

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED, JUNE 30, 2015



City of Fountain Valley
California



Opportunities Abound

CITY OF FOUNTAIN VALLEY

CALIFORNIA

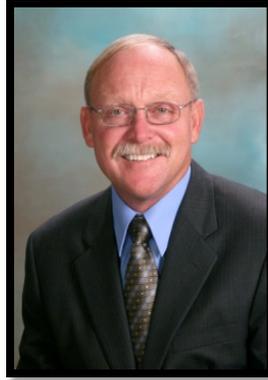
Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015

**Prepared by the Finance Department
David Cain, Director of Finance/City Treasurer
And
Teresa Gonzalez, Accounting Manager**



CITY COUNCIL

JUNE 30, 2015



Steve Nagel
Mayor



Cheryl Brothers
Mayor Pro Tempore



John Collins
Council Member



Mark McCurdy
Council Member



Michael Vo
Council Member



CITY OF FOUNTAIN VALLEY

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CITY OF FOUNTAIN VALLEY

www.fountainvalley.org

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

December 15, 2015

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

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2015, 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. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with the Generally Accepted Accounting Practices (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is

accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Fountain Valley. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Audited Financial Statements - The City of Fountain Valley's financial statements have been audited by White Nelson Diehl Evans, LLP, an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2015, are free of material misstatement.

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

The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fountain Valley's financial statements for the fiscal year ended June 30, 2015, 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 statement of the City of Fountain Valley is usually a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The City of Fountain Valley is required to complete the "Single Audit", this year. It will be completed prior to the required deadline as provided for within the provisions of the OMB's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Organization – This report is presented in three sections: introductory, financial and statistical section of this report.

1. The **Introductory** section includes this transmittal letter and other information to familiarize the reader with the City including a directory of City Officials, City's

organizational chart and organizational values.

2. The **Financial** section consists of five parts: the independent auditors' report; management's discussion and analysis (MD&A); the basic financial statements; required supplementary information; additional statements and schedules for non-major governmental funds and agency funds.
3. The **Statistical** section includes selected financial and demographic information, generally presented in multi-year basis.

Transmittal letter - GAAP requires that management provide a narrative introduction, overviews, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). As noted above, the MD&A appears in the Financial Section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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

The City's component units are the Fountain Valley Financing Authority, Fountain Valley Public Financing Authority and the Fountain Valley Housing Authority. Since the City Council serves as the governing board for these component units, although legally separate entities are, in substance, part of the primary government's operations. According, the component unit's financial activities have been included in the appropriate combining schedules.

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

PROFILE OF THE CITY OF FOUNTAIN VALLEY

Governmental Profile - The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 56,707 and has a land area of 9.75 square miles. It is located in the northern tip of Orange County, California and is bordered by the cities of Santa Ana, Costa

Mesa, Huntington Beach, and Westminster. The City is roughly 30 miles southeast of Los Angeles and 90 miles northwest of San Diego. One of the greatest features of the City is Mile Square Park with its three golf courses; large passive park area, Boys and Girls Club, and City run Recreation Center and Sports Park.

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

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

Strategic Plan - The City of Fountain Valley continues to be committed to being successful in the high level of services we deliver to our residents, businesses and visitors. To continue our commitment to moving forward in a cohesive, productive and well organized way, the City Council and the City Manager developed a City-Wide Strategic Plan. The plan includes the City's Mission Statement, Core Values, three-year goals and specific six month strategic planning objectives that support the goals. The City Council and management staff meet every six months to review and update these objectives.

The three-year goals include: Enhance economic development; achieve financial stability; attract, develop and retain quality staff; maintain and enhance infrastructure and facilities; enhance community outreach and engagement. This Strategic Plan continues to be updated every six months and monthly written status reports are provided to the City Council and the community at regular City Council meetings. Included in the semi-annual update is a long list of strengths and accomplishments which City staff with the support of City Council have achieved since the last planning retreat.

ECONOMIC OVERVIEW

Economic Outlook & Highlights for the Future – The City’s finances and its ability to pay of essential services are dependent on the local economy and legislative actions of the Federal and State governments. In the presence of fiscal difficulty, or for other politically driven agenda, both the Federal and State governments have cut funding to local governments. The State, in particular has shown historically that it can and will unilaterally take and shift local governments’ revenues to balance its budget or meet other financial obligations.

California Overview and Outlook – Beacon Economics’ Forecast foresees California’s economy continuing its robust expansion it began more than 5 years ago and is showing its strength relative to the rest of the nation. While Texas, which is regularly paraded as a point of comparison to California, has stumbled recently amidst a changing energy landscape, the economic environment in the Golden State is in solid growth mode. And this is despite the West Coast Ports shutdown and the ongoing drought. Overall, current statistics paint a picture of a state performing particularly well.

