by \$0.7 million, driven by heightened interest earnings and tempered by an unrealized loss resulting from recording the FMV adjustment as of June 30, 2023. Expenditures and transfers out were \$77.0 million, or 31% lower than the final budget of \$111.6 million. The primary differences between actual expenditures and final budget are due to a number of vacancies during the year. In addition, work on capital projects was deferred due to ongoing staff and supply chain shortages.

Differences between the original and final revenue budget reflect an increase of \$3.2 million or 4.3%. The most notable adjustment was a budget increase of \$2.0 million for Sales & Use Tax (including Measure HH Transaction Tax) based on year-to-date activity and sales tax consultant projections at mid-year. Other revenue adjustments included \$235 thousand for investment income, \$115 thousand for miscellaneous other income, \$200 thousand for miscellaneous Engineering fees, and \$100 thousand each for building permit and plan check fees.

Differences between the original and final total expenditures budget reflect an increase of \$26.2 million or 30.7%. The expenditure budget was increased to complete previously deferred capital projects. However, the noted vacancies and supply chain issues prevented successful completion of those projects, as originally budgeted.

The table on the following page summarizes the General Fund's original budget, final budget, and actual results

for 2023 revenues, expenditures, and transfers:

GENERAL FUND BUDGETARY COMPARISON

(in thousands)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|--------------------------------|--------------------|--------------------|------------------|-------------------------------|
| Revenues | \$ 73,187 | \$ 76,362 | \$ 75,134 | \$ (1,228) |
| Expenditures | (72,779) | (99,023) | (75,072) | 23,951 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 11,994 | 12,094 | 3,359 | (8,735) |
| Transfers out | (12,602) | (12,602) | (1,947) | 10,655 |
| Issuance of IT Subscriptions* | - | - | 405 | 405 |
| Net Change in Fund Balance | <u>\$ (200)</u> | <u>\$ (23,169)</u> | <u>\$ 1,879</u> | <u>\$ 25,048</u> |

*IT Subscriptions are New in FY 2022-23 due to the implementation of GASB 96.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City’s investment in capital assets for its governmental and business type activities as of June 30, 2023, amounts to \$165.9 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 \$9.9 million or 6.4%. Major additions included \$8.1 million for the new Bushard property, which will ultimately replace Fire Station #1; \$2.5 million for traffic signal modification improvements; and \$2.0 million for various vehicle and equipment purchases, including a fire truck (\$845k) and sewer cleaner (\$584k). These additions were offset by \$4.8 million in accumulated depreciation.

(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 15,003 | \$ 6,851 | \$ 123 | \$ 123 | \$ 15,126 | \$ 6,974 |
| Vehicles and equipment | 6,565 | 5,838 | 13 | 33 | 6,578 | 5,871 |
| Furniture and fixtures | 137 | 129 | - | - | 137 | 129 |
| Buildings | 8,327 | 8,777 | 19,173 | 19,633 | 27,500 | 28,410 |
| Construction in Progress | 898 | 548 | 47 | 55 | 945 | 603 |
| Improvements other than structures | 5,799 | 6,292 | 14,440 | 15,116 | 20,239 | 21,408 |
| Rights of Way | 17,948 | 17,948 | - | - | 17,948 | 17,948 |
| Infrastructure | 76,541 | 74,695 | - | - | 76,541 | 74,695 |
| Subscription-based IT assets* | 937 | - | - | - | 937 | - |
| Net capital assets | <u>\$ 132,155</u> | <u>\$ 121,078</u> | <u>\$ 33,796</u> | <u>\$ 34,960</u> | <u>\$ 165,951</u> | <u>\$ 156,038</u> |

*Subscription-based IT assets are New in FY 2022-23 due to the implementation of GASB 96.

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 recently completed assessment performed in fiscal year 2022, was “Very Good” with a weighted average PCI of 85.7 based on the surface area of each segment. This reflects a slight downtick due to not being able to pave as many residential quadrants due to increasing costs. 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 the timing of project completion. 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,
(in thousands)

| | Governmental | | Business-type | | Total | |
|------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenue bonds | \$ - | \$ - | \$ 10,184 | \$ 10,888 | \$ 10,184 | \$ 10,888 |
| Lease revenue bonds | 12,507 | 13,187 | - | - | 12,507 | 13,187 |
| Taxable pension obligation bonds | 12,619 | 13,366 | - | - | 12,619 | 13,366 |
| Compensated absences | 2,420 | 2,366 | 218 | 225 | 2,638 | 2,591 |
| Claims payable | 4,926 | 4,830 | - | - | 4,926 | 4,830 |
| Subscription-based IT payable* | 836 | - | - | - | 836 | - |
| Other post-employment benefits | 23,468 | 20,560 | 1,897 | 2,168 | 25,365 | 22,728 |
| Net pension liability | 90,926 | 45,847 | 7,494 | 4,512 | 98,420 | 50,359 |
| Total Long Term Liabilities | \$ 147,702 | \$ 100,156 | \$ 19,793 | \$ 17,793 | \$ 167,495 | \$ 117,949 |

*Subscription-based IT payables are New in FY 2022-23 due to the implementation of GASB 96.

At year-end, the City had outstanding long-term debt of \$167.5 million, which is a net increase of \$49.5 million over the prior year. The overall increase is comprised of \$48.1 million in Net pension liability, \$2.6 million in Other post-employment benefits, the addition of \$0.8 million to recognize a lease liability on the present value of future Subscription-based IT agreement payments, and \$0.1 million for claims payable. These increases were offset by a \$2.1 million reduction in bond liabilities due to scheduled principal repayments.

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

FISCAL YEAR 2023-2024 OPERATING BUDGET AND ENTERPRISE RATES

The City Council adopted the fiscal year 2023-2024 Budget with total appropriations of \$144.7 million and projected revenues of \$130.7 million.

The General Fund estimated revenues for fiscal year 2023-2024 are \$76.9 million and budgeted appropriations are \$72.5 million. The General Fund includes an additional \$11.4 million of one-time capital improvement projects that utilize reserves, which are legally required to be spent on specific capital projects. The General Fund Operating Budget is balanced with a healthy operating surplus of \$4.4 million, which will be used to build and maintain reserves. Measure HH provides the necessary funding to maintain essential city services, funds capital improvements, pays down debt, and restores reserves. The City's fiscal policy is guided by the 20-Year Financial Plan with the goal of being debt free in 2037 when Measure HH sunsets. The City is on a solid path towards long-term fiscal sustainability.

The fiscal year 2023-2024 budget includes an approved 6.92% CPI increase to residential trash collection rates as of January 2024. Water and sewer rates have not been increased for the current fiscal year. Future increases will be dependent on public hearings and Council adoption of an updated resolution.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial position of the City 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, 2023

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------------|------------------------------------|-------------------------------------|--------------------|
| ASSETS: | | | |
| Cash and investments | \$ 81,280,556 | 34,797,346 | 116,077,902 |
| Restricted cash and investments | 19 | 791,966 | 791,985 |
| Restricted cash and investments - pension | 15,791,754 | - | 15,791,754 |
| Receivables: | | | |
| Accounts | 8,193,471 | 4,358,947 | 12,552,418 |
| Accrued interest | 835,403 | - | 835,403 |
| Loans | 12,237,103 | - | 12,237,103 |
| Lease | 8,436,913 | - | 8,436,913 |
| Inventories | 12,590 | 346,834 | 359,424 |
| Prepaid items | 267,824 | 25,673 | 293,497 |
| Capital assets: | | | |
| Not being depreciated | 97,398,277 | 170,328 | 97,568,605 |
| Being depreciated, net | 34,757,418 | 33,626,149 | 68,383,567 |
| TOTAL ASSETS | <u>259,211,328</u> | <u>74,117,243</u> | <u>333,328,571</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred amounts from OPEB plan | 8,104,003 | 655,002 | 8,759,005 |
| Deferred amounts from pension plans | 47,741,370 | 3,377,242 | 51,118,612 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>55,845,373</u> | <u>4,032,244</u> | <u>59,877,617</u> |
| LIABILITIES: | | | |
| Accounts payable | 4,261,091 | 3,482,124 | 7,743,215 |
| Accrued wages payable | 547,551 | - | 547,551 |
| Accrued interest payable | 263,917 | 196,966 | 460,883 |
| Unearned revenue | 37,031 | 53,954 | 90,985 |
| Deposits payable | 606,345 | 81,972 | 688,317 |
| Long-term liabilities: | | | |
| Due within one year | 4,956,736 | 766,433 | 5,723,169 |
| Due in more than one year: | | | |
| Other long-term liabilities | 28,350,890 | 9,635,064 | 37,985,954 |
| Net OPEB liability | 23,468,478 | 1,896,830 | 25,365,308 |
| Net pension liability | 90,926,331 | 7,493,858 | 98,420,189 |
| TOTAL LIABILITIES | <u>153,418,370</u> | <u>23,607,201</u> | <u>177,025,571</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred amounts from OPEB plan | 11,777,325 | 951,898 | 12,729,223 |
| Deferred amounts from pension plans | 12,531,834 | 1,428,149 | 13,959,983 |
| Deferred amounts from leases | 8,139,392 | - | 8,139,392 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>32,448,551</u> | <u>2,380,047</u> | <u>34,828,598</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 118,812,613 | 24,404,708 | 143,217,321 |
| Restricted for: | | | |
| Public safety | 1,346,453 | - | 1,346,453 |
| Transportation | 7,190,812 | - | 7,190,812 |
| Housing | 18,269,741 | - | 18,269,741 |
| Community development | 180,909 | - | 180,909 |
| Capital projects | 184,350 | - | 184,350 |
| Other | 286,844 | - | 286,844 |
| Unrestricted | (17,081,942) | 27,757,531 | 10,675,589 |
| TOTAL NET POSITION | <u>\$ 129,189,780</u> | <u>52,162,239</u> | <u>181,352,019</u> |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Activities

Year ended June 30, 2023

| <u>Functions/programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|--------------------------------|--------------------------|-----------------------------|-------------------------------------------|-----------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 4,113,134 | 1,275,650 | - | - |
| Public safety | 42,181,933 | 3,957,206 | 881,466 | - |
| Transportation | 9,633,255 | - | 4,532,043 | 1,935,254 |
| Community development | 5,480,927 | 3,310,491 | 654,825 | - |
| Community services | 2,925,694 | 1,044,724 | 577,248 | - |
| Interest on long-term debt | 425,387 | - | - | - |
| Total governmental activities | <u>64,760,330</u> | <u>9,588,071</u> | <u>6,645,582</u> | <u>1,935,254</u> |
| Business-type activities: | | | | |
| Water | 10,474,663 | 18,922,198 | 23,398 | - |
| Sewer | 1,025,684 | 2,526,629 | - | - |
| Solid waste | 4,428,766 | 4,499,999 | 38,923 | - |
| Total business-type activities | <u>15,929,113</u> | <u>25,948,826</u> | <u>62,321</u> | <u>-</u> |
| Total | <u>\$ 80,689,443</u> | <u>35,536,897</u> | <u>6,707,903</u> | <u>1,935,254</u> |

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Sales taxes - Measure HH
- Franchise taxes
- Other taxes

Investment income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

**Net (Expense) Revenue and
Changes in Net Position**

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| (2,837,484) | - | (2,837,484) |
| (37,343,261) | - | (37,343,261) |
| (3,165,958) | - | (3,165,958) |
| (1,515,611) | - | (1,515,611) |
| (1,303,722) | - | (1,303,722) |
| (425,387) | - | (425,387) |
| <u>(46,591,423)</u> | <u>-</u> | <u>(46,591,423)</u> |
| - | 8,470,933 | 8,470,933 |
| - | 1,500,945 | 1,500,945 |
| - | 110,156 | 110,156 |
| <u>-</u> | <u>10,082,034</u> | <u>10,082,034</u> |
| <u>(46,591,423)</u> | <u>10,082,034</u> | <u>(36,509,389)</u> |
| 23,365,555 | - | 23,365,555 |
| 16,504,276 | - | 16,504,276 |
| 17,363,447 | - | 17,363,447 |
| 2,595,444 | - | 2,595,444 |
| 1,522,875 | - | 1,522,875 |
| 1,648,971 | 356,396 | 2,005,367 |
| 992,907 | - | 992,907 |
| <u>2,887,046</u> | <u>(2,887,046)</u> | <u>-</u> |
| <u>66,880,521</u> | <u>(2,530,650)</u> | <u>64,349,871</u> |
| 20,289,098 | 7,551,384 | 27,840,482 |
| <u>108,900,682</u> | <u>44,610,855</u> | <u>153,511,537</u> |
| <u>\$ 129,189,780</u> | <u>52,162,239</u> | <u>181,352,019</u> |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Balance Sheet - Governmental Funds

June 30, 2023

| | <u>General</u> | <u>Special Revenue Fund Housing Authority</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|-------------------------------------------------------------------------------|-----------------------|-----------------------------------------------------------|-----------------------------------------|--------------------|
| ASSETS | | | | |
| Cash and investments | \$ 67,225,767 | 6,621,024 | 7,433,765 | 81,280,556 |
| Restricted cash and investments | 17 | - | 2 | 19 |
| Restricted cash and investments - pension | 15,791,754 | - | - | 15,791,754 |
| Receivables: | | | | |
| Accounts | 7,370,116 | - | 823,355 | 8,193,471 |
| Accrued interest | 630,195 | 205,208 | - | 835,403 |
| Loans | - | 12,045,448 | 191,655 | 12,237,103 |
| Leases | 8,436,913 | - | - | 8,436,913 |
| Due from other funds | 14,465 | - | - | 14,465 |
| Advances to other funds | 935,810 | - | - | 935,810 |
| Inventories | 12,590 | - | - | 12,590 |
| Prepaid items | 267,824 | - | - | 267,824 |
| TOTAL ASSETS | <u>\$ 100,685,451</u> | <u>18,871,680</u> | <u>8,448,777</u> | <u>128,005,908</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 2,738,866 | 4,485 | 1,517,740 | 4,261,091 |
| Accrued wages payable | 547,551 | - | - | 547,551 |
| Deposits payable | 115,975 | - | 490,370 | 606,345 |
| Advances from other funds | - | 935,810 | - | 935,810 |
| Unearned revenue | - | - | 37,031 | 37,031 |
| Due to other funds | - | - | 14,465 | 14,465 |
| TOTAL LIABILITIES | <u>3,402,392</u> | <u>940,295</u> | <u>2,059,606</u> | <u>6,402,293</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred amounts from leases | 8,139,392 | - | - | 8,139,392 |
| Unavailable revenues | 481,087 | - | - | 481,087 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>8,620,479</u> | <u>-</u> | <u>-</u> | <u>8,620,479</u> |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | 12,590 | - | - | 12,590 |
| Prepaid items | 267,824 | - | - | 267,824 |
| Advances to other funds | 935,810 | - | - | 935,810 |
| Restricted: | | | | |
| Public safety | - | - | 1,346,453 | 1,346,453 |
| Transportation | 2,238,242 | - | 4,471,483 | 6,709,725 |
| Housing | - | 17,931,385 | 338,356 | 18,269,741 |
| Community development | 3,603 | - | 177,306 | 180,909 |
| Capital projects | 184,350 | - | - | 184,350 |
| Other purposes | 286,845 | - | - | 286,845 |
| Debt service | - | - | 2 | 2 |
| Pension | 15,799,650 | - | - | 15,799,650 |
| Committed: | | | | |
| Emergencies | 18,426,000 | - | - | 18,426,000 |
| Assigned: | | | | |
| Fleet replacement | 3,105,016 | - | - | 3,105,016 |
| Information technology replacement | 1,402,920 | - | - | 1,402,920 |
| Major facility replacement | 4,189,419 | - | - | 4,189,419 |
| Employee benefits | 2,422,710 | - | - | 2,422,710 |
| Self insurance | 4,642,941 | - | - | 4,642,941 |
| Capital equipment | 1,214,004 | - | - | 1,214,004 |
| Capital projects | 9,950,427 | - | 55,571 | 10,005,998 |
| Measure HH | 20,904,064 | - | - | 20,904,064 |
| Economic development | 1,956,806 | - | - | 1,956,806 |
| Contingency reserves | 500,000 | - | - | 500,000 |
| Unassigned | 219,359 | - | - | 219,359 |
| TOTAL FUND BALANCES | <u>88,662,580</u> | <u>17,931,385</u> | <u>6,389,171</u> | <u>112,983,136</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 100,685,451</u> | <u>18,871,680</u> | <u>8,448,777</u> | <u>128,005,908</u> |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30, 2023

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Fund balances - total governmental funds | \$ 112,983,136 |
| 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 | 176,760,954 |
| Accumulated depreciation | (44,605,259) |
| 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 | (12,830,000) |
| Bond discount | 211,533 |
| 2016A Lease Revenue Bonds | (9,635,000) |
| Bond premium | (598,637) |
| 2017 Clean Renewable Energy Bond | (2,273,681) |
| Subscription-based Information Technology Payable | (835,764) |
| Compensated absences | (2,420,123) |
| Liability for claims and judgments | (4,925,954) |
| OPEB and 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 OPEB and 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 - OPEB plan | 8,104,003 |
| Deferred inflows of resources - OPEB plan | (11,777,326) |
| Net OPEB liability | (23,468,478) |
| Deferred outflows of resources - pension plans | 47,741,370 |
| Deferred inflows of resources - pension plans | (12,531,834) |
| Net pension liability | (90,926,330) |
| Receivables that are measurable but not available are recorded as a deferred inflow of resources under the modified accrual basis of accounting. | 481,087 |
| Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. | <u>(263,917)</u> |
| Net position of governmental activities | <u><u>\$ 129,189,780</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**

Year ended June 30, 2023

| | General | Special Revenue Fund Housing Authority | Other Governmental Funds | Total |
|---------------------------------------------------------|----------------------|-----------------------------------------------------------|-----------------------------------------|--------------------|
| REVENUES: | | | | |
| Taxes | \$ 61,889,534 | - | - | 61,889,534 |
| Licenses and permits | 2,331,633 | - | - | 2,331,633 |
| Fines and penalties | 503,600 | - | - | 503,600 |
| Investment income | 1,648,969 | 270,729 | 120,358 | 2,040,056 |
| Rental income | 1,150,302 | - | - | 1,150,302 |
| Intergovernmental | 1,246,519 | - | 6,701,742 | 7,948,261 |
| Charges for services | 5,127,786 | - | 43,532 | 5,171,318 |
| Miscellaneous | 1,235,361 | - | - | 1,235,361 |
| TOTAL REVENUES | 75,133,704 | 270,729 | 6,865,632 | 82,270,065 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 4,863,471 | - | - | 4,863,471 |
| Public safety | 41,977,975 | - | 216,118 | 42,194,093 |
| Transportation | 6,821,591 | - | 7,826,450 | 14,648,041 |
| Community development | 4,782,328 | 1,102,828 | 434,392 | 6,319,548 |
| Community services | 3,569,971 | - | 590 | 3,570,561 |
| Capital outlay | 11,906,940 | - | 160,439 | 12,067,379 |
| Debt service: | | | | |
| Principal | 1,146,484 | - | 635,193 | 1,781,677 |
| Interest | 3,445 | - | 462,635 | 466,080 |
| TOTAL EXPENDITURES | 75,072,205 | 1,102,828 | 9,735,817 | 85,910,850 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 61,499 | (832,099) | (2,870,185) | (3,640,785) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 3,359,083 | - | 5,145,593 | 8,504,676 |
| Transfers out | (1,947,498) | - | (3,670,132) | (5,617,630) |
| Issuance of IT subscriptions | 405,381 | - | - | 405,381 |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,816,966 | - | 1,475,461 | 3,292,427 |
| NET CHANGE IN FUND BALANCES | 1,878,465 | (832,099) | (1,394,724) | (348,358) |
| FUND BALANCES - BEGINNING OF YEAR | 86,784,115 | 18,763,484 | 7,783,895 | 113,331,494 |
| FUND BALANCES - END OF YEAR | \$ 88,662,580 | 17,931,385 | 6,389,171 | 112,983,136 |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities**

Year ended June 30, 2023

Net change in fund balances - total governmental funds \$ (348,358)

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 outlay | 13,548,174 |
| Depreciation expense | (3,279,697) |
| Disposal of capital assets | (2,425) |

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal 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 | 1,781,677 |
| Issuance of debt | (405,381) |

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 compensated absences | (54,453) |
| Change in the liability for claims and judgments | (95,822) |
| Change in accrued interest on long-term debt | 13,181 |
| Amortization of bond premium | 44,898 |
| Amortization of bond discount | (17,386) |

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

779,163

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

8,433,210

Revenues that are measurable but not available are not recorded as revenue under the modified accrual basis of accounting.