Over the short term, Beacon Economics, a California economic forecasting company, is optimistic about the current trajectory of the state economy. Despite California’s positive growth trends and economic outlook, the state continues to face significant challenges. There are several key areas that have the potential to critically diminish future growth. Chief among these are deferred infrastructure needs, the need to maintain a highly skilled workforce (not just in absolute terms but relative to other states), regulatory and tax reform (including revisiting CEQA and Proposition 13, and considering new forms of raising revenues), and excessive housing prices.

Fountain Valley Outlook - The City of Fountain Valley is a premier Orange County City that celebrated its fifty-seventh birthday in 2015. It has the reputation of being “*A Nice Place to Live*”, as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambiance is by design and we are mindful of the residential predominance when ascertaining the level of service that will be provided to the community each year.

Recognizing the long range effect that Proposition 13 placed on a predominately residential community in the early eighties, the City began directing its efforts toward creating a viable sales tax base. Faced with the limitations of little remaining developable land, it was understood

that it was far too late to consider the construction of a regional commercial mall. However, as it was the emerging era of the big box retailer, Fountain Valley set about becoming the home for big box discount retailers. This strategy has served us well as companies such as Costco, Sam's Club, and La Curacao generally do well. Sales tax has grown to be the single largest revenue source for general City operations.

The City, through the City Manager's office, is currently focusing on one of the three year goals of "Achieving Financial Stability" through the development of a community engagement process that will evaluate and help determine a more formal long-term Fiscal Sustainability Plan.

The State of California and the City have continued to see the overall economy improving including increasing housing values throughout Orange County and specifically Fountain Valley and sales tax revenue trends that have improved over the last several years. The 2015-16 budget anticipated additional revenues coming from increased property taxes due to higher housing values and a slight increase in sale tax. The opening of the Ayers hotel several years ago resulted in additional ongoing Transient Occupancy Tax to the City.

For several years the City made significant cuts and reductions in staffing and operations to City services, which helped the City, survive the great recession; these cuts remain in place today. The City is not out of the woods, because it still has significant service solvency needs that require funding due to long term obligations, impacts of the RDA dissolution on the General Fund and limited revenue enhancement opportunities. The City continues to use measurement tools which is conservative yet a realistic estimate to both revenues and expenditures as it moves forward in planning for the future utilizing its Ten-year financial plan to forecast the financial position of the City. The challenge for cities in California, including Fountain Valley is to develop a sustainable budget that addresses all the priority service choices necessary to meet the needs of our community and allow the City to continue to be a "Nice Place to Live" (and work).

ECONOMIC DEVELOPMENT ACTIVITIES

Housing / Business Activities - Fountain Valley is 98% built out, which means that most of the new development will come from repurposing existing properties. Fountain Valley remains a very desirable place to live; this is evidenced by the demand shown for the new homes built in the City. Most projects are sold out prior to completion of the development. Although there has been an economic slowdown for the last few years many businesses have chosen to either move to Fountain Valley or expand their operations here including Hyundai and Yakult. This means that Fountain Valley is not only "A Nice Place to Live", but a great place to do business.

Current Development Activities - New commercial and rehab development is taking place in Fountain Valley including construction of another industrial building in Southpark project area, completion of a Telsa Charging Station, rehab of Garfield and Brookhurst shopping center, addition of Storage Depot, tenant improvements for 24 Hour Fitness located in the old Orchards building on Brookhurst, addition of Ross for Less in the Costco shopping complex and new multi-tenant buildings at Brookhurst and Edinger.

Fountain Valley Crossings - The City is developing the Fountain Valley Crossings Specific Plan which will provide a policy and zoning framework that will allow for alternative land-uses within this important project area bisected by the I-405 freeway.

The City's long-term goal is to incentive current and future property owners to transform this underutilized and isolated light industrial area into an integrated district with an active and pedestrian friendly environment. It is anticipated that this will include a mix of uses clustered around a center of activity and community gathering for City residents. The ultimate Fountain Valley Crossings Specific Plan will include a vision, development regulations, streetscape designs, public space improvements, and a range of implementation measures.

Future Economic Development Opportunities - The City has hired an Economic Development consultant to help the City identify, focus and develop existing underutilized properties within the City. The City is optimistic about new retail and/or hotel, if sites can be acquired and there is interest in infill residential sites. The consultant has identified six to eight potential projects that will be evaluated for potential transformation. The City Manager and the consultant have met with several property owners to gage their interest to other uses for the property and to help "soft broker" between buyers, sellers and developers.

RELEVANT FINANCIAL POLICIES

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

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting

principles, except for certain special revenue and debt service funds. Budgetary control for management purposes is maintained as authorized by the Council at the departmental program level within individual funds.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. At fiscal year-end, all operating budget appropriations lapse and encumbrances are reported as reservations of fund balances at June 30, 2015. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's financial operations.

Cash Management Policies and Practices – Cash temporarily idle during the year was invested in obligations authorized by the City's adopted investment policy. During the last year the City has engaged an outside Investment Management firm to help manage its available cash funds with a focus on safety, liquidity and lastly on return. It is anticipated that investment earnings will increase due a more diversified and actively managed portfolio.

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

Debt Administration - The City has always subscribed to a "pay as you go" philosophy even when it came to large capital projects, sometimes planning ten to fifteen years into the future to accumulate funding for building renovations, or capital improvements. However, with the last State fiscal crises looming a decision was made to explore other financing options that include the "pay as you use" philosophy. The City has been given a AAA rating by Standard and Poor's Investor Service.

The "pay as you use" option has allowed for the expansion of the Recreation Center at Mile Square Park and the construction of a Senior/Community Center in July 2003. Upgrades to the City's water infrastructure including rehabilitation of Reservoir One and the Automated Meter Integration (AMI) installation were completed in 2015 through the sale of Water Revenue bonds in late 2014. Rehabilitation of Reservoir Two will be completed in 2016.

The City is currently undertaking the opportunity to refinance the 2003 COP bonds, due to very favorable financial market conditions. The result will provide funding for the replacement of two important storm water pump stations without increasing the annual principal and interest costs

to the General Fund.

LONG TERM OBLIGATIONS AND REDEVELOPMENT DISSOLUTION STATUS

Pension (CalPERS) and other Post-employment benefits (OPEB) – The City of Fountain Valley contracts with the California Public Employees Retirement System (CalPERS) to provide retirement, disability, and death and survivor benefits for all eligible employees. The employer pension benefit obligation varies from year to year and is computed as part of an annual actuarial valuation performed by CalPERS. The formula for the annual obligation changed this last year and now includes a fixed dollar contribution along with an employer contribution rate on eligible PERSable salary amounts paid to employees. The employees contribute 7% to 12% of their annual covered salary to the CalPERS retirement plan based on language within their specific Memorandum of Understanding.

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

The City refinanced its \$17 million "Side Fund" obligation by selling Pension Obligation Bonds resulting in a net savings of \$9.7 million to the City and a pay off the CalPERS side fund debt. This refinancing was made possible by the prudent financial policies of the City and the ability of the City to receive an underlying rating on the POB bonds from Standard and Poor's Investment Services of AA+.

New to this year's balance sheet, as required by GASB 68 & 71, are the assets and liabilities associated with the City's retirement plan with CalPERS. In the past, this obligation was outlined as a footnote within the CAFR document. This new reporting requirement includes recording a pension liability at the beginning of the year to Governmental Activities of \$65.5 million and Business-type activities of \$5.7 million. This reporting results in a change to the Net Financial Position of the City.

This year the City updated the actuarial data on the GASB 45 Retiree Benefit Valuation Report, which must be updated every two years. This report presents the actuarial valuation of the City's other post-employment benefit (OPEB) programs. Benefits included subsidized medical and dental coverage for eligible retirees. The value of future OPEB liabilities and annual expenses are reported in the annual CAFR based on the financial information provided in this

valuation report.

Redevelopment Wind Down - As mentioned earlier in this transmittal letter, on February 1, 2012, the State of California eliminated all redevelopment agencies across the state. The elimination of these agencies removed a very important tool for local communities to attract, sustain and grow economic development. This vital tool provided for much of the necessary infrastructure such as water, sewer, and traffic facilities to accommodate new businesses. The loss of these funds has made it extremely difficult for the City to provide economic growth and funding for various infrastructure projects.

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

In addition, under the Dissolution Act cities now only receive property taxes to fund items that are approved by the Department of Finance (DOF). Cities report to the DOF bi-annually on items that the City requires funding for and the DOF can approve or deny an item at its sole discretion. The DOF has the ability to approve an item in one reporting period and then turn around and deny it on the next cycle. During the 2012/13 fiscal year the DOF denied payments for the COP and Mike Thompson RV; they had previously approved both items then denied them in future reporting periods. The City felt that the DOF's denial of these two items was inappropriate, along with the taking of \$5.5M in housing funds. The City filed suit against the state in July 2013 on all three issues. The case was heard before a Sacramento judge on September 18, 2015, and the judge ruled, denying all three issues. There are no assumptions of the outcome reflected in the financial statement being presented since the case was heard and ruled on after the completion of the 2014-15 fiscal year. The costs associated with the 2003 COP debt service and Mike Thompson agreement are reflected as expenses and obligations of the General Fund.

AWARDS AND ACKNOWLEDGEMENTS

Awards - The California Society of Municipal Finance Officers (CSMFO) awarded their Certificate of Achievement for Excellence in Financial Reporting to the City of Fountain Valley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014. In order to be awarded a Certificate of Achievement, the City must publish an easily readable

and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

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

The City's CAFR is more than just a historical financial document. It is a clear statement of what the community and the organization values and what we have accomplished over the last twelve months. Fountain Valley has the distinction of being a mature community with over 58 years of proud history. Even though it is mature, Fountain Valley will continue to look for ways it can change to meet its environmental and service needs of its citizens. The strong foundation that the City has been built on over the last 58 years will enable it to adapt well to the future.