(107,683)

Change in net position of governmental activities

\$ 20,289,098

CITY OF FOUNTAIN VALLEY

**Statement of Net Position
Proprietary Funds**

June 30, 2023

| | Business-Type Activities | | | Total |
|-------------------------------------------------|---------------------------------|-------------------|------------------------|-------------------|
| | Water Utility | Sewer | Solid Waste | |
| ASSETS: | | | | |
| CURRENT ASSETS: | | | | |
| UNRESTRICTED ASSETS: | | | | |
| Cash and investments | \$ 24,910,866 | 8,938,193 | 948,287 | 34,797,346 |
| Accounts receivable | 3,228,865 | 387,677 | 742,405 | 4,358,947 |
| Inventory | 346,834 | - | - | 346,834 |
| Prepaid items | 25,673 | - | - | 25,673 |
| TOTAL UNRESTRICTED ASSETS | 28,512,238 | 9,325,870 | 1,690,692 | 39,528,800 |
| RESTRICTED ASSETS: | | | | |
| Cash and investments | 791,966 | - | - | 791,966 |
| TOTAL CURRENT ASSETS | 29,304,204 | 9,325,870 | 1,690,692 | 40,320,766 |
| NONCURRENT ASSETS: | | | | |
| Capital assets: | | | | |
| Not being depreciated | 161,911 | 8,417 | - | 170,328 |
| Being depreciated, net | 25,862,222 | 7,763,927 | - | 33,626,149 |
| TOTAL NONCURRENT ASSETS | 26,024,133 | 7,772,344 | - | 33,796,477 |
| TOTAL ASSETS | 55,328,337 | 17,098,214 | 1,690,692 | 74,117,243 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred amounts from OPEB plan | 513,148 | 141,854 | - | 655,002 |
| Deferred amounts from pension plans | 2,712,455 | 664,787 | - | 3,377,242 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,225,603 | 806,641 | - | 4,032,244 |
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | 3,056,264 | 20,678 | 405,182 | 3,482,124 |
| Unearned revenue | - | - | 53,954 | 53,954 |
| Deposits payable | 81,972 | - | - | 81,972 |
| Interest payable | 196,966 | - | - | 196,966 |
| Compensated absences, current portion | 140,847 | 30,586 | - | 171,433 |
| Bonds payable, current portion | 595,000 | - | - | 595,000 |
| TOTAL CURRENT LIABILITIES | 4,071,049 | 51,264 | 459,136 | 4,581,449 |
| NONCURRENT LIABILITIES: | | | | |
| Compensated absences, net | 38,063 | 8,266 | - | 46,329 |
| Bonds payable, net | 9,588,735 | - | - | 9,588,735 |
| Net OPEB liability | 1,486,032 | 410,798 | - | 1,896,830 |
| Net pension liability | 6,018,743 | 1,475,115 | - | 7,493,858 |
| TOTAL NONCURRENT LIABILITIES | 17,131,573 | 1,894,179 | - | 19,025,752 |
| TOTAL LIABILITIES | 21,202,622 | 1,945,443 | 459,136 | 23,607,201 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Deferred amounts from OPEB plan | 745,744 | 206,154 | - | 951,898 |
| Deferred amounts from pension plans | 1,147,028 | 281,121 | - | 1,428,149 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,892,772 | 487,275 | - | 2,380,047 |
| NET POSITION: | | | | |
| Net investment in capital assets | 16,632,364 | 7,772,344 | - | 24,404,708 |
| Unrestricted | 18,826,182 | 7,699,793 | 1,231,556 | 27,757,531 |
| TOTAL NET POSITION | \$ 35,458,546 | 15,472,137 | 1,231,556 | 52,162,239 |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds**

Year ended June 30, 2023

| | Business-Type Activities | | | Total |
|---------------------------------------------------|---------------------------------|-------------------|------------------------|--------------------|
| | Water Utility | Sewer | Solid Waste | |
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 18,710,079 | 2,526,629 | 4,499,999 | 25,736,707 |
| Miscellaneous | 212,119 | - | - | 212,119 |
| TOTAL OPERATING REVENUES | 18,922,198 | 2,526,629 | 4,499,999 | 25,948,826 |
| OPERATING EXPENSES: | | | | |
| Distribution maintenance | 778,802 | 19,381 | - | 798,183 |
| Utility administration | 292,526 | 444,036 | - | 736,562 |
| Contract services | - | 220,286 | 4,428,766 | 4,649,052 |
| Pumping and maintenance | 216,169 | - | - | 216,169 |
| Water treatment | 7,660,566 | - | - | 7,660,566 |
| Depreciation | 1,207,341 | 341,981 | - | 1,549,322 |
| TOTAL OPERATING EXPENSES | 10,155,404 | 1,025,684 | 4,428,766 | 15,609,854 |
| OPERATING INCOME | 8,766,794 | 1,500,945 | 71,233 | 10,338,972 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income | 242,944 | 98,701 | 14,751 | 356,396 |
| Intergovernmental | 23,398 | - | 38,923 | 62,321 |
| Interest expense | (319,259) | - | - | (319,259) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (52,917) | 98,701 | 53,674 | 99,458 |
| INCOME BEFORE TRANSFERS | 8,713,877 | 1,599,646 | 124,907 | 10,438,430 |
| TRANSFERS: | | | | |
| Transfers out | (2,630,315) | (256,731) | - | (2,887,046) |
| TOTAL TRANSFERS | (2,630,315) | (256,731) | - | (2,887,046) |
| CHANGES IN NET POSITION | 6,083,562 | 1,342,915 | 124,907 | 7,551,384 |
| NET POSITION - BEGINNING OF YEAR | 29,374,984 | 14,129,222 | 1,106,649 | 44,610,855 |
| NET POSITION - END OF YEAR | \$ 35,458,546 | 15,472,137 | 1,231,556 | 52,162,239 |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

**Statement of Cash Flows
Proprietary Funds**

Year ended June 30, 2023

| | Business-Type Activities | | | Total |
|---------------------------------------------------------------------------------|---------------------------------|------------------|------------------------|--------------------|
| | Water Utility | Sewer | Solid Waste | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 19,227,761 | 2,531,571 | 4,422,284 | 26,181,616 |
| Cash payments to suppliers of goods and services | (5,592,150) | (13,292) | (4,334,565) | (9,940,007) |
| Cash payments to employees for services | (6,066,035) | (955,224) | - | (7,021,259) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 7,569,576 | 1,563,055 | 87,719 | 9,220,350 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Cash paid to other funds | (2,714,609) | (256,731) | - | (2,971,340) |
| Cash received from grants | 23,398 | - | 14,402 | 37,800 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (2,691,211) | (256,731) | 14,402 | (2,933,540) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Cash paid for acquisition and construction of capital assets | (187,191) | (198,770) | - | (385,961) |
| Principal paid on debt | (630,000) | - | - | (630,000) |
| Interest paid on debt | (409,682) | - | - | (409,682) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (1,226,873) | (198,770) | - | (1,425,643) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income | 242,944 | 98,701 | 14,751 | 356,396 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 242,944 | 98,701 | 14,751 | 356,396 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,894,436 | 1,206,255 | 116,872 | 5,217,563 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 21,808,396 | 7,731,938 | 831,415 | 30,371,749 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 25,702,832 | 8,938,193 | 948,287 | 35,589,312 |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

**Statement of Cash Flows
Proprietary Funds
(Continued)**

Year ended June 30, 2023

| | Business-Type Activities | | | Total |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|------------------------|-----------------------|
| | Water Utility | Sewer | Solid Waste | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income | \$ 8,766,794 | 1,500,945 | 71,233 | 10,338,972 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 1,207,341 | 341,981 | - | 1,549,322 |
| Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | | |
| (Increase) decrease in accounts receivable | 288,066 | 4,942 | (77,715) | 215,293 |
| (Increase) decrease in prepaid items | 34,224 | - | - | 34,224 |
| (Increase) decrease in deferred outflows of resources from OPEB plan | 220,164 | (14,571) | - | 205,593 |
| (Increase) decrease in deferred outflows of resources from pension plans | (1,691,320) | (425,488) | - | (2,116,808) |
| Increase (decrease) in accounts payable | (331,820) | 17,906 | 94,201 | (219,713) |
| Increase (decrease) in retentions payable | - | - | - | - |
| Increase (decrease) in deposits payable | 17,497 | - | - | 17,497 |
| Increase (decrease) in compensated absences | 2,546 | (9,405) | - | (6,859) |
| Increase (decrease) in net OPEB liability | (361,408) | 90,132 | - | (271,276) |
| Increase (decrease) in net pension liability | 2,363,186 | 618,450 | - | 2,981,636 |
| Increase (decrease) in deferred inflows of resources from OPEB plan | (649,001) | (35,936) | - | (684,937) |
| Increase (decrease) in deferred inflows of resources from pension plans | (2,296,693) | (525,901) | - | (2,822,594) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 7,569,576</u> | <u>1,563,055</u> | <u>87,719</u> | <u>9,220,350</u> |
| CASH AND CASH EQUIVLENTS - FINANCIAL STATEMENT CLASSIFICATION: | | | | |
| Cash and investments | \$ 24,910,866 | 8,938,193 | 948,287 | 34,797,346 |
| Restricted cash and investments | 791,966 | - | - | 791,966 |
| TOTAL CASH AND CASH EQUIVALENTS | <u>\$ 25,702,832</u> | <u>8,938,193</u> | <u>948,287</u> | <u>35,589,312</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | |
| Amortization of bond premium | \$ 74,673 | - | - | 74,673 |
| Total noncash investing, capital and financing activities | <u>\$ 74,673</u> | <u>-</u> | <u>-</u> | <u>74,673</u> |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Fiduciary Net Position

June 30, 2023

| | Private-Purpose Trust Funds | |
|---------------------------------------------------|----------------------------------------|-----------------------------|
| | Successor Agency | Custodial Fund |
| | <u> </u> | <u> </u> |
| ASSETS: | | |
| Cash and investments | \$ 537,721 | 362,030 |
| TOTAL ASSETS | <u>537,721</u> | <u>362,030</u> |
| LIABILITIES: | | |
| Accounts payable | <u>-</u> | <u>46,894</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>46,894</u> |
| NET POSITION: | | |
| Restricted for: | | |
| Successor Agency | 537,721 | - |
| Individuals, organizations, and other governments | <u>-</u> | <u>315,136</u> |
| TOTAL NET POSITION | <u>\$ 537,721</u> | <u>315,136</u> |

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2023

| | Private-Purpose Trust Funds | |
|--------------------------------------|----------------------------------------|---------------------------|
| | Successor Agency | Custodial Fund |
| | <hr/> | <hr/> |
| ADDITIONS: | | |
| Taxes | \$ 100,000 | \$ - |
| Net investment income | 7,430 | 105 |
| Fees assessed by other governments | <hr/> - | <hr/> 913,951 |
| TOTAL ADDITIONS | <hr/> 107,430 | <hr/> 914,056 |
| DEDUCTIONS: | | |
| Community development | 100,000 | - |
| Payments to other governments | <hr/> - | <hr/> 751,041 |
| TOTAL DEDUCTIONS | <hr/> 100,000 | <hr/> 751,041 |
| CHANGE IN NET POSITION | 7,430 | 163,015 |
| NET POSITION - BEGINNING OF YEAR | <hr/> 530,291 | <hr/> 152,121 |
| NET POSITION - END OF YEAR | <u><u>\$ 537,721</u></u> | <u><u>315,136</u></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 Basic Financial Statements
June 30, 2023

NOTE 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.

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

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
3. Capital grants and contributions.

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 to/from 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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (within 60 days of year-end for all revenue except for grant revenue for which the availability period is 90 days). 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.

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 for all revenue except for grant revenue for which the availability period is 90 days). 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.

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 Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 are accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust funds account for the assets held by the City for the Successor Agency to the Fountain Valley Agency for Community Development. The City's Fiduciary custodial funds use the economic resources measurement focus and utilize the accrual basis for reporting its assets and liabilities. The City uses custodial funds to account for the collection and disbursement of funds for fees assessed by other governments 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.

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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Fiduciary Funds are used to account for the activities of the Successor Agency of the former Fountain Valley Agency for Community Development.

The Custodial Fund are used to account for the collection and disbursement of funds for fees assessed by other governments collected by the City on behalf of others in the special deposit and receipt fund.

d. Accounting Changes

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2023:

- GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements.” The implementation of this statement resulted in a recognition of a payable and a right to use asset in the financial statements.

Upcoming Governmental Accounting Standards Implementation:

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

- GASB Statement No. 99 – “Omnibus 2022.” The requirements of this Statement will take effect for fiscal years beginning after June 15, 2023.
- GASB Statement No. 100 – “Accounting Changes and Error Corrections.” The requirements of this Statement will take effect for fiscal years beginning after June 15, 2023.
- GASB Statement No. 101 – “Compensated Absences.” The requirements of this Statement will take effect for fiscal years beginning after December 15, 2023.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 three 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.

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 or subscription-based information technology arrangements (SBITA) are valued at the present value of future lease/SBITA payments at the inception of the lease/SBITA.

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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 |
| Subscription-based IT assets | 1 - 10 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 |

The City has reported all capital assets including infrastructure in the government-wide statement of net position. The City has elected to use 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 straight-line 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*, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City the following items that qualify for reporting in this category: deferred outflows – pension related and deferred outflows – Other Post Employment Benefits (OPEB) related.

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*, represent an acquisition of net assets that applies to future periods 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: Unavailable revenue deferred and recognized as inflow of resources in the period that the amounts become available, deferred inflows – pension related, deferred inflows – OPEB related, and deferred inflows – lease related.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Subscription-based Information Technology Arrangements

The City is a participant in subscription-based IT arrangements as detailed in Note 5. The City recognizes a subscription-based IT payable and right to use IT assets in the financial statements.

At the commencement of the arrangement, the City initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

o. Net Position

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

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

Restricted net position - This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, or laws or regulations of other governments) and 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".

p. Net Position Flow Assumption

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

q. Fund Balances

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

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

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

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. 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.

The emergencies stabilization arrangement amount of \$18,426,000 is presented as committed fund balance in the General Fund and has been formally approved by the City Council. This balance is to be utilized when the City Council declares an emergency for natural disasters or financial emergencies. A financial emergency is considered when annual general fund operating revenues decrease, or expenditures increase by 5% or more. City Council authorization through the declaration of an emergency is required for use of this amount.

r. OPEB

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. 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.

t. 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.

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

| | |
|-------------------------------------------|-----------------------|
| Statement of Net Position: | |
| Cash and investments | \$ 116,077,902 |
| Restricted cash and investments | 791,985 |
| Restricted cash and investments - pension | 15,791,754 |
| Statement of Fiduciary Net Position: | |
| Cash and investments | <u>899,751</u> |
| Total cash and investments | <u>\$ 133,561,392</u> |

Cash and investments held by the City at June 30, 2023 consisted of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 43,175 |
| Deposits with financial institutions | 20,154,127 |
| Investments | <u>113,364,090</u> |
| Total cash and investments | <u>\$133,561,392</u> |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 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 pooled trusts with PARS and CERBT that are governed by the agreements between the City and the trustee, rather than the general provisions of the California Government Code or the City’s investment policy.

| Investment Types Authorized by State Law | Authorized by Investment Policy | Maximum Maturity* | Maximum Percentage of Portfolio* | Maximum Investment in One Issuer* |
|------------------------------------------------|---------------------------------------|----------------------|----------------------------------------|--------------------------------------------|
| Local Agency Bonds | Yes | 5 years | None | None |
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| U.S. Government Sponsored Agency Securities | Yes | 5 years | None | 25% |
| Banker’s Acceptances | Yes | 180 days | 40% | 5% |
| Commercial Paper | Yes | 270 days | 25% | 5% |
| Negotiable Certificates of Deposit | Yes | 5 years | 30% | 5% |
| Repurchase Agreements | Yes | 1 year | None | None |
| Medium-Term Notes | Yes | 5 years | 30% | 5% |
| Mutual Funds | Yes | N/A | 20% | 10% |
| Money Market Mutual Funds | Yes | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | Yes | 5 years | 20% | 5% |
| Local Agency Investment Funds | Yes | N/A | \$75 million | None |
| JPA Pools (other investment pools) | Yes | N/A | None | None |
| Supranational Investments | Yes | 5 years | 30% | 10% |

*Based on state law requirements or the City’s investment policy requirements, whichever is more restrictive.

N/A - Not Applicable

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 short-term and long-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.

Disclosures Relating to Interest Rate Risk

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 | 12 Months or Less | 13 to 36 Months | 37 to 60 Months | Total |
|-------------------------------------|----------------------|--------------------|--------------------|-------------|
| Local Agency Investment Fund | \$ 55,080,302 | - | - | 55,080,302 |
| U.S. Government Sponsored | | | | |
| Agency Securities | 809,827 | 7,218,338 | - | 8,028,165 |
| U.S. Treasury Notes | - | 5,233,914 | 9,321,592 | 14,555,506 |
| Money Market Mutual Funds | 134,990 | - | - | 134,990 |
| Medium-Term Notes | 925,422 | 5,199,991 | 4,155,396 | 10,280,809 |
| Mortgage Pass-Through Securities | - | 2,068,174 | 2,182,910 | 4,251,084 |
| Supranational Investments | - | 3,296,372 | - | 3,296,372 |
| Collateralized Mortgage Obligations | - | 339,750 | 813,394 | 1,153,144 |
| Held by Fiscal Agent: | | | | |
| Money Market Mutual Funds | 791,964 | - | - | 791,964 |
| Held by Trust: | | | | |
| PARS Pooled Trust - Pension: | | | | |
| Money Market Mutual Funds | 738,113 | - | - | 738,113 |
| Mutual Funds - Equity | 6,015,585 | - | - | 6,015,585 |
| Mutual Funds - Fixed Income | 9,038,056 | - | - | 9,038,056 |
| Total | \$ 73,534,259 | 23,356,539 | 16,473,292 | 113,364,090 |

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 on the following page 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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

| Investment Type | Minimum Legal Rating | Total as of June 30, 2023 | | | |
|-------------------------------------|----------------------------|------------------------------|-------------------|------------------|-------------------|
| | | | AAA | Other | Not Rated |
| Local Agency Investment Fund | N/A | \$ 55,080,302 | - | - | 55,080,302 |
| U.S. Government Sponsored | | | | | |
| Agency Securities | N/A | 8,028,165 | 8,028,165 | - | - |
| U.S. Treasury Notes | N/A | 14,555,506 | 14,555,506 | - | - |
| Money Market Mutual Funds | A | 134,990 | 134,990 | - | - |
| Medium-Term Notes | A | 10,280,809 | 1,075,045 | 9,698,134 | 582,675 |
| Mortgage Pass-Through Securities | AA | 4,251,084 | 4,251,084 | - | - |
| Supranational Investments | AA | 3,296,372 | 3,296,372 | - | - |
| Collateralized Mortgage Obligations | AA | 1,153,144 | 1,153,144 | - | - |
| Held by Fiscal Agent: | | | | | |
| Money Market Mutual Funds | A | 791,964 | 791,964 | - | - |
| Held by Trust: | | | | | |
| PARS Pooled Trust - Pension: | | | | | |
| Money Market Mutual Funds | N/A | 738,113 | 738,113 | - | - |
| Mutual Funds - Equity | N/A | 6,015,585 | - | - | 6,015,585 |
| Mutual Funds - Fixed Income | N/A | 9,038,056 | - | - | 9,038,056 |
| Total | | <u>\$113,364,090</u> | <u>34,024,383</u> | <u>9,698,134</u> | <u>70,716,618</u> |

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

| Investment Type | Total as of June 30, 2023 | | | | |
|-------------------|------------------------------|-----------|-----------|-----------|-----------|
| | | AA | A+ | A | A- |
| Medium-Term Notes | \$ 9,698,134 | 1,003,171 | 1,488,944 | 4,856,066 | 2,349,953 |

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 fair 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, 2023, 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.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

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

Cash and Investments - OPEB and Pension Trusts

The City pre-funds the City's pension plans and OPEB health plan through tax qualified irrevocable trusts organized under Internal Revenue Code Section 115. OPEB and Pension trust fund assets are held on behalf of the City by the Public Agency Retirement Services (PARS). The City provides investment direction and determines the amount and timing of disbursements for PARS trust fund assets.

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 | <u>OPEB</u> 0% - 10% Cash 40% - 60% Fixed Income 40% - 60% Equity <u>Pension</u> 0% - 10% Cash 45% - 65% Fixed Income 30% - 50% Equity |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

| Investment Type | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total |
|-------------------------------------|-----------------------------|---------------------------------|-----------------------------------|-----------------------|
| U.S. Government Sponsored | | | | |
| Agency Securities* | \$ - | 8,028,165 | - | 8,028,165 |
| U.S. Treasury Notes | | 14,555,506 | - | 14,555,506 |
| Medium-Term Notes | | 10,280,809 | - | 10,280,809 |
| Mortgage Pass-Through Securities | | 4,251,084 | - | 4,251,084 |
| Supranational Investments | | 3,296,372 | - | 3,296,372 |
| Collateralized Mortgage Obligations | | 1,153,144 | - | 1,153,144 |
| Held by Trust: | | | | |
| PARS Pooled Trust - Pension: | | | | |
| Mutual Funds - Equity | 6,015,585 | - | - | 6,015,585 |
| Mutual Funds - Fixed Income | 9,038,056 | - | - | 9,038,056 |
| Total Levelled Investments | <u>\$ 15,053,641</u> | <u>41,565,080</u> | <u>-</u> | <u>56,618,721</u> |
| Local Agency Investment Fund * | | | | 55,080,302 |
| Money Market Mutual Funds * | | | | 134,990 |
| Held by Fiscal Agent: | | | | |
| Money Market Mutual Funds * | | | | 791,964 |
| Held by Trust: | | | | |
| PARS Pooled Trust - Pension: | | | | |
| Money Market Mutual Funds * | | | | 738,113 |
| Total Investment Portfolio | | | | <u>\$ 113,364,090</u> |

* Not subject to fair value measurement hierarchy

NOTE 3 - INTERFUND ACTIVITY

The following represents the interfund activity of the City for the fiscal year ended June 30, 2023.

Due to/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------------------|-----------|
| General Fund | Other Governmental Funds | \$ 14,465 |

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 Basic Financial Statements
June 30, 2023

NOTE 3 - INTERFUND ACTIVITY (CONTINUED)

Advances to/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General Fund | Housing Authority | \$ 935,810 |

In November 2022, the City Council authorized a loan from the General Fund to the Housing Authority Fund to support the purchase of a Central Cities Navigation Center to address homelessness. The 0% loan will be repaid with future low- and moderate-income housing revenues.

Transfers In/Out

The following schedule summarizes the City's transfer activity:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|------------------------------|---------------------|
| General Fund | Other Governmental Funds (a) | \$ 641,032 |
| | Water Utility Fund (b) | 2,521,320 |
| | Sewer Fund (b) | 196,731 |
| Other Governmental Funds | General Fund (c) | 1,947,498 |
| | Other Governmental Funds (d) | 3,029,100 |
| | Water Utility Fund (e) | 108,995 |
| | Sewer Fund (f) | 60,000 |
| | | <u>\$ 8,504,676</u> |

- (a) Transfers into the General Fund include \$453,507 from Other Government Funds to fund HUT 2107 Pass-Thru to General Fund, \$139,199 from the AQMD Special Revenue Fund for the purchase of three EV vehicles, and \$48,326 from the Measure M2 Special Revenue Fund for funding assistance for the Senior Mobility Program.
- (b) Transfers into the General Fund include \$2,521,320 that was transferred from the Water Utility Fund and \$196,731 from the Sewer Fund to the General Fund to pay for the use of land and buildings, and administrative services.
- (c) Transfers out of the General Fund include \$1,097,824 to the Fountain Valley Public Financing Authority Debt Service Fund for debt service payments on the Lease Revenue Bonds, Series 2016A and the 2017 Clean Revenue Renewal Energy Bonds, \$672,840 to the Gas Tax fund for residential road rehabilitation, \$155,056 to the Drainage Fund to support operations, and \$21,778 to the Traffic Improvement Fund for the Traffic Signal Mod Improvements project.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 3 - INTERFUND ACTIVITY (CONTINUED)

- (d) Transfers out of the Measure M2 Special Revenue Fund into the Traffic Improvement Fund for \$1,768,258 for funding assistance for various capital projects. Transfers out Road Maintenance and Rehabilitation (SB1) Fund for \$630,421 into the Gas Tax Fund per the budget for road maintenance and to the Traffic Improvement Fund for \$630,421 per the budget.
- (e) Transfers out of the Water Utility Proprietary Fund into the Traffic Improvement Fund for \$68,995 to fund water related expenses incurred for project 242221006 Euclid Arterial Rehabilitation and for project 2422125002(8) Traffic Signal Modification Improvements. In addition, a transfer into the Gas Tax Fund for \$40,000 to fund water related expenses incurred by project 2402120001 Residential Roadway Rehabilitation.
- (f) Transfers out of the Sewer Proprietary Fund for \$30,000 each into Traffic Improvement Fund to fund water related expenses incurred by project 242221006 Euclid Arterial Rehabilitation, and into the Gas Tax Fund to fund water related expenses incurred by project 2402120001 Residential Roadway Rehabilitation.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 4 - CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the year ended June 30, 2023, were as follows:

| | Balance at July 1, 2022 | Additions | Deletions | Balance at June 30, 2023 |
|-------------------------------------------------|----------------------------|--------------------|--------------------|-----------------------------|
| Capital assets, not depreciated: | | | | |
| Infrastructure | | | | |
| (Modified approach) | \$ 63,548,697 | - | - | 63,548,697 |
| Land | 6,851,368 | 8,151,780 | - | 15,003,148 |
| Right of way | 17,948,464 | - | - | 17,948,464 |
| Construction in progress | 547,996 | 2,994,932 | (2,644,960) | 897,968 |
| Total capital assets, not depreciated | <u>88,896,525</u> | <u>11,146,712</u> | <u>(2,644,960)</u> | <u>97,398,277</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 20,648,428 | - | - | 20,648,428 |
| Improvements | 10,140,798 | 55,596 | - | 10,196,394 |
| Vehicles and equipment | 14,487,222 | 2,000,786 | (24,244) | 16,463,764 |
| Furniture and fixtures | 201,642 | 29,894 | - | 231,536 |
| Infrastructure | | | | |
| (Depreciation approach) | 28,978,950 | 2,554,764 | (928,408) | 30,605,306 |
| Subscription-based IT assets* | 811,867 | 405,382 | - | 1,217,249 |
| Total capital assets, being depreciated | <u>75,268,907</u> | <u>5,046,422</u> | <u>(952,652)</u> | <u>79,362,677</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (11,871,668) | (449,673) | - | (12,321,341) |
| Improvements | (3,849,062) | (548,175) | - | (4,397,237) |
| Vehicles and equipment | (8,648,814) | (1,272,040) | 21,819 | (9,899,035) |
| Furniture and fixtures | (74,020) | (20,780) | - | (94,800) |
| Infrastructure | | | | |
| (Depreciation approach) | (17,832,225) | (709,258) | 928,408 | (17,613,075) |
| Subscription-based IT assets | - | (279,771) | - | (279,771) |
| Total accumulated depreciation | <u>(42,275,789)</u> | <u>(3,279,697)</u> | <u>950,227</u> | <u>(44,605,259)</u> |
| Total capital assets, being depreciated, net | <u>32,993,118</u> | <u>1,766,725</u> | <u>(2,425)</u> | <u>34,757,418</u> |
| Governmental activities capital assets, net | <u>\$ 121,889,643</u> | <u>12,913,437</u> | <u>(2,647,385)</u> | <u>132,155,695</u> |

*Beginning balance restated due to the implementation of GASB 96.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

| | |
|-----------------------|---------------------|
| General government | \$ 680,178 |
| Transportation | 5,813 |
| Public safety | 862,641 |
| Community development | 1,155,050 |
| Community services | 576,015 |
| Total | <u>\$ 3,279,697</u> |

Business-type Activities

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2023, were as follows:

| | Balance at July 1, 2022 | Additions | Deletions | Balance at June 30, 2023 |
|-------------------------------------------------|----------------------------|--------------------|------------------|-----------------------------|
| Capital assets, not depreciated: | | | | |
| Land | \$ 123,076 | - | - | 123,076 |
| Construction in progress | 54,796 | 385,961 | (393,505) | 47,252 |
| Total capital assets, not depreciated | <u>177,872</u> | <u>385,961</u> | <u>(393,505)</u> | <u>170,328</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 30,276,823 | 183,427 | (100,000) | 30,360,250 |
| Improvements | 30,652,308 | 210,078 | (3,553) | 30,858,833 |
| Machinery and equipment | 252,088 | - | - | 252,088 |
| Total capital assets, being depreciated | <u>61,181,219</u> | <u>393,505</u> | <u>(103,553)</u> | <u>61,471,171</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (10,643,995) | (642,774) | 100,000 | (11,186,769) |
| Improvements | (15,536,571) | (886,117) | 3,553 | (16,419,135) |
| Machinery and equipment | (218,687) | (20,431) | - | (239,118) |
| Total accumulated depreciation | <u>(26,399,253)</u> | <u>(1,549,322)</u> | <u>103,553</u> | <u>(27,845,022)</u> |
| Total capital assets, being depreciated, net | <u>34,781,966</u> | <u>(1,155,817)</u> | <u>-</u> | <u>33,626,149</u> |
| Business-type activities capital assets, net | <u>\$ 34,959,838</u> | <u>(769,856)</u> | <u>(393,505)</u> | <u>33,796,477</u> |

Depreciation expense in the amount of \$1,207,341 and \$341,981 was charged to the Water Utility and Sewer Funds, respectively.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2023 (including unamortized discounts and refunding costs) are as follows:

| | Balance at July 1, 2022 | Additions | Deletions | Balance at June 30, 2023 | Due within One Year |
|-----------------------------------|----------------------------|------------------|--------------------|-----------------------------|------------------------|
| Governmental Activities: | | | | | |
| Taxable Pension Obligation Bonds | | | | | |
| Series 2015A | \$ 13,595,000 | - | (765,000) | 12,830,000 | 840,000 |
| Less: Unamortized Bond Discount | (228,919) | - | 17,386 | (211,533) | - |
| Lease Revenue Bonds, Series 2016A | 10,150,000 | - | (515,000) | 9,635,000 | 535,000 |
| Add: Unamortized Bond Premium | 643,535 | - | (44,898) | 598,637 | - |
| 2017 Clean Renewable Energy Bonds | 2,393,874 | - | (120,193) | 2,273,681 | 125,968 |
| Compensated Absences | 2,365,670 | 2,914,868 | (2,860,415) | 2,420,123 | 1,905,242 |
| Claims and Judgements (Note 6) | 4,830,132 | 1,566,504 | (1,470,682) | 4,925,954 | 1,151,275 |
| Subscription-based IT Payable* | 811,867 | 405,381 | (381,484) | 835,764 | 399,251 |
| | <u>\$ 34,561,159</u> | <u>4,886,753</u> | <u>(6,140,286)</u> | <u>33,307,626</u> | <u>4,956,736</u> |
| Total | | | | | |

*Beginning balance restated due to the implementation of GASB 96.

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, 2023 is \$2,273,681.

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|---------------------|----------------|------------------|
| 2024 | \$ 125,968 | 99,586 | 225,554 |
| 2025 | 131,939 | 93,928 | 225,867 |
| 2026 | 138,111 | 88,002 | 226,113 |
| 2027 | 144,490 | 81,800 | 226,290 |
| 2028 | 151,082 | 75,313 | 226,395 |
| 2029-2033 | 862,216 | 268,577 | 1,130,793 |
| 2034-2037 | 719,875 | 65,237 | 785,112 |
| Total | <u>\$ 2,273,681</u> | <u>772,443</u> | <u>3,046,124</u> |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 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 \$1,440,000.

The amount of bonds outstanding at June 30, 2023 is \$12,830,000.

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|----------------------|------------------|-------------------|
| 2024 | \$ 840,000 | 503,476 | 1,343,476 |
| 2025 | 925,000 | 473,638 | 1,398,638 |
| 2026 | 1,010,000 | 439,144 | 1,449,144 |
| 2027 | 1,110,000 | 398,638 | 1,508,638 |
| 2028 | 1,215,000 | 352,138 | 1,567,138 |
| 2029-2033 | 4,910,000 | 1,064,801 | 5,974,801 |
| 2034-2036 | 2,820,000 | 192,064 | 3,012,064 |
| Total | <u>\$ 12,830,000</u> | <u>3,423,899</u> | <u>16,253,899</u> |

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, 2023 is \$9,635,000.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|---------------------|------------------|-------------------|
| 2024 | \$ 535,000 | 336,650 | 871,650 |
| 2025 | 550,000 | 314,950 | 864,950 |
| 2026 | 570,000 | 292,550 | 862,550 |
| 2027 | 595,000 | 269,250 | 864,250 |
| 2028 | 620,000 | 244,950 | 864,950 |
| 2029-2033 | 3,505,000 | 827,025 | 4,332,025 |
| 2034-2037 | 3,260,000 | 205,669 | 3,465,669 |
| Total | <u>\$ 9,635,000</u> | <u>2,491,044</u> | <u>12,126,044</u> |

Compensated Absences

Governmental compensated absences are generally liquidated by the General Fund.

Subscription-based Information Technology Arrangements (SBITAs)

The City has entered into subscription-based information technology (IT) arrangements with various vendors. These arrangements are governed by Governmental Accounting Standards Board Statement No. 96, Subscription-Based IT Arrangements.

As of June 30, 2023, the City has recognized a liability of \$835,764 related to these subscription-based IT arrangements. This liability represents the total estimated cost of the remaining subscription period, as determined by the contract terms and usage data.

The City has also recognized an intangible asset of \$1,217,249, representing the right to use the subscription-based IT arrangements for the remaining subscription period, as determined by the contract terms and usage data.

The annual debt service requirements for the SBITAs outstanding at June 30, 2023 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|-------------------|---------------|----------------|
| 2024 | \$ 399,251 | 17,628 | 416,879 |
| 2025 | 260,334 | 9,302 | 269,636 |
| 2026 | 42,696 | 3,664 | 46,360 |
| 2027 | 43,582 | 2,777 | 46,359 |
| 2028 | 44,954 | 1,872 | 46,826 |
| 2029 | 44,947 | 945 | 45,892 |
| Total | <u>\$ 835,764</u> | <u>36,188</u> | <u>871,952</u> |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities

Changes in long-term liabilities for business-type activities for the year ended June 30, 2023, are as follows:

| | Balance at July 1, 2022 | Additions | Deletions | Balance at June 30, 2023 | Due within One Year |
|----------------------------------|----------------------------|-----------|-----------|-----------------------------|------------------------|
| Business-Type Activities: | | | | | |
| 2014A Revenue Bond | \$ 9,955,000 | - | (630,000) | 9,325,000 | 595,000 |
| Add: Unamortized Bond Premium | 933,405 | - | (74,673) | 858,732 | - |
| Compensated Absences | 224,624 | 225,504 | (232,363) | 217,765 | 171,433 |
| | | | | | |
| Total | \$ 11,113,029 | 225,504 | (937,036) | 10,401,497 | 766,433 |

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 the fiscal year 2022-2023, the net revenues equal 534% of the debt service. Total interest expense for the 2014A bonds was \$425,431 for the year ended June 30, 2023.

Future requirements to amortize outstanding 2014A Revenue Bonds as of June 30, 2023, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|--------------|-----------|------------|
| 2024 | \$ 595,000 | 393,931 | 988,931 |
| 2025 | 625,000 | 364,181 | 989,181 |
| 2026 | 655,000 | 332,931 | 987,931 |
| 2027 | 690,000 | 300,181 | 990,181 |
| 2028 | 725,000 | 265,681 | 990,681 |
| 2029-2033 | 4,155,000 | 797,156 | 4,952,156 |
| 2034-2035 | 1,880,000 | 94,527 | 1,974,527 |
| Total | \$ 9,325,000 | 2,548,588 | 11,873,588 |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences

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

NOTE 6 - CLAIMS AND JUDGMENTS

Self-Insurance

At June 30, 2023, 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.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City's general and auto liability self-insurance retention is \$350,000, and the balance extending to \$25,000,000 is covered by the use of pooling maintained through the California State Association of Counties Excess Insurance Authority (Insurance Authority). The City also purchased commercial insurance for other risks of loss, including pollution, property loss, fidelity, and vehicle physical damage.

The City is a member of the Insurance Authority (Insurance Authority). The Insurance Authority is composed of 283 California public entities, including 55 of 58 California Counties, and is organized under a joint power's agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1979. The Insurance Authority has 55 County Board Members, appointed by the Board of Supervisors of each participating County. Additionally, the Insurance Authority has 10 Public Entity Board Members, including 3 alternates, appointed by the public entity membership. The Board operates through an eleven-member Executive Committee, and a nine-member Finance Committee.

Self-Insurance Programs of the Insurance Authority

The City pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program participant's ultimate liabilities. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 6 - CLAIMS AND JUDGMENTS (CONTINUED)

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 \$79 million. There is a \$10,000 deductible per occurrence.

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 2022-23.

Changes in Claims and Judgments Payable

Changes in claims and judgments payable amounts for the past two 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> |
|--------------------|------------------------------|-------------------------------------------------------------|---------------------------|---------------------------|
| 2021-2022 | \$ 4,794,524 | 641,277 | (605,669) | 4,830,132 |
| 2022-2023 | \$ 4,830,132 | 1,566,504 | (1,470,682) | 4,925,954 |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

a. Plan Description

The City administers a single-employer other post-employment benefit (OPEB) plan that provides eligible retirees and qualified family members with a subsidy towards medical and dental insurance premiums. Benefits vary by hire date, employment status and employment classification. Benefits continue to the surviving spouses.