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

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

Respectfully submitted,

David D. Cain

Director of Finance / City Treasurer

Teresa Gonzalez

Accounting Manager

CITY DIRECTORY

Mayor

Steve Nagel

Council Members

Cheryl Brothers
John Collins
Mark McCurdy
Michael Vo

Mayor Pro Tempore
Council Member
Council Member
Council Member

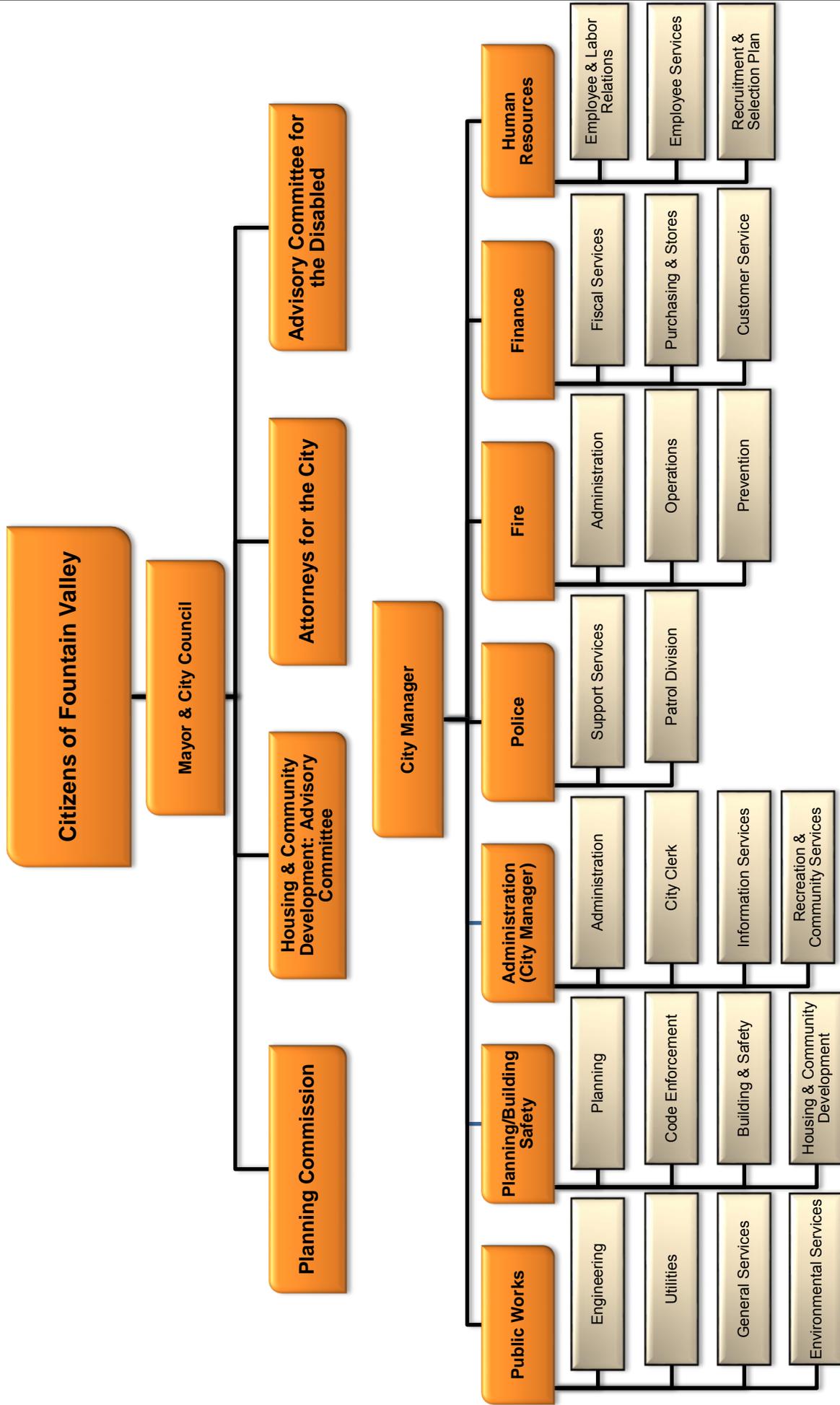
City Officials

Bob Hall
Collin Burns
David Cain
Tony Coppolino
Jean Hirai
Mark Lewis
Dan Llorens
Matt Mogensen

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



CITY ORGANIZATIONAL CHART





MISSION STATEMENT

The City of Fountain Valley delivers cost-effective quality public services to provide a safe and desirable community that enriches its residents and businesses.

CORE VALUES

The City of Fountain Valley values . . .