In 2010, the City established a trust with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for the City's OPEB plan under Section 115 of the Internal Revenue Code. Contributions to the OPEB Trust and earnings on those contributions are irrevocable.

The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. Copies of PARS's annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The City's OPEB Plan does not issue a separate financial report.

Benefits Provided

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.

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least five years of service and are eligible for a CalPERS pension.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Employees Covered

As of measurement date June 30, 2022, the following current and former employees were covered by the benefit terms under the plan:

| | |
|--------------------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 181 |
| Inactive employees or beneficiaries entitled to but not yet receiving benefits | - |
| Active employees | <u>210</u> |
| | <u>391</u> |

Contributions

The benefit provisions and contribution requirements of plan members and the City are established and may be amended through agreements and memorandums of understanding between the City, its employees, and unions representing the City’s employees. Administrative costs of the OPEB plan are financed through investment earnings. 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 the fiscal year ending June 30, 2023, the City contributed \$1,945,706 for current premiums. No contributions were made to the PARS OPEB Trust for the fiscal year ended June 30, 2023. The contributions to the OPEB plan are generally made from the General Fund. The water utility and sewer proprietary funds are responsible for the pay-as-you-go amounts for their respective employees.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the means 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.

b. Total OPEB liability

The City’s total OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown on the next page.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--------------------------------------------------|---------------------------------------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2022 |
| Actuarial Cost Method | Entry age normal, level percentage of payroll |
| Actuarial Assumptions: | |
| Discount Rate | 5.85% |
| Long-Term Expected Rate of Return on Investments | 5.85% |
| Inflation | 2.50% |
| Healthcare Trend Rates | 4.00% |
| Mortality, Retirement, Disability, Termination | 2017 CalPERS Mortality for Safety and Miscellaneous Employees |
| Salary Increases | 2.75% |

The long-term expected rate of return estimates are presented as geometric means developed by the actuary over a 24-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan's target asset allocation for the PARS OPEB Trust as of June 30, 2023, are summarized in the following table:

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|------------------------------------|-------------------------|----------------------|
| All Equities | 60% | 7.5450% |
| Long-Term Corporate Bonds | 5% | 5.0450% |
| Intermediate-Term Government Bonds | 30% | 4.2500% |
| Short-Term Gov't Fixed | 5% | 3.0000% |
| | 100% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that the City would make benefit payments outside of the trust. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB was applied to all periods of the projected benefit payments to determine the total OPEB liability.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

c. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
|------------------------------------------------|---------------------------------|----------------------------------------|-------------------------------|
| Balance at June 30, 2021 (Measurement Date) | <u>\$ 37,004,264</u> | <u>14,276,205</u> | <u>22,728,059</u> |
| Changes in the Year: | | | |
| Service Cost | 781,521 | - | 781,521 |
| Interest on Total OPEB Liability | 2,124,178 | - | 2,124,178 |
| Expected Investment Income | - | 833,476 | (833,476) |
| Administrative Expenses | - | (57,489) | 57,489 |
| Employer Contributions as Benefit Payments | - | 1,804,338 | (1,804,338) |
| Actual Benefit Payments from Employer | (1,804,338) | (1,804,338) | - |
| Expected Minus Actual Benefit Payments | (364,241) | - | (364,241) |
| Investment Gains/Losses | - | (2,676,116) | 2,676,116 |
| Net Changes | <u>737,120</u> | <u>(1,900,129)</u> | <u>2,637,249</u> |
| Balance at June 30, 2022 (Measurement Date) | <u>\$ 37,741,384</u> | <u>12,376,076</u> | <u>25,365,308</u> |

Change of Assumptions

There are no significant changes to the actuarial methods or assumptions for the actuarial valuation.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.85%) or 1-percentage point higher (6.85%) than the current discount rate:

| | <u>1% Decrease 4.85%</u> | <u>Discount Rate 5.85%</u> | <u>1% Increase 6.85%</u> |
|--------------------|------------------------------|--------------------------------|------------------------------|
| Net OPEB Liability | \$ 29,345,296 | 25,365,308 | 21,982,277 |

Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower and 1-percentage point higher than the current medical trend rate:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|--------------------|--------------------|-----------------------------------------------|--------------------|
| Net OPEB Liability | \$ 21,070,092 | 25,365,308 | 30,534,045 |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$415,923. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between Expected and Actual Experiences | \$ 772,001 | (6,413,905) |
| Changes of Assumptions | 4,965,611 | (6,315,318) |
| Differences Between Projected and Actual Earnings on Plan Investments | 1,075,687 | - |
| Contributions Subsequent to the Measurement Date | 1,945,706 | - |
| Total | <u>\$ 8,759,005</u> | <u>(12,729,223)</u> |

The differences between projected and actual earnings on plan investments is amortized over five years, while differences between expected and actual experiences, and changes in assumptions are amortized over 7.1 years.

\$1,945,706 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| Fiscal Year Ending June 30, | Amount |
|--------------------------------|----------------|
| 2024 | \$ (1,712,763) |
| 2025 | (1,700,874) |
| 2026 | (1,753,498) |
| 2027 | 30,522 |
| 2028 | (622,521) |
| Thereafter | (156,790) |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 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.

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 five years of services. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five 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 Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

The Plans' provisions and benefits in effect at June 30, 2023, 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 | 8.0% | 7% | 6.25% |
| Required employer contribution rates: | | | |
| Normal cost rate | 13.020% | 8.630% | 7.470% |
| Payment of unfunded liability | \$ 2,934,272 | \$ 13,898 | \$ 11,122 |

| | 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 | | | |
| | 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 | 25.640% (1) | 20.640% | 12.780% |
| Payment of unfunded liability | \$ 4,569,928 | \$ 21,981 | \$ 8,164 |

(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 | 25.640% | 18.170% | 12.780% |
| Payment of unfunded liability | \$ 4,569,928 | \$ 5,638 | \$ 7,532 |

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

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Contributions

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

Actuarial Assumptions

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability determined in the June 30, 2021, actuarial accounting valuation.

The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous | Safety |
|----------------------------------|------------------------------------|------------------------------------|
| Valuation Date | June 30, 2021 | June 30, 2021 |
| Measurement Date | June 30, 2022 | June 30, 2022 |
| Actuarial Cost Method | Entry Age Actuarial Cost Method | Entry Age Actuarial Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 6.90% | 6.90% |
| Inflation | 2.30% | 2.30% |
| 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 probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Preretirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

(3) - The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Change of Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

| Asset Class ^(a) | Assumed Asset Allocation | Real Return ^{(a),(b)} |
|----------------------------------|--------------------------|--------------------------------|
| Global Equity - Cap-weighted | 30.00% | 4.54% |
| Global Equity - Non-Cap-weighted | 12.00% | 3.84% |
| Private equity | 13.00% | 7.28% |
| Treasury | 5.00% | 0.27% |
| Mortgage-backed Securities | 5.00% | 0.50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | -5.00% | -0.59% |

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Pension Plans Fiduciary Net Position

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

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

The payments for the defined benefit pension plans are generally paid by the General Fund, Water Utility proprietary fund, and Sewer proprietary fund.

As of June 30, 2023, 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 | \$ 36,172,503 |
| Safety | 62,247,686 |
| | <u>\$ 98,420,189</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, 2022, 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, 2021, 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.

The City’s proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2021 and 2022 was as follows:

| | Miscellaneous | Safety |
|------------------------------|------------------|-----------------|
| Proportion - June 30, 2021 | 1.19355% | 0.78918% |
| Proportion - June 30, 2022 | 0.77304% | 0.90587% |
| Change - Increase (Decrease) | <u>-0.42051%</u> | <u>0.11669%</u> |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (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:

| | Miscellaneous | | Safety |
|-----------------------|---------------|----|------------|
| 1% Decrease | 5.90% | | 5.90% |
| Net Pension Liability | \$ 52,806,014 | \$ | 95,765,068 |
| Current Discount Rate | 6.90% | | 6.90% |
| Net Pension Liability | \$ 36,172,503 | \$ | 62,247,686 |
| 1% Increase | 7.90% | | 7.90% |
| Net Pension Liability | \$ 22,487,250 | \$ | 34,854,799 |

For the year ended June 30, 2023, the City recognized pension income of \$4,260,325 for the miscellaneous plan and pension expense of \$7,621,669 for the safety plan. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Miscellaneous | |
|------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of Assumptions | \$ 3,706,629 | - |
| Differences between Expected and Actual Experience | 726,415 | (486,521) |
| Differences between Projected and Actual Investment Earnings | 6,625,842 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | 1,488,824 | (396,527) |
| Change in Employer's Proportion | 96,504 | (6,010,562) |
| Pension Contributions Made Subsequent to Measurement Date | 6,657,578 | - |
| Total | <u>\$ 19,301,792</u> | <u>(6,893,610)</u> |

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

| | Safety | |
|------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of Assumptions | \$ 6,276,451 | - |
| Differences between Expected and Actual Experience | 2,576,206 | (675,961) |
| Differences between Projected and Actual Investment Earnings | 9,829,780 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | (5,952,260) |
| Change in Employer's Proportion | 6,039,643 | (438,152) |
| Pension Contributions Made Subsequent to Measurement Date | 7,094,740 | - |
| Total | <u>\$ 31,816,820</u> | <u>(7,066,373)</u> |

\$6,657,578 and \$7,094,740 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 fiscal year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ending June 30, | Miscellaneous | Safety | Total |
|--------------------------------|---------------|-----------|------------|
| 2024 | \$ 793,583 | 4,541,706 | 5,335,289 |
| 2025 | 618,222 | 4,519,926 | 5,138,148 |
| 2026 | 286,207 | 2,597,783 | 2,883,990 |
| 2027 | 4,052,592 | 5,996,292 | 10,048,884 |
| 2028 | - | - | - |
| Thereafter | - | - | - |

NOTE 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, 2023, the City's payroll covered by the plan was \$740,447 and the City made employer contributions of \$1,225 (3.75% of current covered payroll for employees hired before August 29, 2014).

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 10 - LOANS RECEIVABLE

The City has outstanding rehabilitation and first-time home buyer loans receivable totaling \$863,263 from qualified applicants. Loans receivable of \$12,045,448 is recorded in the Housing Authority Fund; \$177,307 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$14,348 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules.

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 amount outstanding at June 30, 2023 is \$3,173,840.

On January 22, 2019, the Fountain Valley Housing Authority approved a loan agreement with The Related Companies of California LLC ("Developer") to assist with the development of a new 50-unit multifamily affordable housing project intended for tenancy by qualified extremely low, very low and low-income persons and families.

Under the loan agreement, the Housing Authority will advance and loan Developer up to \$6,443,882 for the sole purposes of acquisition of the property and termination of the billboard lease of the proposed project. The loan will be funded from the Housing Authority Special Revenue Fund utilizing low and moderate housing asset funds of the former Fountain Valley Agency for Community Development. The outstanding principal balance of the loan shall bear simple interest at the rate of zero percent (0%) per annum. The loan will have a 60-year term to be repaid from residual receipts from operation of the proposed project. The amount outstanding at June 30, 2023 is \$8,200,000.

NOTE 11 - LEASE RECEIVABLE

On July 18, 2002, the City entered into a lease with Mike Thompson's Recreational Vehicle for the use of approximately 8.25 acres of City owned property. The lease was subsequently amended to include six 5-year extensions through June 2042. Annual payments of \$424,900 are fixed for the first twelve years and then escalate by the lesser of 7.5% or CPI each 5 years. As of June 30, 2023, the lease receivable is \$6,588,272, calculated at an estimated interest rate of 3%. At June 30, 2023, deferred inflow of resources related to the lease was \$6,376,863. The City recognized \$334,792 of lease revenue and \$201,298 of interest revenue during the fiscal year.

On August 18, 2009 and December 15, 2009, the City entered into a lease with Mobilitie for cell sites on two city properties, Well No. 7 and Harper Park, respectively. The lease includes five extension options, each option for a 30-year period. Payments of \$2,000 and 2,500 per year for year one, increasing by 3.5% thereafter. As of June 30, 2023, the lease receivable is \$635,513 and \$802,038, calculated at an estimated interest rate of 3%. At June 30, 2023, deferred inflow of resources related to the lease was \$597,084 and \$753,515. The City recognized \$37,016 and \$45,791 of lease revenue and \$19,361 and \$24,421 of interest revenue during the fiscal year.

On February 6, 1996, the City entered into a lease with City of Newport Beach for the use of a parcel of land. The lease includes three extension options, each option for a 25-year period. Payments of \$25,000 per year paid annually for years 1-25. As of June 30, 2023, the lease receivable is \$411,090, calculated at an estimated interest rate of 3%. At June 30, 2023, deferred inflow of resources related to the lease was \$411,930. The City recognized \$18,229 of lease revenue and \$12,702 of interest revenue during the fiscal year.

CITY OF FOUNTAIN VALLEY
Notes to Basic Financial Statements
June 30, 2023

NOTE 12 - TAX ABATEMENT

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.

CITY OF FOUNTAIN VALLEY
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOUNTAIN VALLEY

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

| | Miscellaneous Plan | | | | |
|----------------------------------------------------------------------------------------------------------------|---------------------------|---------------|---------------|---------------|---------------|
| Fiscal year ended | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 |
| Measurement period | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Plan's proportion of the net pension liability | 0.77304% | 1.19355% | 0.80281% | 0.84022% | 0.74471% |
| Plan's proportionate share of the net pension liability | \$ 36,172,503 | \$ 22,663,092 | 33,863,123 | 31,665,411 | 29,356,769 |
| Plan's covered payroll | \$ 9,687,647 | \$ 9,141,003 | 9,466,034 | 8,846,622 | 8,117,618 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 373.39% | 247.93% | 357.73% | 357.94% | 361.64% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 80.67% | 80.67% | 70.17% | 71.08% | 72.18% |
| Plan's proportionate share of aggregate employer contributions | \$ 9,687,647 | \$ 6,657,578 | 3,172,753 | 2,888,943 | 2,482,065 |

Notes to Schedule:

Benefit changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2019 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Fiscal year June 30, 2016:

GASB 68, 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.

Fiscal year June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year June 30, 2019:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Fiscal year June 30, 2020, June 30, 2021, and June 30, 2022:

No changes to assumptions

Fiscal year June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

CITY OF FOUNTAIN VALLEY

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

| | Miscellaneous Plan | | | |
|----------------------------------------------------------------------------------------------------------------|---------------------------|---------------|---------------|---------------|
| Fiscal year ended | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Measurement period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.75405% | 0.76029% | 1.00465% | 0.88131% |
| Plan's proportionate share of the net pension liability | 29,725,101 | 26,411,625 | 27,562,365 | 21,781,373 |
| Plan's covered payroll | 8,613,145 | 8,337,303 | 7,985,207 | 7,904,107 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 345.11% | 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 | 71.55% | 72.57% | 78.40% | 76.48% |
| Plan's proportionate share of aggregate employer contributions | 2,828,483 | 2,602,305 | 2,279,664 | 1,915,598 |

Notes to Schedule:

Benefit changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2019 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Fiscal year June 30, 2016:

GASB 68, 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.

Fiscal year June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year June 30, 2019:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Fiscal year June 30, 2020, June 30, 2021, and June 30, 2022:

No changes to assumptions

Fiscal year June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

CITY OF FOUNTAIN VALLEY

Schedule of Contributions

Last Ten Fiscal Years*

| Fiscal year ended | Miscellaneous Plan | | | | |
|-----------------------------------------------------------------------|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
| Contractually required contribution (actuarially determined) | \$ 3,657,578 | 3,493,212 | 3,172,753 | 2,888,943 | 2,482,065 |
| Contributions in relation to the actuarially determined contributions | <u>(6,657,578)</u> | <u>(6,493,212)</u> | <u>(3,172,753)</u> | <u>(2,888,943)</u> | <u>(2,482,065)</u> |
| Contribution deficiency (excess) | <u>\$ (3,000,000)</u> | <u>(3,000,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | \$ 10,504,602 | 9,687,647 | 9,141,003 | 9,466,034 | 8,846,622 |
| Contributions as a percentage of covered payroll | 63.38% | 67.03% | 34.71% | 30.52% | 28.06% |

Notes to Schedule:

| | | | | | |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|----------------|---------------|---------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | June 30, 2020 |
| Agent employers | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Asset valuation method | Fair Value |
| Inflation | 2.50% |
| Salary increases | Depending on age, service, and type of employment |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | 50 for all plans with the exception of 52 for Miscellaneous PEPRAs 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 nine years are shown.

(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 Contributions

Last Ten Fiscal Years*

| Fiscal year ended | Miscellaneous Plan | | | |
|--------------------------------------------------------------------------|---------------------------|--------------------|------------------------------|--------------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 ⁽¹⁾ | June 30, 2015 |
| Contractually required contribution (actuarially determined) | 2,086,374 | 1,935,810 | 2,350,238 | 1,605,582 |
| Contributions in relation to the actuarially determined contributions | <u>(2,086,374)</u> | <u>(1,935,810)</u> | <u>(8,436,539)</u> | <u>(1,605,582)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>(6,086,301)</u> | <u>-</u> |
| Covered payroll | 8,117,618 | 8,613,145 | 8,337,303 | 7,985,207 |
| Contributions as a percentage of covered payroll | 25.70% | 22.48% | 101.19% | 20.11% |

Notes to Schedule:

| | | | | |
|----------------|---------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2015 | June 30, 2014 | June 30, 2013 | June 30, 2012 |
|----------------|---------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | June 30, 2020 |
| Agent employers | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Asset valuation method | Fair Value |
| Inflation | 2.50% |
| Salary increases | Depending on age, service, and type of employment |
| Investment rate of return | 7.00%, 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 nine years are shown.

(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 Plan | | | | |
|----------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 |
| Measurement period | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
| Plan's proportion of the net pension liability | 0.90587% | 0.78918% | 0.81705% | 0.85261% | 0.86844% |
| Plan's proportionate share of the net pension liability | \$ 62,247,686 | 27,696,088 | 54,435,083 | 53,224,533 | 50,956,240 |
| Plan's covered payroll | \$ 11,123,636 | 11,920,540 | 12,089,065 | 11,659,261 | 10,615,883 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 559.60% | 232.34% | 450.28% | 456.50% | 480.00% |
| Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability | 87.82% | 87.82% | 74.97% | 74.43% | 74.40% |
| Plan's proportionate share of aggregate employer contributions | \$ 7,094,740 | 6,497,942 | 7,861,650 | 5,503,036 | 4,870,231 |

Notes to Schedule:

Benefit changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2019 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Fiscal year June 30, 2016:

GASB 68, 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.

Fiscal year June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year June 30, 2019:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Fiscal year June 30, 2020, June 30, 2021, and June 30, 2022:

No changes to assumptions

Fiscal year June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

CITY OF FOUNTAIN VALLEY

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years*

| | Safety Plan | | | |
|----------------------------------------------------------------------------------------------------------------|--------------------|---------------|---------------|---------------|
| Fiscal year ended | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| Measurement period | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| Plan's proportion of the net pension liability | 0.87905% | 0.89557% | 1.11371% | 1.07112% |
| Plan's proportionate share of the net pension liability | 52,524,831 | 46,383,732 | 45,889,913 | 40,177,430 |
| Plan's covered payroll | 11,128,552 | 10,947,647 | 10,362,480 | 9,883,584 |
| Plan's proportionate share of the net pension liability as percentage of covered payroll | 471.98% | 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 | 72.68% | 73.89% | 78.40% | 76.12% |
| Plan's proportionate share of aggregate employer contributions | 4,823,404 | 4,535,038 | 4,005,245 | 3,624,917 |

Notes to Schedule:

Benefit changes:

There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. Additionally, the figures above do not include any liability impact that may have resulted from Golden Handshakes that occurred after the June 30, 2020 valuation date, unless the liability impact is deemed to be material to the Public Agency Pool.

Changes in Assumptions:

Fiscal year June 30, 2016:

GASB 68, 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.

Fiscal year June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year June 30, 2019:

Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Fiscal year June 30, 2020, June 30, 2021, and June 30, 2022:

No changes to assumptions

Fiscal year June 30, 2023:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

CITY OF FOUNTAIN VALLEY

Schedule of Contributions

Last Ten Fiscal Years*

Safety Plan

| Fiscal year ended | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-----------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution (actuarially determined) | \$ 7,094,740 | 6,497,942 | 7,861,650 | 5,503,036 | 4,870,231 |
| Contributions in relation to the actuarially determined contributions | <u>(7,094,740)</u> | <u>(6,497,942)</u> | <u>(7,861,650)</u> | <u>(5,503,036)</u> | <u>(4,870,231)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered payroll | \$ 11,266,173 | 11,123,636 | 11,920,540 | 12,089,065 | 11,659,261 |
| Contributions as a percentage of covered payroll | 62.97% | 58.42% | 65.95% | 45.52% | 41.77% |

Notes to Schedule:

| | | | | | |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 |
|----------------|---------------|---------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | June 30, 2020 |
| Agent employers | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Asset valuation method | Fair value |
| Inflation | 2.500% |
| Salary increases | Depending on age, service, and type of employment |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | 50 for all plans with the exception of 52 for Miscellaneous PEPRAs 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 eight years are shown.

(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 Contributions

Last Ten Fiscal Years*

| Fiscal year ended | Safety Plan | | | |
|-----------------------------------------------------------------------|--------------------|--------------------|------------------------------|--------------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2016 ⁽¹⁾ | June 30, 2015 |
| Contractually required contribution (actuarially determined) | 4,097,350 | 3,781,998 | 4,097,511 | 3,339,873 |
| Contributions in relation to the actuarially determined contributions | <u>(4,097,350)</u> | <u>(3,781,998)</u> | <u>(13,823,511)</u> | <u>(3,339,873)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>(9,726,000)</u> | <u>-</u> |
| Covered payroll | 10,615,883 | 11,128,552 | 10,947,647 | 10,362,480 |
| Contributions as a percentage of covered payroll | 38.60% | 33.98% | 126.27% | 32.23% |

Notes to Schedule:

| | | | | |
|----------------|---------------|---------------|---------------|---------------|
| Valuation Date | June 30, 2015 | June 30, 2014 | June 30, 2013 | June 30, 2012 |
|----------------|---------------|---------------|---------------|---------------|

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | June 30, 2020 |
| Agent employers | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Asset valuation method | Fair value |
| Inflation | 2.500% |
| Salary increases | Depending on age, service, and type of employment |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Retirement age | 50 for all plans with the exception of 52 for Miscellaneous PEPPRA 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 nine years are shown.

(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 Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

| Fiscal year end | <u>6/30/2023</u> | <u>6/30/2022</u> | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|------------------------------------------------------------------------------|----------------------|--------------------|-------------------|-------------------|---------------------|-------------------|
| Measurement date | <u>6/30/2022</u> | <u>6/30/2021</u> | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> | <u>6/30/2017</u> |
| Total OPEB Liability: | | | | | | |
| Service cost | \$ 781,521 | 918,710 | 894,122 | 110,595 | 853,490 | 783,000 |
| Interest on total OPEB liability | 2,124,178 | 2,608,735 | 2,554,439 | 2,042,543 | 2,792,205 | 2,737,000 |
| Benefit payments, including refunds and the implied subsidy benefit payments | (1,804,338) | (2,692,398) | (2,620,294) | (1,647,702) | (2,256,000) | (2,209,000) |
| Expected minus actual benefit payments | (364,241) | 96,952 | 74,233 | - | - | - |
| Actuarial - Experience Gains (Losses) | - | (8,423,561) | - | (226,446) | 1,808,185 | - |
| Actuarial - Changes in Assumptions | - | 891,311 | - | 8,170,158 | (16,183,013) | - |
| Net Change in Total OPEB Liability | <u>737,120</u> | <u>(6,600,251)</u> | <u>902,500</u> | <u>8,449,148</u> | <u>(12,985,133)</u> | <u>1,311,000</u> |
| Total OPEB Liability - Beginning of Year | <u>37,004,264</u> | <u>43,604,515</u> | <u>42,702,015</u> | <u>34,252,867</u> | <u>47,238,000</u> | <u>45,927,000</u> |
| Total OPEB Liability - End of Year (a) | <u>37,741,384</u> | <u>37,004,264</u> | <u>43,604,515</u> | <u>42,702,015</u> | <u>34,252,867</u> | <u>47,238,000</u> |
| Plan Fiduciary Net Position: | | | | | | |
| Contributions - employer | - | 2,692,398 | 2,620,294 | 1,647,702 | 3,956,000 | 2,209,000 |
| Net investment income | 833,476 | 711,322 | (263,144) | 59,466 | 555,665 | 807,000 |
| Administrative expenses | (57,487) | (54,189) | (50,751) | (43,248) | (45,829) | (20,000) |
| Employer contributions as benefit payments | 1,804,338 | - | - | - | - | - |
| Benefit payments, including refunds and the implied subsidy benefit payments | (1,804,338) | (2,692,398) | (2,620,294) | (1,647,702) | (2,256,000) | (2,209,000) |
| Actuarial - Investment Gains (Losses) | (2,676,116) | 1,930,956 | 688,572 | 648,267 | 5,118 | - |
| Net Change in Plan Fiduciary Net Position | <u>(1,900,127)</u> | <u>2,588,089</u> | <u>374,677</u> | <u>664,485</u> | <u>2,214,954</u> | <u>787,000</u> |
| Plan Fiduciary Net Position - Beginning of Year | <u>14,276,205</u> | <u>11,688,116</u> | <u>11,313,439</u> | <u>10,648,954</u> | <u>8,434,000</u> | <u>7,647,000</u> |
| Plan Fiduciary Net Position - End of Year (b) | <u>12,376,078</u> | <u>14,276,205</u> | <u>11,688,116</u> | <u>11,313,439</u> | <u>10,648,954</u> | <u>8,434,000</u> |
| Net OPEB Liability - Ending (a)-(b) | <u>\$ 25,365,306</u> | <u>22,728,059</u> | <u>31,916,399</u> | <u>31,388,576</u> | <u>23,603,913</u> | <u>38,804,000</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.79% | 38.58% | 26.80% | 26.49% | 31.09% | 17.85% |
| Covered - employee payroll ⁽¹⁾ | \$ 21,770,775 | 20,811,283 | 21,061,543 | 21,555,000 | 18,734,000 | 19,742,000 |
| Net OPEB liability as percentage of covered - employee payroll | 116.51% | 109.21% | 151.54% | 145.62% | 126.00% | 174.15% |

Notes to Schedule:

Changes in Assumptions:

Year ended June 30, 2020

The studies that served as the basis for Mortality rates changed from the 2014 CalPERS Mortality Study in the prior year, to the 2017 CalPERS Mortality Study in the current year.

The studies that served as the basis for the Retirement rates changed from the 2009 CalPERS Retirement and Turnover Tables in the prior year, to the 2017 CalPERS Retirement and Turnover Tables in the current year.

(1) - OPEB Benefits are not based on a measurement of employee payroll

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

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------|-------------------------|---------------------|-------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 58,179,080 | 60,294,080 | 61,889,534 | 1,595,454 |
| Licenses and permits | 1,814,000 | 1,994,000 | 2,331,633 | 337,633 |
| Fines and penalties | 569,500 | 569,500 | 503,600 | (65,900) |
| Investment income (loss) | 1,075,778 | 1,310,778 | 1,648,969 | 338,191 |
| Rental income | 1,128,036 | 1,201,600 | 1,150,302 | (51,298) |
| Intergovernmental | 1,388,870 | 1,385,349 | 1,246,519 | (138,830) |
| Charges of services | 6,595,029 | 7,054,529 | 5,127,786 | (1,926,743) |
| Miscellaneous | 2,437,097 | 2,552,097 | 1,235,361 | (1,316,736) |
| TOTAL REVENUES | 73,187,390 | 76,361,933 | 75,133,704 | (1,228,229) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 6,109,501 | 6,162,828 | 4,863,471 | 1,299,357 |
| Public safety | 42,695,001 | 48,134,669 | 41,977,975 | 6,156,694 |
| Transportation | 7,744,402 | 7,818,479 | 6,821,591 | 996,888 |
| Community development | 5,262,486 | 6,163,443 | 4,782,328 | 1,381,115 |
| Community services | 3,646,275 | 3,926,041 | 3,569,971 | 356,070 |
| Capital outlay | 6,156,873 | 25,266,618 | 11,906,940 | 13,359,678 |
| Debt service: | | | | |
| Principal | 1,165,000 | 1,547,450 | 1,146,484 | 400,966 |
| Interest | - | 4,000 | 3,445 | 555 |
| TOTAL EXPENDITURES | 72,779,538 | 99,023,528 | 75,072,205 | 23,951,323 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 407,852 | (22,661,595) | 61,499 | 22,723,094 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 11,994,562 | 12,094,562 | 3,359,083 | (8,735,479) |
| Transfers out | (12,601,997) | (12,601,997) | (1,947,498) | 10,654,499 |
| Issuance of IT subscriptions | - | - | 405,381 | 405,381 |
| TOTAL OTHER FINANCING SOURCES (USES) | (607,435) | (507,435) | 1,816,966 | 2,324,401 |
| NET CHANGE IN FUND BALANCE | (199,583) | (23,169,030) | 1,878,465 | 25,047,495 |
| FUND BALANCE - BEGINNING OF YEAR | 86,784,115 | 86,784,115 | 86,784,115 | - |
| FUND BALANCE - END OF YEAR | \$ 86,584,532 | 63,615,085 | 88,662,580 | 25,047,495 |

See accompanying notes to the required supplementary information.

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Housing Authority Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income (loss) | \$ 216,500 | 216,500 | 270,729 | 54,229 |
| TOTAL REVENUES | 216,500 | 216,500 | 270,729 | 54,229 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 409,110 | 1,349,110 | 1,102,828 | 246,282 |
| Capital outlay | - | - | - | - |
| TOTAL EXPENDITURES | 409,110 | 1,349,110 | 1,102,828 | 246,282 |
| NET CHANGE IN FUND BALANCE | (192,610) | (1,132,610) | (832,099) | 300,511 |
| FUND BALANCE - BEGINNING OF YEAR | 18,763,484 | 18,763,484 | 18,763,484 | - |
| FUND BALANCE - END OF YEAR | \$ 18,570,874 | 17,630,874 | 17,931,385 | 300,511 |

See accompanying notes to the required supplementary information.

CITY OF FOUNTAIN VALLEY
Notes to Required Supplementary Information
June 30, 2023

NOTE 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.

NOTE 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 Required Supplementary Information
June 30, 2023

NOTE 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:

| Condition | PCI Range | MPAH | Locals | Total Mi. | % of Network |
|-----------|-----------|------|--------|-----------|--------------|
| Very Good | (86-100) | 28.0 | 57.7 | 85.8 | 52.3% |
| Good | (75-85) | 15.2 | 41.9 | 57.1 | 34.8% |
| Fair | (60-74) | 9.0 | 9.4 | 18.5 | 11.3% |
| Poor | (41-59) | 1.9 | 0.7 | 2.7 | 1.6% |
| Very Poor | (0-40) | 0.0 | 0.1 | 0.1 | 0% |
| Totals | | 54.1 | 109.8 | 164.2 | 100% |

The overall condition of the City’s pavement network based on the most recent complete assessment performed in fiscal year 2023 was “Very Good” with a weighted average PCI of 85.7 based on the surface area of each segment. The City’s four assessments performed previously in fiscal years 2020, 2018, 2016, and 2014 were “Very Good” to “Good” with a weighted average Overall Condition Index (OCI) of 86.4, 86.1, 85.1, and 81.4, respectively.

CITY OF FOUNTAIN VALLEY
Notes to Required Supplementary Information
June 30, 2023

NOTE 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

| | Fiscal Year | | | | | |
|--------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
| | 2022-2023 | 2021-2022 | 2020-2021 | 2019-2020 | 2018-2019 | 2017-2018 |
| Sidewalks, Curbs and | | | | | | |
| Budgeted | - | 575,000 | 575,000 | 296,000 | - | 296,000 |
| Actual | - | 348,134 | 152,184 | 9,310 | 12,540 | - |
| Roadway Classification: | | | | | | |
| Arterial and Collectors: | | | | | | |
| Budgeted | 2,377,015 | 1,920,000 | 1,819,743 | 3,800,494 | 3,259,479 | 1,426,127 |
| Actual | 2,087,181 | 1,353,847 | 1,267,756 | 2,106,312 | 1,287,645 | 43,755 |
| Residential Roadway: | | | | | | |
| Budgeted | 3,050,000 | 2,000,000 | 2,921,000 | 2,300,000 | 1,800,000 | 1,800,000 |
| Actual | 2,864,058 | 1,798,038 | 2,615,071 | 2,287,898 | 1,485,305 | 1,535,470 |

**CITY OF FOUNTAIN VALLEY
SUPPLEMENTARY SCHEDULES**

CITY OF FOUNTAIN VALLEY

Other Governmental Funds

June 30, 2023

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. This fund includes the opioid settlement allocation from the State of California (Abatement Funds) and related opioid remediation activities.

Road Maintenance and Rehabilitation Program SB 1 - This fund is used to account for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

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.

CITY OF FOUNTAIN VALLEY

**Other Governmental Funds
(Continued)**

June 30, 2023

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.

CITY OF FOUNTAIN VALLEY

**Combining Balance Sheet
Other Governmental Funds**

June 30, 2023

| Special Revenue Funds | | | | | |
|------------------------------------------------|--------------------------------|-----------------------------------------------------|--------------------|--------------------------------------------|--------------------------------|
| | Criminal Activities | Road Maint and Rehab Program SB1 | Gas Tax | Abandoned Vehicle Abatement | Traffic Improvement |
| ASSETS | | | | | |
| Cash and investments | \$ 932,092 | 17,284 | 757,500 | 5,310 | 2,144,391 |
| Restricted cash and investments | - | - | - | - | - |
| Receivables: | | | | | |
| Accounts | 6,017 | 223,559 | 264,640 | - | - |
| Loans | - | - | - | - | - |
| TOTAL ASSETS | \$ 938,109 | 240,843 | 1,022,140 | 5,310 | 2,144,391 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 54,770 | - | 5,455 | - | 1,402,425 |
| Deposits payable | - | - | 226,575 | - | 263,795 |
| Unearned revenue | 37,031 | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| TOTAL LIABILITIES | 91,801 | - | 232,030 | - | 1,666,220 |
| FUND BALANCES: | | | | | |
| Restricted for: | | | | | |
| Public safety | 846,308 | - | - | - | - |
| Transportation | - | 240,843 | 790,110 | 5,310 | 478,171 |
| Housing | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned: | | | | | |
| Capital projects | - | - | - | - | - |
| TOTAL FUND BALANCES | 846,308 | 240,843 | 790,110 | 5,310 | 478,171 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 938,109 | 240,843 | 1,022,140 | 5,310 | 2,144,391 |

| Special Revenue Funds (Continued) | | | | Debt Service Fund | Capital Projects Funds | |
|------------------------------------------|-------------------|-------------------|------------------------------------------|---------------------------------------------------|-------------------------------|------------------|
| Pollution Reduction | HOME Grant | Measure M2 | Community Development Block Grant | Fountain Valley Public Financing Authority | Drainage | Total |
| 500,145 | 324,008 | 2,665,843 | - | - | 87,192 | 7,433,765 |
| - | - | - | - | 2 | - | 2 |
| - | - | 291,206 | 37,933 | - | - | 823,355 |
| - | 14,348 | - | 177,307 | - | - | 191,655 |
| <u>500,145</u> | <u>338,356</u> | <u>2,957,049</u> | <u>215,240</u> | <u>2</u> | <u>87,192</u> | <u>8,448,777</u> |
| - | - | - | 23,469 | - | 31,621 | 1,517,740 |
| - | - | - | - | - | - | 490,370 |
| - | - | - | - | - | - | 37,031 |
| - | - | - | 14,465 | - | - | 14,465 |
| - | - | - | 37,934 | - | 31,621 | 2,059,606 |
| 500,145 | - | - | - | - | - | 1,346,453 |
| - | - | 2,957,049 | - | - | - | 4,471,483 |
| - | 338,356 | - | - | - | - | 338,356 |
| - | - | - | 177,306 | - | - | 177,306 |
| - | - | - | - | 2 | - | 2 |
| - | - | - | - | - | 55,571 | 55,571 |
| <u>500,145</u> | <u>338,356</u> | <u>2,957,049</u> | <u>177,306</u> | <u>2</u> | <u>55,571</u> | <u>6,389,171</u> |
| <u>500,145</u> | <u>338,356</u> | <u>2,957,049</u> | <u>215,240</u> | <u>2</u> | <u>87,192</u> | <u>8,448,777</u> |