- ✚ Fiscal Stability**
- ✚ Honesty, integrity and ethical behavior**
- ✚ Teamwork**
- ✚ Excellent customer service**
- ✚ Innovation**

THREE-YEAR GOALS

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

California Society of Municipal Finance Officers

Certificate of Award

***Outstanding Financial Reporting
Fiscal Year Ending June 30, 2014***

Presented to the

City of Fountain Valley

For meeting the criteria established to achieve the Outstanding Financial Reporting Award.

February 8, 2015



Pamela Arends-King

***Pamela Arends-King
CSMFO President***

Michael Gomez

***Michael Gomez, Chair
Professional Standards and
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting

CITY OF FOUNTAIN VALLEY

FINANCIAL SECTION



**HYUNDAI MOTOR AMERICA
WARD STREET**

INDEPENDENT AUDITORS' REPORT

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley (the City), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1d and 13 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a \$65,452,049 and a \$5,691,482 reduction of previously reported net position of the governmental and business-type activities, respectively. Our opinions are not modified with respect to this matter.

As discussed in Note 13 to the financial statements, the City has determined the sewer fund, previously reported as a capital project fund, meets the definition of a proprietary fund. Accordingly, amounts reported for the beginning net position had been restated in fiscal year 2014-2015 financial statements for capital assets and compensated absences. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, the schedule of funding progress and budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 15, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fountain Valley (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fountain Valley for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

During the fiscal year ended June 30, 2015, the City continued to maintain its stable financial position, enabling delivery of appropriate services to the community and undertaking necessary economic development and infrastructure projects.

- At June 30, 2015, the City's governmental activities total assets and deferred outflows of resources were \$180.5 million and total liabilities and deferred inflows were \$95.9 million. The City's net position was \$84.6 million. Net position consists of \$97.8 million net investment in capital assets, \$19.9 million in restricted net position and a \$33.0 million deficit in unrestricted net position created by the implementation of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement No. 27"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*.
- In fiscal year 2014-2015 the City implemented GASB Statement No. 68 and GASB Statement No. 71. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and pension plan expenses. The result of the implementation of these standards decreased the net position of governmental and business-type activities at July 1, 2014 by \$65.5 million and \$5.7 million, respectively.
- The net position of the City's governmental activities increased by \$3.8 million. This increase is mainly attributable to the receipt of \$4.9 million of 98 Tax Allocation Bond proceeds to the City from the Successor Agency.
- The business-type activities revenue totaled \$18.1 million as compared to \$16.0 million, or a 13.1 percent increase over the prior year; expenses totaled \$16.6 million as compared to \$15.3 million in 2014, or a 8.5 percent increase over the prior year. The result produced an increase in business-type net position before extraordinary items of \$1.5 million as compared to an increase of \$0.7 million in the prior year. As a result of the extraordinary item which included a receipt of funds in the amount of \$4.0 million of 98 Tax Allocation Bonds to the water enterprise fund from the Successor Agency, the net position of the City's business-type activities increased by \$5.5 million.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$62.8 million. Non-spendable was \$1.6 million, restricted was \$19.9 million, assigned was \$22.1 million, and unassigned was \$19.2 million, available for spending at the City's discretion.

- Total governmental fund balances increased by \$4.7 million from the restated balance of \$58.1 million. This increase is attributable to the receipt of the \$4.9 million of 98 Tax Allocation Bonds from the Successor Agency.
- The beginning governmental fund balances at July 1, 2014 were restated from an original balance of \$61.8 million to a restated balance of \$58.1 million for a decrease of \$3.7 million. This restatement was due to the reclassification of the sewer fund from previously being reported as a capital projects fund to a proprietary fund. Upon review of the sewer fund's activities, it was determined that the fund meets the definition of a proprietary fund.
- Total governmental revenues and transfers in from all sources were \$53.2 million as compared to expenditures and transfers out of \$48.5 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-Wide Financial Analysis

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

SUMMARY OF NET POSITION

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 72,379	\$ 71,450	\$ 26,467	\$ 8,761	\$ 98,846	\$ 80,211
Capital assets	103,578	110,537	27,895	12,414	131,473	122,951
Total assets	175,957	181,987	54,362	21,175	230,319	203,162
Deferred outflow of resources	4,550	-	396	-	4,946	-
Liabilities:						
Other liabilities	\$ 12,847	\$ 12,379	\$ 5,603	\$ 2,319	\$ 18,450	\$ 14,698
Long-term liabilities	70,256	13,216	19,716	510	89,972	13,726
Total liabilities	83,103	25,595	25,319	2,829	108,422	28,424
Deferred inflows of resources	12,786	-	1,112	-	13,898	-
Net position:						
Net investment in capital assets	97,769	101,558	22,427	11,879	120,196	113,437
Restricted	19,856	15,453	9,720	-	29,576	15,453
Unrestricted	(33,008)	39,381	(3,820)	6,467	(36,828)	45,848
Total net position	\$ 84,618	\$ 156,392	\$ 28,327	\$ 18,346	\$ 112,945	\$ 174,738

The City's Government-wide total net position was \$113 million, with total assets and deferred outflows of resources of \$235.3 million and total liabilities and deferred inflows of resources of \$122.3 million. The net investment in capital assets was \$120.2 million. Another portion of the City's net position, \$29.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$36.8 million represents unrestricted net position. The negative balance in unrestricted net position is due to the implementation of GASB Statement No. 68 and GASB Statement No. 71, which accounts for a reduction of \$71 million in unrestricted net position.

The largest portion of the City's net position (\$120 million) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

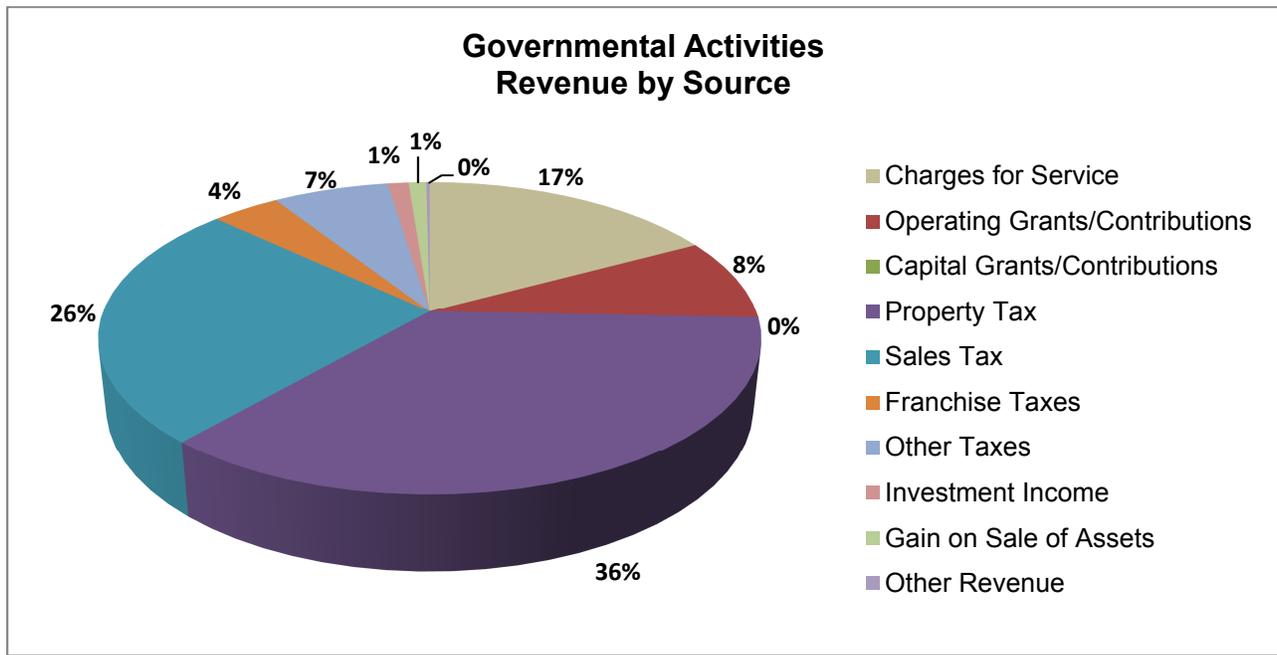
Governmental activities decreased the City's net position before extraordinary items by \$1.1 million. The key element of this decrease is related to funds spent to fund traffic improvement capital projects. Expenses were spent on numerous traffic improvement capital projects identified as part of the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

CHANGES IN NET POSITION

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Charges for services	\$ 7,779	\$ 9,295	\$ 18,222	\$ 16,036	\$ 26,001	\$ 25,331
Operating grants and contributions	3,844	4,418	-	-	3,844	4,418
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Taxes:						
Property taxes	16,247	10,423	-	-	16,247	10,423
Sales taxes	11,557	11,443	-	-	11,557	11,443
Franchise taxes	1,791	1,629	-	-	1,791	1,629
Other taxes	3,032	2,739	-	-	3,032	2,739
From other agencies	-	4,569	-	-	-	4,569
Investment income	547	708	127	34	674	742
Gain on sale of capital assets	466	32	-	-	466	32
Miscellaneous	87	33	-	9	87	42
Transfers	198	80	(198)	(80)	-	-
Total Revenues	45,548	45,369	18,151	15,999	63,699	61,368
Expenses:						
General government	3,395	3,399	-	-	3,395	3,399
Public safety	26,994	25,531	-	-	26,994	25,531
Transportation	8,270	8,603	-	-	8,270	8,603
Community development	5,068	5,256	-	-	5,068	5,256
Community services	2,603	2,650	-	-	2,603	2,650
Interest charges	334	349	-	-	334	349
Water	-	-	12,488	12,345	12,488	12,345
Solid waste	-	-	2,976	2,936	2,976	2,936
Sewer	-	-	1,139	-	1,139	-
Total liabilities	46,664	45,788	16,603	15,281	63,267	61,069
Change in net position before extraordinary items	(1,116)	(419)	1,548	718	432	299
Extraordinary items	4,919	-	4,000	-	8,919	-
Change in net position after extraordinary items	3,803	(419)	5,548	718	9,351	299
Net position - beginning of year, as restated	80,815	156,811	22,779	17,628	103,594	174,439
Net position - ending of year	<u>\$ 84,618</u>	<u>\$156,392</u>	<u>\$ 28,327</u>	<u>\$ 18,346</u>	<u>\$112,945</u>	<u>\$174,738</u>