CITY OF FOUNTAIN VALLEY

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds**

Year ended June 30, 2023

| | Special Revenue Funds | | | | |
|---------------------------------------------------------|--------------------------------|-----------------------------------------------------|--------------------|--------------------------------------------|--------------------------------|
| | Criminal Activities | Road Maint and Rehab Program SB1 | Gas Tax | Abandoned Vehicle Abatement | Traffic Improvement |
| REVENUES: | | | | | |
| Investment income | \$ 10,718 | 11,521 | 9,279 | 84 | 14,404 |
| Intergovernmental | 323,141 | 1,275,803 | 1,456,010 | - | 1,535,595 |
| Charges for services | - | - | - | - | 43,532 |
| TOTAL REVENUES | 333,859 | 1,287,324 | 1,465,289 | 84 | 1,593,531 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Public safety | 214,945 | - | - | - | - |
| Transportation | - | - | 2,916,896 | - | 4,909,554 |
| Community development | - | - | - | - | - |
| Community services | - | - | - | 590 | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| TOTAL EXPENDITURES | 214,945 | - | 2,916,896 | 590 | 4,909,554 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 118,914 | 1,287,324 | (1,451,607) | (506) | (3,316,023) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | 1,373,261 | - | 2,519,452 |
| Transfers out | - | (1,260,842) | (453,507) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (1,260,842) | 919,754 | - | 2,519,452 |
| NET CHANGE IN FUND BALANCES | 118,914 | 26,482 | (531,853) | (506) | (796,571) |
| FUND BALANCES - BEGINNING OF YEAR | 727,394 | 214,361 | 1,321,963 | 5,816 | 1,274,742 |
| FUND BALANCES - END OF YEAR | \$ 846,308 | 240,843 | 790,110 | 5,310 | 478,171 |

| Special Revenue Funds (Continued) | | | | Debt Service Fund | Capital Projects Funds | |
|------------------------------------------|-------------------|--------------------|------------------------------------------|---------------------------------------------------|-------------------------------|--------------------|
| Pollution Reduction | HOME Grant | Measure M2 | Community Development Block Grant | Fountain Valley Public Financing Authority | Drainage | Total |
| 8,033 | 4,900 | 56,478 | 4,938 | 3 | - | 120,358 |
| 55,802 | - | 1,601,182 | 454,209 | - | - | 6,701,742 |
| - | - | - | - | - | - | 43,532 |
| <u>63,835</u> | <u>4,900</u> | <u>1,657,660</u> | <u>459,147</u> | <u>3</u> | <u>-</u> | <u>6,865,632</u> |
| 1,173 | - | - | - | - | - | 216,118 |
| - | - | - | - | - | - | 7,826,450 |
| - | - | - | 434,392 | - | - | 434,392 |
| - | - | - | - | - | - | 590 |
| - | - | - | - | - | 160,439 | 160,439 |
| - | - | - | - | 635,193 | - | 635,193 |
| - | - | - | - | 462,635 | - | 462,635 |
| <u>1,173</u> | <u>-</u> | <u>-</u> | <u>434,392</u> | <u>1,097,828</u> | <u>160,439</u> | <u>9,735,817</u> |
| <u>62,662</u> | <u>4,900</u> | <u>1,657,660</u> | <u>24,755</u> | <u>(1,097,825)</u> | <u>(160,439)</u> | <u>(2,870,185)</u> |
| - | - | - | - | 1,097,824 | 155,056 | 5,145,593 |
| <u>(139,199)</u> | <u>-</u> | <u>(1,816,584)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,670,132)</u> |
| <u>(139,199)</u> | <u>-</u> | <u>(1,816,584)</u> | <u>-</u> | <u>1,097,824</u> | <u>155,056</u> | <u>1,475,461</u> |
| (76,537) | 4,900 | (158,924) | 24,755 | (1) | (5,383) | (1,394,724) |
| <u>576,682</u> | <u>333,456</u> | <u>3,115,973</u> | <u>152,551</u> | <u>3</u> | <u>60,954</u> | <u>7,783,895</u> |
| <u>500,145</u> | <u>338,356</u> | <u>2,957,049</u> | <u>177,306</u> | <u>2</u> | <u>55,571</u> | <u>6,389,171</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Criminal Activities Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------|-------------------------|----------------|----------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 5,100 | 5,100 | 10,718 | 5,618 |
| Intergovernmental | 150,000 | 220,000 | 323,141 | 103,141 |
| Miscellaneous | 5,000 | 5,000 | - | (5,000) |
| TOTAL REVENUES | <u>160,100</u> | <u>230,100</u> | <u>333,859</u> | <u>103,759</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | <u>137,375</u> | <u>317,739</u> | <u>214,945</u> | <u>102,794</u> |
| TOTAL EXPENDITURES | <u>137,375</u> | <u>317,739</u> | <u>214,945</u> | <u>102,794</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 22,725 | (87,639) | 118,914 | 206,553 |
| FUND BALANCE - BEGINNING OF YEAR | <u>727,394</u> | <u>727,394</u> | <u>727,394</u> | - |
| FUND BALANCE - END OF YEAR | <u>\$ 750,119</u> | <u>639,755</u> | <u>846,308</u> | <u>206,553</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Road Maintenance and Rehabilitation Program (SB1) Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------|-------------------------|--------------------|--------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 1,000 | 1,000 | 11,521 | 10,521 |
| Intergovernmental | 1,260,841 | 1,260,841 | 1,275,803 | 14,962 |
| TOTAL REVENUES | <u>1,261,841</u> | <u>1,261,841</u> | <u>1,287,324</u> | <u>25,483</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | <u>(1,260,842)</u> | <u>(1,260,842)</u> | <u>(1,260,842)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(1,260,842)</u> | <u>(1,260,842)</u> | <u>(1,260,842)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 999 | 999 | 26,482 | 25,483 |
| FUND BALANCE - BEGINNING OF YEAR | <u>214,361</u> | <u>214,361</u> | <u>214,361</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 215,360</u> | <u>215,360</u> | <u>240,843</u> | <u>25,483</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Gas Tax Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------|-------------------------|--------------------|--------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 15,000 | 15,000 | 9,279 | (5,721) |
| Intergovernmental | 1,617,243 | 1,617,243 | 1,456,010 | (161,233) |
| TOTAL REVENUES | 1,632,243 | 1,632,243 | 1,465,289 | (166,954) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Transportation | 56,000 | 3,011,000 | 2,916,896 | 94,104 |
| TOTAL EXPENDITURES | 56,000 | 3,011,000 | 2,916,896 | 94,104 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,576,243 | (1,378,757) | (1,451,607) | (72,850) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,373,261 | 1,373,261 | 1,373,261 | - |
| Transfers out | (495,043) | (495,043) | (453,507) | 41,536 |
| TOTAL OTHER FINANCING SOURCES (USES) | 878,218 | 878,218 | 919,754 | 41,536 |
| NET CHANGE IN FUND BALANCE | 2,454,461 | (500,539) | (531,853) | (31,314) |
| FUND BALANCE - BEGINNING OF YEAR | 1,321,963 | 1,321,963 | 1,321,963 | - |
| FUND BALANCE - END OF YEAR | \$ 3,776,424 | 821,424 | 790,110 | (31,314) |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Abandoned Vehicle Abatement Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ - | - | 84 | 84 |
| TOTAL REVENUES | - | - | 84 | 84 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community services | 2,270 | 2,270 | 590 | 1,680 |
| TOTAL EXPENDITURES | 2,270 | 2,270 | 590 | 1,680 |
| EXCESS OF REVENUES UNDER EXPENDITURES | (2,270) | (2,270) | (506) | 1,764 |
| FUND BALANCE - BEGINNING OF YEAR | 5,816 | 5,816 | 5,816 | - |
| FUND BALANCE - END OF YEAR | \$ 3,546 | 3,546 | 5,310 | 1,764 |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Improvement Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------|-------------------------|--------------------|--------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 11,000 | 11,000 | 14,404 | 3,404 |
| Intergovernmental | - | - | 1,535,595 | 1,535,595 |
| Charges for services | 10,000 | 10,000 | 43,532 | 33,532 |
| TOTAL REVENUES | <u>21,000</u> | <u>21,000</u> | <u>1,593,531</u> | <u>1,572,531</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Transportation | - | 6,449,012 | 4,909,554 | 1,539,458 |
| TOTAL EXPENDITURES | <u>-</u> | <u>6,449,012</u> | <u>4,909,554</u> | <u>1,539,458</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>21,000</u> | <u>(6,428,012)</u> | <u>(3,316,023)</u> | <u>3,111,989</u> |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 3,713,001 | 4,210,051 | 2,519,452 | (1,690,599) |
| TOTAL OTHER FINANCING SOURCES | <u>3,713,001</u> | <u>4,210,051</u> | <u>2,519,452</u> | <u>(1,690,599)</u> |
| NET CHANGE IN FUND BALANCE | 3,734,001 | (2,217,961) | (796,571) | 1,421,390 |
| FUND BALANCE - BEGINNING OF YEAR | <u>1,274,742</u> | <u>1,274,742</u> | <u>1,274,742</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 5,008,743</u> | <u>(943,219)</u> | <u>478,171</u> | <u>1,421,390</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Pollution Reduction Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------|-------------------------|------------------|------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 6,000 | 6,000 | 8,033 | 2,033 |
| Intergovernmental | 58,000 | 58,000 | 55,802 | (2,198) |
| TOTAL REVENUES | <u>64,000</u> | <u>64,000</u> | <u>63,835</u> | <u>(165)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 13,560 | 13,560 | 1,173 | 12,387 |
| TOTAL EXPENDITURES | <u>13,560</u> | <u>13,560</u> | <u>1,173</u> | <u>12,387</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 50,440 | 50,440 | 62,662 | 12,222 |
| OTHER FINANCING USES: | | | | |
| Transfers out | (65,000) | (165,000) | (139,199) | 25,801 |
| TOTAL OTHER FINANCING USES | <u>(65,000)</u> | <u>(165,000)</u> | <u>(139,199)</u> | <u>25,801</u> |
| NET CHANGE IN FUND BALANCE | (14,560) | (114,560) | (76,537) | 38,023 |
| FUND BALANCE - BEGINNING OF YEAR | <u>576,682</u> | <u>576,682</u> | <u>576,682</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 562,122</u> | <u>462,122</u> | <u>500,145</u> | <u>38,023</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Grant Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------|-------------------------|----------------|----------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ - | - | 4,900 | 4,900 |
| TOTAL REVENUES | - | - | 4,900 | 4,900 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 4,900 | 4,900 |
| FUND BALANCE - BEGINNING OF YEAR | 333,456 | 333,456 | 333,456 | - |
| FUND BALANCE - END OF YEAR | <u>\$ 333,456</u> | <u>333,456</u> | <u>338,356</u> | <u>4,900</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure M2 Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------|-------------------------|--------------------|--------------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 24,000 | 24,000 | 56,478 | 32,478 |
| Intergovernmental | 1,150,319 | 1,150,319 | 1,601,182 | 450,863 |
| TOTAL REVENUES | <u>1,174,319</u> | <u>1,174,319</u> | <u>1,657,660</u> | <u>483,341</u> |
| OTHER FINANCING USES: | | | | |
| Transfers out | <u>(3,113,113)</u> | <u>(3,566,168)</u> | <u>(1,816,584)</u> | <u>1,749,584</u> |
| TOTAL OTHER FINANCING USES | <u>(3,113,113)</u> | <u>(3,566,168)</u> | <u>(1,816,584)</u> | <u>1,749,584</u> |
| NET CHANGE IN FUND BALANCE | (1,938,794) | (2,391,849) | (158,924) | 2,232,925 |
| FUND BALANCE - BEGINNING OF YEAR | <u>3,115,973</u> | <u>3,115,973</u> | <u>3,115,973</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 1,177,179</u> | <u>724,124</u> | <u>2,957,049</u> | <u>2,232,925</u> |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Development Block Grant Special Revenue Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------|-------------------------|------------------|----------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ - | - | 4,938 | 4,938 |
| Intergovernmental | 500,000 | 500,000 | 454,209 | (45,791) |
| TOTAL REVENUES | <u>500,000</u> | <u>500,000</u> | <u>459,147</u> | <u>(40,853)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 950,000 | 950,001 | 434,392 | 515,609 |
| TOTAL EXPENDITURES | <u>950,000</u> | <u>950,001</u> | <u>434,392</u> | <u>515,609</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (450,000) | (450,001) | 24,755 | 474,756 |
| FUND BALANCE - BEGINNING OF YEAR | <u>152,551</u> | <u>152,551</u> | <u>152,551</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ (297,449)</u> | <u>(297,450)</u> | <u>177,306</u> | <u>474,756</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**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ - | - | 3 | 3 |
| TOTAL REVENUES | - | - | 3 | 3 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | 604,607 | 629,856 | 635,193 | (5,337) |
| Interest | 487,885 | 462,636 | 462,635 | 1 |
| TOTAL EXPENDITURES | 1,092,492 | 1,092,492 | 1,097,828 | (5,336) |
| EXCESS OF REVENUES UNDER EXPENDITURES | (1,092,492) | (1,092,492) | (1,097,825) | (5,333) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 1,097,828 | 1,097,828 | 1,097,824 | (4) |
| TOTAL OTHER FINANCING SOURCES | 1,097,828 | 1,097,828 | 1,097,824 | (4) |
| NET CHANGE IN FUND BALANCE | 5,336 | 5,336 | (1) | (5,337) |
| FUND BALANCE - BEGINNING OF YEAR | 3 | 3 | 3 | - |
| FUND BALANCE - END OF YEAR | \$ 5,339 | 5,339 | 2 | (5,337) |

CITY OF FOUNTAIN VALLEY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Drainage Capital Projects Fund**

Year ended June 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------|-------------------------|--------------|---------------|-------------------------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 1,000 | 1,000 | - | (1,000) |
| TOTAL REVENUES | 1,000 | 1,000 | - | (1,000) |
| EXPENDITURES: | | | | |
| Capital outlay | - | 500,000 | 160,439 | 339,561 |
| TOTAL EXPENDITURES | - | 500,000 | 160,439 | 339,561 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,000 | (499,000) | (160,439) | 338,561 |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | 405,000 | 405,000 | 155,056 | (249,944) |
| TOTAL OTHER FINANCING SOURCES | 405,000 | 405,000 | 155,056 | (249,944) |
| NET CHANGE IN FUND BALANCE | 406,000 | (94,000) | (5,383) | 88,617 |
| FUND BALANCE - BEGINNING OF YEAR | 60,954 | 60,954 | 60,954 | - |
| FUND BALANCE - END OF YEAR | \$ 466,954 | (33,046) | 55,571 | 88,617 |

CITY OF FOUNTAIN VALLEY
STATISTICAL SECTION (UNAUDITED)

CITY OF FOUNTAIN VALLEY

Description of Statistical Section Contents

June 30, 2023

This part of the City of Fountain Valley’s annual comprehensive 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. | 103 |
| Revenue Capacity - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax. | 113 |
| 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. | 118 |
| 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. | 125 |
| 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. | 127 |

CITY OF FOUNTAIN VALLEY
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 101,557,748 | \$ 97,768,732 | \$ 95,231,907 | \$ 93,401,436 | \$ 97,951,856 | \$ 101,064,072 | \$ 103,764,607 | \$ 107,617,521 | \$ 107,890,367 | \$ 118,812,613 |
| Restricted | 15,452,824 | 19,856,331 | 24,307,690 | 26,763,094 | 35,436,520 | 33,994,978 | 29,866,794 | 28,451,630 | 29,865,667 | 27,459,109 |
| Unrestricted | 39,381,257 | (33,410,687) | (39,176,211) | (39,063,347) | (73,293,802) | (67,204,319) | (63,160,488) | (49,292,105) | (28,855,352) | (17,081,942) |
| Total governmental activities net assets | \$ 156,391,829 | \$ 84,214,376 | \$ 80,363,386 | \$ 81,101,183 | \$ 60,094,574 | \$ 67,854,731 | \$ 70,470,913 | \$ 86,777,046 | \$ 108,900,682 | \$ 129,189,780 |
| Business-type activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 11,878,770 | \$ 22,427,033 | \$ 22,772,437 | \$ 22,721,048 | \$ 22,877,809 | \$ 22,720,616 | \$ 23,153,001 | \$ 25,735,726 | \$ 24,914,150 | \$ 24,404,708 |
| Restricted | - | 9,720,189 | - | - | - | - | - | - | - | - |
| Unrestricted | 6,467,394 | (3,417,051) | 7,465,990 | 8,378,389 | 6,367,172 | 9,938,356 | 13,563,383 | 15,478,713 | 19,696,705 | 27,757,531 |
| Total business-type activity net assets | \$ 18,346,164 | \$ 28,730,171 | \$ 30,238,427 | \$ 31,099,437 | \$ 29,244,981 | \$ 32,658,972 | \$ 36,716,384 | \$ 41,214,439 | \$ 44,610,855 | \$ 52,162,239 |
| Primary government: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 113,436,518 | \$ 120,195,765 | \$ 118,004,344 | \$ 116,122,484 | \$ 120,829,665 | \$ 123,784,688 | \$ 126,917,608 | \$ 133,353,247 | \$ 132,804,517 | \$ 143,217,321 |
| Restricted | 15,452,824 | 29,576,520 | 24,307,690 | 26,763,094 | 35,436,520 | 33,994,978 | 29,866,794 | 28,451,630 | 29,865,667 | 27,459,109 |
| Unrestricted | 45,848,651 | (36,827,738) | (31,710,221) | (30,684,958) | (66,926,630) | (57,265,963) | (49,597,105) | (33,813,392) | (9,158,647) | 10,675,589 |
| Total primary government net assets | \$ 174,737,993 | \$ 112,944,547 | \$ 110,601,813 | \$ 112,200,620 | \$ 89,339,555 | \$ 100,513,703 | \$ 107,187,297 | \$ 127,991,485 | \$ 153,511,537 | \$ 181,352,019 |

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,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,398,739 | \$ 3,394,812 | \$ 4,060,614 | \$ 3,490,836 | \$ 5,355,236 | \$ 6,367,611 | \$ 5,465,753 | \$ 5,496,861 | \$ 7,138,620 | \$ 4,113,134 |
| Public safety | 25,531,715 | 27,397,338 | 30,519,703 | 30,725,287 | 35,670,029 | 36,295,298 | 38,015,694 | 35,711,555 | 30,384,895 | 42,181,933 |
| Transportation | 8,602,763 | 8,270,272 | 7,228,722 | 9,956,544 | 8,613,423 | 11,109,470 | 12,176,938 | 11,972,499 | 12,598,733 | 9,633,255 |
| Community development | 5,256,405 | 5,068,347 | 4,962,051 | 4,986,214 | 5,306,588 | 5,159,303 | 5,237,500 | 6,637,024 | 6,638,725 | 5,480,927 |
| Community services | 2,649,541 | 2,602,832 | 2,770,264 | 3,090,014 | 3,424,384 | 3,728,605 | 3,164,169 | 2,807,876 | 3,735,705 | 2,925,694 |
| Interest and other charges | 349,089 | 334,168 | 600,774 | 332,056 | 640,767 | 549,006 | 499,535 | 477,206 | 452,983 | 425,387 |
| Total governmental activities expenses | \$ 45,788,252 | \$ 47,067,769 | \$ 50,142,128 | \$ 52,580,951 | \$ 59,010,427 | \$ 63,209,293 | \$ 64,559,589 | \$ 63,103,021 | \$ 60,949,661 | \$ 64,760,330 |
| Business-type activity: | | | | | | | | | | |
| Water | 12,344,634 | 12,173,386 | 12,198,363 | 13,474,865 | 15,563,270 | 12,060,429 | 13,319,761 | 15,403,363 | 16,095,806 | 10,474,663 |
| Sewer | * | 1,050,288 | 1,187,547 | 1,586,054 | 1,621,912 | 1,265,982 | 990,369 | 1,184,187 | 1,369,997 | 1,025,684 |
| Solid Waste | 2,936,437 | 2,976,404 | 2,979,627 | 2,995,313 | 3,240,886 | 3,307,447 | 3,484,877 | 3,730,439 | 3,853,705 | 4,428,766 |
| Total business-type activity expenses | \$ 15,281,071 | \$ 16,200,078 | \$ 16,365,537 | \$ 18,056,232 | \$ 20,426,068 | \$ 16,633,858 | \$ 17,795,007 | \$ 20,317,989 | \$ 21,319,508 | \$ 15,929,113 |
| Total primary government expenses | \$ 61,069,323 | \$ 63,267,847 | \$ 66,507,665 | \$ 70,637,183 | \$ 79,436,495 | \$ 79,843,151 | \$ 82,354,596 | \$ 83,421,010 | \$ 82,269,169 | \$ 80,689,443 |
| Program revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 1,589,201 | 1,541,214 | 1,485,945 | 1,322,154 | 1,263,170 | 1,709,408 | 1,584,928 | 4,444,160 | 3,027,505 | 1,275,650 |
| Public safety | 2,437,171 | 2,407,751 | 2,580,643 | 2,628,927 | 2,779,810 | 2,590,953 | 2,476,200 | 3,538,314 | 4,314,296 | 3,957,206 |
| Transportation | - | - | - | - | - | - | 44,865 | - | - | - |
| Community development | 3,571,688 | 1,798,307 | 1,857,165 | 1,990,806 | 1,992,671 | 1,922,787 | 1,961,130 | 2,908,827 | 3,073,777 | 3,310,491 |
| Community services | 1,696,636 | 2,031,969 | 1,335,765 | 1,406,686 | 1,316,668 | 1,991,614 | 782,464 | 297,772 | 855,376 | 1,044,724 |
| Operating grants and contributions | 4,417,860 | 3,844,012 | 3,342,815 | 4,632,452 | 4,403,294 | 6,664,738 | 5,406,933 | 6,564,949 | 13,553,937 | 6,645,582 |
| Capital grants and contributions | - | - | - | - | - | 46,100 | - | 1,131,106 | 704,835 | 1,935,254 |
| Total governmental activities program revenues | \$ 13,712,556 | \$ 11,623,253 | \$ 10,602,333 | \$ 11,981,025 | \$ 11,755,613 | \$ 14,925,600 | \$ 12,256,520 | \$ 18,885,128 | \$ 25,529,726 | \$ 18,168,907 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 12,939,652 | 13,104,591 | 12,723,158 | 13,818,022 | 15,820,684 | 16,240,470 | 17,483,253 | 19,418,208 | 19,988,530 | 18,922,198 |
| Sewer | * | 1,891,019 | 1,917,391 | 1,974,735 | 2,046,393 | 2,164,911 | 2,176,199 | 2,383,617 | 2,417,275 | 2,526,629 |
| Solid Waste | 3,096,014 | 3,226,183 | 3,275,267 | 3,236,804 | 3,253,768 | 3,389,777 | 3,541,474 | 3,752,561 | 3,913,741 | 4,499,999 |
| Operating grants and contributions | - | - | - | - | - | 189,259 | 47,311 | 98,539 | 71,183 | 62,321 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues | \$ 16,035,666 | \$ 18,221,793 | \$ 17,915,816 | \$ 19,029,561 | \$ 21,120,845 | \$ 21,984,417 | \$ 23,248,237 | \$ 25,652,925 | \$ 26,390,729 | \$ 26,011,147 |
| Total primary government program revenues | \$ 29,748,222 | \$ 29,845,046 | \$ 28,518,149 | \$ 31,010,586 | \$ 32,876,458 | \$ 36,910,017 | \$ 35,504,757 | \$ 44,538,053 | \$ 51,920,455 | \$ 44,180,054 |
| Net revenues (expenses): | | | | | | | | | | |
| Governmental activities | (32,075,696) | (35,444,516) | (39,539,795) | (40,599,926) | (47,254,814) | (48,283,693) | (52,303,069) | (44,217,893) | (35,419,935) | (46,591,423) |
| Business-type activities | 754,595 | 2,021,715 | 1,550,279 | 973,329 | 694,777 | 5,350,559 | 5,453,230 | 5,334,936 | 5,071,221 | 10,082,034 |
| Total net revenues (expenses) | \$ (31,321,101) | \$ (33,422,801) | \$ (37,989,516) | \$ (39,626,597) | \$ (46,560,037) | \$ (42,933,134) | \$ (46,849,839) | \$ (38,882,957) | \$ (30,348,714) | \$ (36,509,389) |