Note: The ending net position from 2014 does not agree to the beginning net position of 2015 due to the implementation of GASB Nos. 68 and 71.



Financial Analysis of the Government Funds

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

Governmental Funds

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$62.8 million an increase of \$4.6 million from the restated prior year balances. As mentioned earlier the net increase is related to the receipt of \$4.9 million of 98 Tax Allocation Bond proceeds from the Successor Agency and expenditure of funds on numerous traffic improvement capital projects. Approximately 2.5% of this amount, \$1.6 million is not available for spending, \$19.9 million, or 31.6% is considered restricted, \$22.2 million, or 35.3% is assigned and 30.6%, \$19.2 million is available for spending at the government's discretion within the guidelines of the fund types.

At the end of the current fiscal year, the unassigned fund balance in the general fund, the chief operating fund of the City, was \$19.2 million and total fund balance was \$47.5 million. The general fund balance increased \$4.9 million from the 2014 fiscal year. The general fund revenues closely matched the expenditures before the extraordinary item in the amount of \$4.9 million.

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

The fund balance in the Housing Authority Fund at June 30, 2015, was \$8 million, an increase of \$156 thousand; this increase is directly related to an unexpected increase in receipts of loan repayments.

Proprietary Funds

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

Total net position for the Water Utility Fund increased by \$4.8 million and totaled \$17.9 million at June 30, 2015, of this amount a negative unrestricted net position amounted to \$7.9 million. The increase is attributable to the receipt of \$4.0 million of 98 Tax Allocation Bonds from the Successor Agency.

The net position for the Sewer Fund increased by \$668 thousand and totaled \$9.7 million at June 30, 2015; of this amount the unrestricted net position amounted to \$3.3 million. In the 2015 fiscal year the Sewer Fund was reclassified to a proprietary fund from a governmental fund.

For the fiscal year ended 2015 the Solid Waste Fund had a net position of \$716 thousand, with an increase of \$41 thousand from last fiscal year.

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the year ended June 30, 2015, is presented as required supplementary information following the notes to the financial statements. Revenues and transfers in were \$46.8 million, 5.1% higher than the City's final budget of \$44.5 million. Significant revenues over budget were received from Transient Occupancy Tax (\$222 thousand), sale of surplus property (\$425 thousand) and developer impact fees (\$560 thousand). Expenditures and transfers out were lower by \$7.5 million than the final budget of \$49.4 million, or 15.3% under budget. The primary differences between actual expenditures and budget is due to the carryover of funds for the economic development project (\$1.4 million), for the payoff of the CalPERS side fund debt (\$2 million) and storm water pump station (\$3.5 million).

Differences between the original and final revenue budget reflect an increase of \$5.6 million or 14.4%.

Differences between the original and final total expenditures budget reflect an increase of \$5.3 million or 12%.

The following summarizes the General Fund's original budget, final budget and actual results for 2015 revenues, expenditures and transfers:

GENERAL FUND BUDGETARY COMPARISON

(in thousands)

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues	\$ 38,376	\$ 38,882	\$ 41,072	\$ 2,190
Expenditures	(39,199)	(44,255)	(40,213)	4,042
Other Financing Sources (Uses)				
Transfers in	521	721	792	71
Transfers out	(4,964)	(5,189)	(1,657)	3,532
Extraordinary item	-	4,914	4,919	5
Net Change in Fund Balance	<u>\$ (5,266)</u>	<u>\$ (4,927)</u>	<u>\$ 4,913</u>	<u>\$ 9,840</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to \$131.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, vehicles and equipment, park facilities, roads, highway, and sidewalks/curbs/gutters. The total increase in the City's investment in capital assets for the current fiscal year was \$8.5 million or 7%. The major additions were for the construction costs in the amount of \$4.5 million for the Reservoir No. 1 Rehabilitation project, \$4.8 million for the Advanced Metering Infrastructure (AMI) project and \$637 thousand for the Recreation Center Restroom ADA project.