* Sewer Fund previously reported in governmental activities

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------------------------|---------------|---------------|----------------|---------------|---------------|----------------|----------------|---------------|----------------|----------------|
| General revenues and other changes in net position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 10,423,211 | \$ 16,247,191 | \$ 16,782,178 | \$ 17,704,506 | \$ 18,807,430 | \$ 19,651,638 | \$ 20,450,086 | \$ 21,340,781 | \$ 22,019,180 | \$ 23,365,555 |
| Sales taxes | 11,442,672 | 11,556,673 | 12,963,883 | 12,284,030 | 12,369,585 | 13,559,781 | 12,254,561 | 14,006,993 | 16,091,255 | 16,504,276 |
| Sales taxes - Measure HH | - | - | - | 2,547,720 | 11,742,254 | 13,287,116 | 12,364,200 | 14,062,109 | 17,162,175 | 17,363,447 |
| Franchise taxes | 1,628,690 | 1,790,685 | 1,766,769 | 1,635,261 | 1,920,165 | 1,975,656 | 2,072,908 | 1,971,665 | 2,088,568 | 2,595,444 |
| Other taxes | 2,739,433 | 3,032,589 | 3,158,311 | 3,221,064 | 3,227,918 | 1,442,220 | 1,185,655 | 2,748,711 | 1,305,350 | 1,522,875 |
| Revenue from other governmental agencies | 4,569,352 | - | - | - | - | 221,349 | 233,956 | 240,373 | - | - |
| Investment income (loss) | 707,717 | 547,066 | 729,762 | 118,500 | 516,705 | 1,830,759 | 2,034,377 | 1,873,429 | (3,390,470) | 1,648,971 |
| Transfers | 79,800 | 197,855 | 195,240 | 336,812 | 194,760 | 2,661,845 | 2,219,108 | 914,050 | 1,006,157 | 2,887,046 |
| Gain on sale of property | 32,419 | 465,509 | 26,696 | 3,427,663 | - | 1,284,231 | 1,871,361 | 5,318 | 156,276 | - |
| Miscellaneous | 33,128 | 87,486 | 9,320 | 62,167 | 20,172 | 129,255 | 233,039 | 371,820 | 1,105,080 | 992,907 |
| Extraordinary gain | - | 4,918,798 | 56,646 | - | - | - | - | - | - | - |
| Total governmental activities | \$ 31,656,422 | \$ 38,843,852 | \$ 35,688,805 | \$ 41,337,723 | \$ 48,798,989 | \$ 56,043,850 | \$ 54,919,251 | \$ 57,535,249 | \$ 57,543,571 | \$ 66,880,521 |
| Business-type activities: | | | | | | | | | | |
| Investment income (loss) | 33,905 | 126,889 | 153,217 | 184,868 | (3,240) | 725,277 | 823,290 | 8,169 | (668,648) | 356,396 |
| Transfers | (79,800) | (197,855) | (195,240) | (336,812) | (194,760) | (2,661,845) | (2,219,108) | (914,050) | (1,006,157) | (2,887,046) |
| Miscellaneous | 9,415 | - | - | 39,625 | 58,767 | - | - | 69,000 | - | - |
| Extraordinary Gain (Loss) | - | 4,000,000 | - | - | - | - | - | - | - | - |
| Total business-type activities | \$ (36,480) | \$ 3,929,034 | \$ (42,023) | \$ (112,319) | \$ (139,233) | \$ (1,936,568) | \$ (1,395,818) | \$ (836,881) | \$ (1,674,805) | \$ (2,530,650) |
| Total primary government | \$ 31,619,942 | \$ 42,772,886 | \$ 35,646,782 | \$ 41,225,404 | \$ 48,659,756 | \$ 54,107,282 | \$ 53,523,433 | \$ 56,698,368 | \$ 55,868,766 | \$ 64,349,871 |
| Changes in net position: | | | | | | | | | | |
| Governmental activities | (419,274) | 3,399,336 | (3,850,990) | 737,797 | 1,544,175 | 7,760,157 | 2,616,182 | 13,317,356 | 22,123,636 | 20,289,098 |
| Business-type activities | 718,115 | 5,950,749 | 1,508,256 | 861,010 | 555,544 | 3,413,991 | 4,057,412 | 4,498,055 | 3,396,416 | 7,551,384 |
| Total primary government | \$ 298,841 | \$ 9,350,085 | \$ (2,342,734) | \$ 1,598,807 | \$ 2,099,719 | \$ 11,174,148 | \$ 6,673,594 | \$ 17,815,411 | \$ 25,520,052 | \$ 27,840,482 |

CITY OF FOUNTAIN VALLEY

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund: | | | | | | | | | | |
| Nonspendable | \$ 1,966,451 | \$ 1,599,806 | \$ 1,698,026 | \$ 807,126 | \$ 405,583 | \$ 136,233 | \$ 1,648,597 | \$ 1,664,859 | \$ 982,832 | \$ 1,216,224 |
| Restricted | - | 4,714,142 | 4,555,926 | 4,430,934 | 8,364,256 | 13,360,125 | 15,222,812 | 15,924,621 | 13,911,169 | 18,512,690 |
| Committed | - | - | - | - | 13,000,000 | 14,200,000 | 13,700,000 | 15,578,000 | 18,426,000 | 18,426,000 |
| Assigned | 12,100,000 | 21,971,647 | 22,547,158 | 16,961,310 | 26,613,049 | 30,791,835 | 31,631,113 | 41,450,633 | 54,143,595 | 50,288,307 |
| Unassigned | 28,497,308 | 19,191,130 | 17,975,150 | 27,155,079 | 327,080 | 2,412 | 3,760 | 52,504 | (679,481) | 219,359 |
| Total general fund | <u>\$ 42,563,759</u> | <u>\$ 47,476,725</u> | <u>\$ 46,776,260</u> | <u>\$ 49,354,449</u> | <u>\$ 48,709,968</u> | <u>\$ 58,490,605</u> | <u>\$ 62,206,282</u> | <u>\$ 74,670,617</u> | <u>\$ 86,784,115</u> | <u>\$ 88,662,580</u> |
| All other governmental funds: | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 15,452,824 | 15,142,189 | 19,751,764 | 22,332,160 | 27,072,264 | 28,312,259 | 25,488,079 | 25,289,799 | 26,486,425 | 24,264,985 |
| Assigned | 3,831,549 | 161,316 | 127,402 | (464,523) | 149,668 | - | 38,522 | 22,951 | 60,954 | 55,571 |
| Unassigned | - | - | - | - | - | (165,595) | - | - | - | - |
| Total all other governmental funds | <u>\$ 19,284,373</u> | <u>\$ 15,303,505</u> | <u>\$ 19,879,166</u> | <u>\$ 21,867,637</u> | <u>\$ 27,221,932</u> | <u>\$ 28,146,664</u> | <u>\$ 25,526,601</u> | <u>\$ 25,312,750</u> | <u>\$ 26,547,379</u> | <u>\$ 24,320,556</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,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 24,609,300 | \$ 30,655,218 | \$ 32,689,435 | \$ 36,060,441 | \$ 46,463,473 | \$ 49,916,411 | \$ 48,327,410 | \$ 52,295,198 | \$ 58,666,528 | \$ 61,889,534 |
| Licenses and permits | 1,834,212 | 1,915,471 | 2,006,480 | 1,869,865 | 1,906,153 | 1,988,757 | 1,850,421 | 2,140,736 | 2,200,559 | 2,331,633 |
| Fines and forfeitures (penalties) | 751,302 | 705,372 | 643,936 | 564,786 | 619,096 | 651,129 | 616,823 | 645,037 | 678,489 | 503,600 |
| Investment income (loss) | 744,447 | 572,377 | 757,868 | 156,162 | 578,312 | 2,404,272 | 2,330,442 | 2,156,247 | (3,027,937) | 2,040,056 |
| Revenue from use of money and property | 1,163,515 | 1,203,964 | 1,094,844 | 1,255,618 | 1,167,468 | 1,145,604 | 1,042,561 | 688,239 | 959,121 | 1,150,302 |
| Intergovernmental | 8,489,979 | 3,758,497 | 2,920,345 | 4,130,922 | 3,990,316 | 5,789,190 | 5,376,671 | 7,622,971 | 13,471,387 | 7,948,261 |
| Charges for services | 6,124,998 | 4,285,172 | 4,335,669 | 4,866,961 | 4,553,747 | 2,805,579 | 2,502,673 | 5,452,583 | 6,934,339 | 5,171,318 |
| Miscellaneous | 1,679,542 | 2,021,825 | 1,371,496 | 8,316,814 | 1,351,792 | 2,322,432 | 1,038,301 | 4,499,999 | 1,439,608 | 1,235,361 |
| Total revenues | \$ 45,397,295 | \$ 45,117,896 | \$ 45,820,073 | \$ 57,221,569 | \$ 60,630,357 | \$ 67,023,374 | \$ 63,085,302 | \$ 75,501,010 | \$ 81,322,094 | \$ 82,270,065 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 2,870,199 | 2,883,285 | 3,085,759 | 3,212,619 | 4,916,069 | 3,679,299 | 3,540,459 | 4,907,222 | 4,721,463 | 4,863,471 |
| Public safety | 24,616,202 | 25,333,018 | 27,618,810 | 28,550,818 | 31,934,793 | 32,536,436 | 35,862,528 | 35,894,663 | 40,889,387 | 42,194,093 |
| Transportation | 8,446,708 | 7,903,404 | 7,082,567 | 9,914,437 | 7,564,408 | 8,817,469 | 11,046,220 | 10,533,417 | 10,493,946 | 14,648,041 |
| Community development | 3,989,139 | 4,041,504 | 4,026,081 | 4,170,849 | 3,994,652 | 4,185,304 | 4,321,408 | 5,482,190 | 5,501,221 | 5,383,738 |
| Community services | 2,321,707 | 2,328,863 | 2,407,019 | 2,618,815 | 2,653,045 | 3,206,775 | 2,670,156 | 2,306,922 | 3,193,303 | 3,570,561 |
| Capital outlay | 3,640,756 | 2,085,519 | 839,613 | 6,382,540 | 10,324,969 | 6,266,831 | 6,966,245 | 3,316,790 | 2,550,120 | 13,003,189 |
| Debt service: | | | | | | | | | | |
| Principal retirement | 747,414 | 644,547 | 659,275 | 430,000 | 470,398 | 1,046,105 | 1,138,981 | 1,214,205 | 1,294,603 | 1,781,677 |
| Interest and fiscal charges | 363,661 | 344,400 | 440,725 | 444,629 | 575,222 | 552,048 | 534,160 | 514,484 | 492,357 | 466,080 |
| Costs of debt issuance | - | - | 395,488 | 110,180 | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | 889,617 | - | - | - | - | - | - | - |
| Total expenditures | \$ 46,995,786 | \$ 45,564,540 | \$ 47,444,954 | \$ 55,834,887 | \$ 62,433,556 | \$ 60,290,267 | \$ 66,080,157 | \$ 64,169,893 | \$ 69,136,400 | \$ 85,910,850 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (1,598,491) | \$ (446,644) | \$ (1,624,881) | \$ 1,386,682 | \$ (1,803,199) | \$ 6,733,107 | \$ (2,994,855) | \$ 11,331,117 | \$ 12,185,694 | \$ (3,640,785) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 3,061,091 | 3,225,390 | 17,012,787 | 7,011,672 | 5,985,246 | 7,933,565 | 12,680,545 | 5,363,530 | 4,607,793 | 8,504,676 |
| Transfers out | (2,981,291) | (3,027,535) | (16,817,547) | (6,674,860) | (5,790,486) | (5,271,720) | (10,461,437) | (4,449,481) | (3,601,636) | (5,617,630) |
| Issuance of IT subscriptions* | - | - | - | - | - | - | - | - | - | 405,381 |
| Proceeds from sale of capital assets | - | - | - | - | - | 1,310,417 | 1,871,361 | 5,318 | 156,276 | - |
| Proceeds from issuance of bonds | - | - | 28,890,000 | 2,843,166 | - | - | - | - | - | - |
| Bond premium (discount) | - | - | 580,162 | - | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | (6,785,383) | - | - | - | - | - | - | - |
| Total other financing sources (uses) | \$ 79,800 | \$ 197,855 | \$ 22,880,019 | \$ 3,179,978 | \$ 194,760 | \$ 3,972,262 | \$ 4,090,469 | \$ 919,367 | \$ 1,162,433 | \$ 3,292,427 |
| Net change in fund balances, before extraordinary/special item | (1,518,691) | (248,789) | 21,255,138 | 4,566,660 | (1,608,439) | 10,705,369 | 1,095,614 | 12,250,484 | 13,348,127 | (348,358) |
| Special Item | | | | | | | | | | |
| Payment of defined benefit pension plan side fund | - | - | (17,436,588) | - | - | - | - | - | - | - |
| Extraordinary gain (loss) | - | 4,918,798 | 56,646 | - | - | - | - | - | - | - |
| Net change in fund balances | \$ (1,518,691) | \$ 4,670,009 | \$ 3,875,196 | \$ 4,566,660 | \$ (1,608,439) | \$ 10,705,369 | \$ 1,095,614 | \$ 12,250,484 | \$ 13,348,127 | \$ (348,358) |
| Debt service as a percentage of noncapital expenditures | 2.55% | 2.26% | 2.35% | 1.64% | 1.97% | 2.93% | 2.83% | 2.82% | 2.68% | 3.11% |

*Note: Issuance of IT subscriptions is a new line-item as of June 2023, due to the implementation of GASB 96.

CITY OF FOUNTAIN VALLEY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | City | | Taxable Assessed Value | Total Direct Tax Rate (1) |
|----------------------------------|----------------|-------------|------------------------------|---------------------------------|
| | Secured | Unsecured | | |
| 2014 | 7,131,028,229 | 303,412,549 | 7,434,440,778 | 0.13171 |
| 2015 | 7,694,438,312 | 334,834,388 | 8,029,272,700 | 0.13177 |
| 2016 | 8,142,567,704 | 240,473,501 | 8,383,041,205 | 0.17172 |
| 2017 | 8,444,874,157 | 238,403,442 | 8,683,277,599 | 0.13173 |
| 2018 | 8,843,461,588 | 269,238,862 | 9,112,700,450 | 0.13173 |
| 2019 | 9,282,526,512 | 293,682,416 | 9,576,208,928 | 0.13550 |
| 2020 | 9,796,913,673 | 316,787,979 | 10,113,701,652 | 0.13505 |
| 2021 | 10,182,790,098 | 332,988,158 | 10,515,778,256 | 0.13491 |
| 2022 | 10,395,996,372 | 332,366,455 | 10,728,362,827 | 0.13488 |
| 2023 | 11,142,057,244 | 376,665,339 | 11,518,722,583 | 0.13468 |

Notes:

Exempt values are not included in Total

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

Source: HdL, Coren & Cone, prepared on 8/21/2023

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,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| City Direct Rate (1) | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 | 0.12870 |
| Fountain Valley Elementary General Fund | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 | 0.29490 |
| Huntington Beach Union High General Fund | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 | 0.19230 |
| Educational Revenue Augmentation Fund | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 | 0.15300 |
| Coast Community College General Fund | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 | 0.08120 |
| Orange County General Fund | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 | 0.05200 |
| O.C. Sanitation #3 Operating | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 | 0.03160 |
| Orange County Flood Control District | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 | 0.01667 |
| Orange County Public Library | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 | 0.01405 |
| O.C. Harbors Beaches & Park Csa 26 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 | 0.01288 |
| O.C. Dept. of Education - General Fund | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 | 0.01199 |
| Orange County Water District | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 | 0.00739 |
| Orange County Transit Authority | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 | 0.00237 |
| Orange County Vector Control District | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00084 | 0.00094 |
| Orange County Water District Water Reserve | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 | 0.00011 |
| Total Basic Levy | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Overlapping Rates: | | | | | | | | | | |
| Huntington Beach High School 2004 - Bond 2004A | 0.02271 | 0.02400 | 0.02440 | 0.02451 | 0.02440 | 0.02440 | 0.02273 | 0.02187 | 0.02165 | - |
| Coast Community College | 0.02899 | 0.03015 | 0.03092 | 0.03116 | 0.03092 | 0.03092 | 0.03181 | 0.03119 | 0.03102 | 0.03102 |
| Fountain Valley School District | - | - | - | - | - | - | - | - | - | 0.02396 |
| Garden Grove USD | - | - | - | - | - | - | - | - | - | 0.06329 |
| Huntington Beach High School District | - | - | - | - | - | - | - | - | - | 0.02234 |
| Metro Water District of Orange County | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 |
| Ocean View School District | - | - | - | - | - | - | - | - | - | 0.02722 |
| Rancho Santiago Community College | - | - | - | - | - | - | - | - | - | 0.04691 |
| Huntington Beach High School 2004 - Bond 2005 | 0.00001 | 0.00214 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | 0.00001 | - |
| Huntington Beach High School 2004 - Bond 2007 | 0.00132 | 0.00123 | 0.00119 | 0.00091 | 0.00119 | 0.00119 | 0.00077 | 0.00072 | 0.00068 | - |
| Total Overlapping Rates | 0.05653 | 0.06102 | 0.06002 | 0.06009 | 0.06002 | 0.06002 | 0.05882 | 0.05729 | 0.05686 | 0.21824 |
| Total Direct & Overlapping Tax Rates | 1.05653 | 1.06102 | 1.06002 | 1.06009 | 1.06002 | 1.06002 | 1.05882 | 1.05729 | 1.05686 | 1.21824 |

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

Source: Orange County Assessor's Office

CITY OF FOUNTAIN VALLEY
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

| Taxpayer (Parcels) | 2023 | | 2014 | |
|------------------------------------------|-------------------------|----------------------------------------------|------------------------|----------------------------------------------|
| | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| Orange Coast Memorial Medical Center (9) | \$ 221,680,557 | 1.92% | \$ 192,287,124 | 2.59% |
| Hyundai Motor America (1) | 201,509,794 | 1.75% | 40,799,530 | 0.55% |
| Fountain Valley Regional Hospital (12) | 172,795,223 | 1.50% | 146,543,177 | 1.97% |
| BEXAEW the Havens LP (2) | 122,093,358 | 1.06% | | 0.00% |
| Corte Bella Fee Ower (2) | 88,476,382 | 0.77% | | 0.00% |
| JKS-CMFV LLC (17) | 90,525,835 | 0.79% | 72,793,066 | 0.98% |
| Yakult USA Inc (1) | 23,660,622 | 0.21% | | 0.00% |
| David Craig Hunsaker Trust (8) | 67,274,000 | 0.58% | | 0.00% |
| Euclid and Heil FV Owner LLC (1) | 65,000,000 | 0.56% | | 0.00% |
| Raintree Fountain Valley LLC (1) | 56,981,616 | 0.49% | | 0.00% |
| | <u>\$ 1,109,997,387</u> | <u>9.64%</u> | <u>\$ 452,422,897</u> | <u>6.09%</u> |

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

Source: HdL, Coren & Cone, prepared on 8/21/2023

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 |
| 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% |
| 2018 | 11,193,927 | 11,101,526 | 99.17% | 35,678 | 11,137,204 | 99.49% |
| 2019 | 11,678,495 | 11,586,299 | 99.21% | 41,659 | 11,627,958 | 99.57% |
| 2020 | 12,264,593 | 12,121,446 | 98.83% | 54,334 | 12,175,780 | 99.28% |
| 2021 | 12,756,006 | 12,612,713 | 98.88% | 51,500 | 12,664,213 | 99.28% |
| 2022 | 13,110,041 | 12,930,762 | 98.63% | 52,005 | 12,982,767 | 99.03% |
| 2023 | 14,256,951 | 14,043,987 | 98.51% | 64,638 | 14,108,625 | 98.96% |

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.

Source: Orange County Assessor's Office

CITY OF FOUNTAIN VALLEY

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | | Business-type Activities | | | Total Primary Government | Percentage of Personal Income | Debt per Capita (6) |
|----------------------------|-------------------------|-----------------------------------|--------------------------------------|-----------------------------|-------------------------------|--------------------------|-------------------|--------------------------------|--------------------------|-------------------------------|---------------------|
| | Leases Payable | Certificates of Participation (1) | Taxable Pension Obligation Bonds (3) | Lease Revenue Bonds (4) (5) | Total Governmental Activities | Loans Payable | Revenue Bonds (2) | Total Business-type Activities | | | |
| 2014 | 218,822 | 8,760,000 | - | - | 8,978,822 | 535,285 | - | \$ 535,285 | 9,514,107 | 0.50% | 168 |
| 2015 | 109,275 | 8,225,000 | - | - | 8,334,275 | - | 15,188,452 | \$ 15,188,452 | 23,522,727 | 1.21% | 415 |
| 2016 | - | - | 15,661,765 | 13,807,919 | 29,469,684 | - | 14,611,443 | \$ 14,611,443 | 44,081,127 | 2.26% | 777 |
| 2017 | - | - | 15,679,151 | 16,176,187 | 31,855,338 | - | 14,041,771 | \$ 14,041,771 | 45,897,109 | 2.27% | 806 |
| 2018 | - | - | 15,696,538 | 15,660,893 | 31,357,431 | - | 13,457,099 | \$ 13,457,099 | 44,814,530 | 2.15% | 791 |
| 2019 | - | - | 15,203,923 | 15,079,889 | 30,283,812 | - | 12,847,425 | \$ 12,847,425 | 43,131,237 | 2.01% | 772 |
| 2020 | - | - | 14,651,309 | 14,466,011 | 29,117,320 | - | 12,217,751 | \$ 12,217,751 | 41,335,071 | 1.82% | 752 |
| 2021 | - | - | 14,038,695 | 13,836,909 | 27,875,604 | - | 11,563,077 | \$ 11,563,077 | 39,438,681 | 1.79% | 697 |
| 2022 | - | - | 13,366,081 | 13,187,409 | 26,553,490 | - | 10,888,405 | \$ 10,888,405 | 37,441,895 | 1.58% | 657 |
| 2023 | - | - | 12,618,467 | 12,507,318 | 25,125,785 | - | 10,183,732 | \$ 10,183,732 | 35,309,517 | 1.49% | 620 |

- (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.

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 |
|----------------------------|-------------------------------|----------------------------------|---------------------|------------|-------------------------------|------------|
| 2014 | 8,760,000 | - | - | 8,760,000 | 0.12% | 155 |
| 2015 | 8,225,000 | - | - | 8,225,000 | 0.10% | 145 |
| 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% | 560 |
| 2018 | - | 15,696,538 | 15,660,893 | 31,357,431 | 0.34% | 554 |
| 2019 | - | 15,203,923 | 15,079,889 | 30,283,812 | 0.32% | 542 |
| 2020 | - | 14,651,309 | 14,466,011 | 29,117,320 | 0.29% | 530 |
| 2021 | - | 14,038,695 | 13,836,909 | 27,875,604 | 0.27% | 493 |
| 2022 | - | 13,366,081 | 13,187,409 | 26,553,490 | 0.25% | 466 |
| 2023 | - | 12,618,467 | 12,507,318 | 25,125,785 | 0.22% | 441 |

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, 2023

2022-2023 City Assessed Valuation
Total Assessed Valuation

\$ 11,516,761,029

| | Percentage Applicable (1) | Total Debt June 30, 2023 | City's Share of Debt June 30, 2023 |
|---------------------------------------------------------------------------|------------------------------|-----------------------------|---------------------------------------|
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| Metropolitan Water District | 0.316% | \$ 19,215,000 | \$ 60,719 |
| Coast Community College District | 6.461% | 920,781,084 | 59,491,666 |
| Rancho Santiago Community College District | 0.332% | 176,539,286 | 586,110 |
| Rancho Santiago Community College District SFID No. 1 | 0.627% | 149,820,000 | 939,371 |
| Garden Grove Unified School District | 11.023% | 524,835,000 | 57,852,562 |
| Huntington Beach Union High School District | 11.882% | 151,029,998 | 17,945,384 |
| Fountain Valley School District | 72.803% | 57,420,000 | 41,803,483 |
| Ocean View School District Certificates of Participation | 0.913% | 126,975,000 | 1,159,282 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$ 179,838,577</u> |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| Orange County General Fund Obligations | 1.589% | \$ 451,165,000 | \$ 7,169,012 |
| Orange County Board of Education Certificates of Participation | 1.589% | 10,860,000 | 172,565 |
| Coast Community College District Certificates of Participation | 6.461% | 1,480,000 | 95,623 |
| Coast Community College District Pension Obligation Bonds | 6.461% | 1,380,000 | 89,162 |
| Huntington Beach Union High School District Certificates of Participation | 11.882% | 55,086,090 | 6,545,329 |
| Ocean View School District Certificates of Participation | 0.913% | 14,555,000 | 132,887 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 14,204,578</u> |
| TOTAL OVERLAPPING DEBT | | | <u>\$ 194,043,155</u> |
| <u>DIRECT GENERAL FUND DEBT</u> | | | |
| City of Fountain Valley General Fund Obligations | 100.000% | 11,908,678 | 11,908,678 |
| City of Fountain Valley Pension Obligation Bonds | 100.000% | 12,830,000 | 12,830,000 |
| <u>TOTAL DIRECT DEBT</u> | | | <u>\$ 24,738,678</u> |
| COMBINED TOTAL DIRECT AND OVERLAPPING DEBT (2) | | | <u>\$ 218,781,833 (2)</u> |

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

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

Ratios to 2022-23 Assessed Valuation:

| | |
|------------------------------------------------|--------------|
| Total Overlapping Tax and Assessment Debt..... | 1.56% |
| Total Direct Debt (\$24,738,678)..... | 0.21% |
| Combined Total Debt..... | 1.90% |

Source: California Municipal Statistics, Inc. (August 11, 2023)

CITY OF FOUNTAIN VALLEY
LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Fiscal Year Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Assessed valuation | \$ 7,426,581,220 | \$ 7,994,583,167 | \$ 8,391,505,862 | \$ 8,682,569,021 | \$ 9,112,408,153 | \$ 9,591,156,528 | \$ 10,150,637,700 | \$ 10,514,690,981 | \$ 10,727,588,631 | \$ 11,516,761,029 |
| Conversion percentage | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 1,856,645,305 | 1,998,645,792 | 2,097,876,466 | 2,170,642,255 | 2,278,102,038 | 2,397,789,132 | 2,537,659,425 | 2,628,672,745 | 2,681,897,158 | 2,879,190,257 |
| Debt limit percentage | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Debt limit | 278,496,796 | 299,796,869 | 314,681,470 | 325,596,338 | 341,715,306 | 359,668,370 | 380,648,914 | 394,300,912 | 402,284,574 | 431,878,539 |
| Total net debt applicable to limitation: General obligation bonds | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | \$ 278,496,796 | \$ 299,796,869 | \$ 314,681,470 | \$ 325,596,338 | \$ 341,715,306 | \$ 359,668,370 | \$ 380,648,914 | \$ 394,300,912 | \$ 402,284,574 | \$ 431,878,539 |
| Total debt applicable to the limit as a percentage of debt limit | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 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.

Sources: Orange County Assessor's Office
City Finance Department

CITY OF FOUNTAIN VALLEY
 PLEDGED-REVENUE COVERAGE

Last Five Fiscal Years

Series 2014A Revenue Bonds

| Fiscal Year Ended June 30, | Operating Revenues (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|----------------------------------|---------------------------|---------------------------|----------------------------------------------|---------------------------|------------|--------------|----------|
| | | | | Principal | Interest | Total | |
| 2019 | \$ 16,786,253 | \$12,247,390 | \$ 4,538,863 | \$535,000 | \$ 516,231 | \$ 1,051,231 | 431.8% |
| 2020 | \$ 18,058,993 | \$13,268,179 | \$ 4,790,814 | \$555,000 | \$ 494,831 | \$ 1,049,831 | 456.3% |
| 2021 | \$ 19,432,555 | \$13,335,179 | \$ 6,097,376 | \$580,000 | \$ 472,631 | \$ 1,052,631 | 579.3% |
| 2022 | \$ 19,507,971 | \$14,537,706 | \$ 4,970,265 | \$600,000 | \$ 449,431 | \$ 1,049,431 | 473.6% |
| 2023 | \$ 19,165,142 | \$ 8,948,063 | \$ 10,217,079 | \$630,000 | \$ 425,431 | \$ 1,055,431 | 968.0% |

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 | Personal Income (in thousands) | Per Capita Personal Income | Unemployment Rate |
|------------------|------------|-----------------------------------|-------------------------------|----------------------|
| 2013 | 56,702 | 1,888,687 | 33,309 | 4.2% |
| 2014 | 56,690 | 1,903,877 | 33,584 | 5.4% |
| 2015 | 56,714 | 1,940,507 | 34,215 | 4.4% |
| 2016 | 56,709 | 1,947,214 | 34,336 | 3.9% |
| 2017 | 56,920 | 2,023,830 | 35,555 | 3.4% |
| 2018 | 56,652 | 2,087,077 | 36,840 | 3.0% |
| 2019 | 55,878 | 2,150,520 | 38,485 | 2.8% |
| 2020 | 54,953 | 2,276,596 | 41,428 | 9.3% |
| 2021 | 56,564 | 2,206,548 | 39,009 | 6.1% |
| 2022 | 56,987 | 2,363,225 | 41,469 | 3.3% |

Source: HdL, Coren & Cone, prepared on 8/21/2023

CITY OF FOUNTAIN VALLEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| Employer | 2023 | | 2014 | |
|--------------------------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| Orange Coast Memorial Medical | 1,563 | 6.51% | 967 | 4.52% |
| Fountain Valley Regional Hospital | 1,518 | 6.32% | 1,667 | 7.79% |
| Memorial Health Services | 913 | 3.80% | 554 | 2.59% |
| Hyundai Motor America, Inc. | 749 | 3.12% | 421 | 1.97% |
| Kingston Technology Company | 609 | 2.53% | 651 | 3.04% |
| Memorial Care Medical Foundation | 493 | 2.05% | | |
| Costco Wholesale #411 | 400 | 1.66% | 322 | 1.50% |
| Surefire, LLC | 326 | 1.36% | 422 | 1.97% |
| Spec Services, Inc. | 238 | 0.99% | | |
| Sam's Club | 219 | 0.91% | 264 | 1.23% |
| Mobis Parts America, LLC | 211 | 0.88% | | |
| Interconnect Solutions Company | 206 | 0.86% | | |
| Hyundai Autoever America | 179 | 0.75% | | |
| Yakult U.S.A Inc. | 151 | 0.63% | | |
| VCA West Coast Specialty & Emergency Animal Hosp | 143 | 0.60% | | |
| Metalcrafters Transparencies and Composites Inc. | 143 | 0.60% | | |
| United Sports Brands | 130 | 0.54% | | |
| | <u>8,191</u> | <u>34.09%</u> | <u>5,268</u> | <u>24.61%</u> |
| Total Employment | 24,026 | | | |

Source: HdL, Coren & Cone, prepared on 8/21/2023

CITY OF FOUNTAIN VALLEY
 FULL-TIME EQUIVALENT CITY EMPLOYEES
 BY DEPARTMENT

Last Ten Fiscal Years

| Department | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Administration | 3.00 | 3.00 | 2.00 | 1.00 | 3.00 | 3.00 | 3.50 | 3.00 | 3.00 | 4.00 |
| City clerk | 2.00 | 2.00 | 2.00 | 2.00 | 1.00 | 1.00 | 1.00 | * | * | * |
| Finance | 10.60 | 10.75 | 10.75 | 9.80 | 9.75 | 9.75 | 9.75 | 9.75 | 7.75 | 10.75 |
| Information services | 3.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 3.00 | 3.00 | 3.00 |
| Human resources | 3.50 | 4.00 | 4.00 | 3.00 | 4.00 | 4.00 | 4.75 | 3.75 | 3.00 | 6.00 |
| Community development | 8.00 | 7.00 | 7.00 | 6.00 | 6.00 | 7.00 | 8.00 | 8.00 | 13.00 | 14.50 |
| Public works | 9.00 | 9.00 | 9.00 | 8.00 | 9.00 | 8.00 | 13.00 | 9.00 | 8.00 | 8.00 |
| Field services | 28.00 | 28.00 | 23.00 | 22.00 | 24.75 | 26.75 | 24.00 | 20.75 | 21.75 | 22.75 |
| Fire | 43.00 | 42.00 | 42.00 | 39.00 | 45.00 | 45.00 | 46.00 | 43.00 | 43.00 | 42.00 |
| Police | 85.00 | 83.00 | 82.00 | 72.50 | 79.00 | 79.00 | 87.00 | 78.00 | 80.00 | 78.00 |
| Community services | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 4.00 | 6.00 | 7.00 |
| Utilities (W&S) | 22.00 | 22.00 | 20.00 | 19.00 | 18.00 | 19.00 | 22.00 | 19.00 | 18.00 | 18.00 |
| Total | <u>223.10</u> | <u>220.75</u> | <u>211.75</u> | <u>192.30</u> | <u>209.50</u> | <u>212.50</u> | <u>229.00</u> | <u>201.25</u> | <u>206.50</u> | <u>214.00</u> |

Source: City of Fountain Valley, Human Resources: Authorized List for Full-Time Employees, June 2023

*Note: City Clerk position reclassified into Administration count, as of June 2021.

CITY OF FOUNTAIN VALLEY

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Fiscal Year Ended June 30,

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------------------------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| Police: | | | | | | | | | | |
| Arrests | 1,636 | 1,423 | 1,616 | 1,475 | 1,460 | 1,800 | 1,783 | 1,524 | 1,241 | 1,321 |
| Parking citations issued | 7,373 | 6,789 | 6,604 | 8,246 | 6,649 | 7,569 | 5,627 | 9,880 | 8,209 | 5,194 |
| Fire: | | | | | | | | | | |
| Number of emergency calls | 4,638 | 4,638 | 5,359 | 5,488 | 5,660 | 5,401 | 5,401 | 5,360 | 5,912 | 6,137 |
| Inspections | 2,542 | 5,973 | 7,627 | 8,156 | 10,260 | 4,147 | 2,115 | 813 | 504 | 747 |
| Public works: | | | | | | | | | | |
| Street resurfacing (miles) | 9 | 9 | 8 | 7 | 4 | 6 | 7 | 5 | 5 | 5 |
| Parks and recreation: | | | | | | | | | | |
| Number of recreation classes | 1,103 | 1,103 | 3,923 | 1,357 | 1,501 | 1,449 | 1,032 | 375* | 357* | 1,148 |
| Number of facility rentals | 3,768 | 3,768 | 1,565 | 2,673 | 2,235 | 2,343 | 1,825 | 448* | 770 | 1,597 |
| Water: | | | | | | | | | | |
| New connections | 340 | 1,253 | 1,310 | 1,298 | 402 | 430 | 411 | 423 | 410 | 430 |
| Average daily consumption (thousands of gallons) | 7,876 | 7,395 | 6,630 | 6,937 | 7,367 | 8,387 | 7,228 | 7,794 | 8,705 | 7,627 |

Notes:

New connections are all new customers connected

*Number of rentals & recreation classes low due to the Corona Virus Pandemic of 20-21

Source: City of Fountain Valley

CITY OF FOUNTAIN VALLEY

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Fiscal Year Ended June 30,

| Function | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire: | | | | | | | | | | |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public works: | | | | | | | | | | |
| Street (miles) | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Streetlights** | N/A | N/A | N/A | N/A | | 3,200 | 3,200 | 3,614 | 3,614 | 3,614 |
| Traffic signals | 54 | 54 | 54 | 54 | 54 | 54 | 55 | 55 | 55 | 55 |
| Parks and recreation: | | | | | | | | | | |
| Parks | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 20 |
| Community centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 202 | 202 | 202 | 209 | 209 | 209 | 209 | 209 | 209 | 217 |
| Maximum daily capacity (thousands of gallons) | 13,500,000 | 16,700,000 | 11,500,000 | 12,000,000 | 12,060,000 | 11,404,785 | 10,427,232 | 13,131,795 | 11,958,732 | 12,102,106 |

**Streetlights were acquired from So. Cal Edison on 11/30/18

Source: City of Fountain Valley



10200 Slater Avenue
Fountain Valley, CA 92708
www.fountainvalley.org