CAPITAL ASSETS

(net of accumulated depreciation)

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,885	\$ 3,885	\$ 123	\$ 123	\$ 4,008	\$ 4,008
Vehicles and equipment	2,749	2,272	173	196	2,922	2,468
Furniture and fixtures	10	12	-	-	10	12
Buildings	8,995	8,643	7,334	7,419	16,329	16,062
Construction in Progress	15	612	10,607	2,657	10,622	3,269
Improvements other than structures	3,467	3,412	9,658	8,447	13,125	11,859
Rights of Way	17,948	17,948	-	-	17,948	17,948
Infrastructure	66,509	67,324	-	-	66,509	67,324
Net capital assets	<u>\$ 103,578</u>	<u>\$ 104,108</u>	<u>\$ 27,895</u>	<u>\$ 18,842</u>	<u>\$ 131,473</u>	<u>\$ 122,950</u>

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

OUTSTANDING DEBT AS OF JUNE 30, 2015 AND 2014

(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Certificates of participation	\$ 8,225	\$ 8,760	\$ -	\$ -	\$ 8,225	\$ 8,760
Revenue bonds	-	-	15,188	-	15,188	-
Compensated absences	2,143	2,125	171	126	2,314	2,251
Claims payable	3,384	3,081	-	-	3,384	3,081
Other post-employment benefits	2,965	1,889	-	-	2,965	1,889
Leases payable	109	219	-	-	109	219
Loans payable	-	-	-	535	-	535
Total Long Term Liabilities	\$ 16,826	\$ 16,074	\$ 15,359	\$ 661	\$ 32,185	\$ 16,735

At year-end, the City had total long term debt outstanding of \$32.2 million; this is an increase of \$15.5 million. The net increase is attributable to the issuance of the 2014A Revenue bonds in the amount of \$13.7 million, a net increase to OPEB obligation in the amount of \$1 million and reductions in lease payable obligations and certificates of participation.

FISCAL YEAR 2015-16 OPERATING BUDGET AND ENTERPRISE RATES

The City Council adopted the fiscal year 2015-2016 Budget with total appropriations of \$94.5 million and projected revenues of \$86.8 million. The combined funds include a substantial amount of one-time capital improvement projects. The General Fund fiscal year 2015-2016 estimated revenues are \$42.9 million and budgeted appropriations are \$43.4 million. The General Fund appropriations increased by \$1.5 million or 3.6% from the 2015 actual expenditures. The fiscal year 2015-2016 budget includes an approved increase of 5.75 percent to water rates and 3.0 percent to sewer rates. The 2015-16 budget also includes the updated fees for service, which were adjusted based on a full cost of service study completed and adopted by City Council in February 2015.

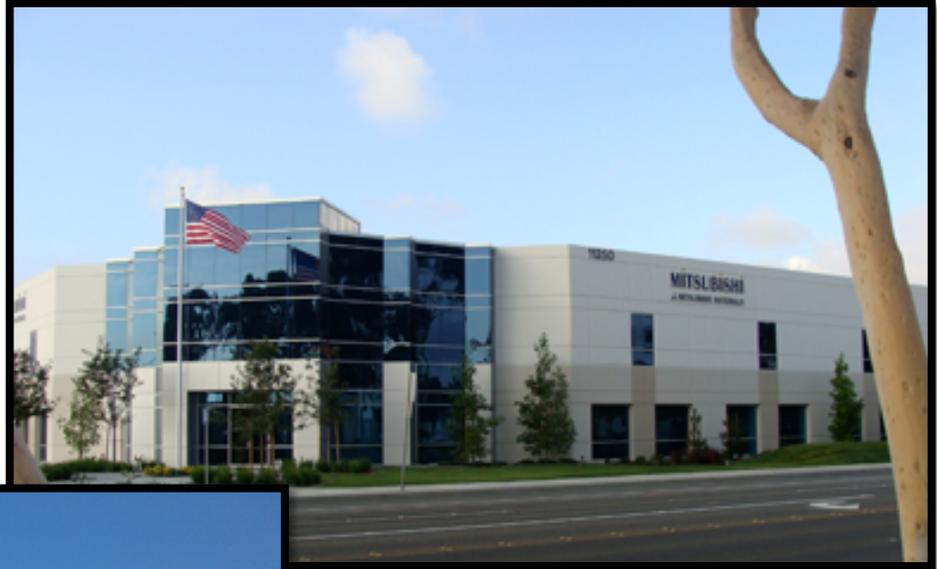
Requests for Information

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

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CITY OF FOUNTAIN VALLEY

BASIC FINANCIAL STATEMENTS



MITSUBISHI USA CORPORATION
SLATER AVENUE

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 52,730,766	\$ 15,429,823	\$ 68,160,589
Restricted cash and investments	2,524,453	9,720,189	12,244,642
Receivables:			
Accounts	2,974,498	2,478,675	5,453,173
Accrued interest	92,200	-	92,200
Loans	7,021,000	-	7,021,000
Advances to successor agency	1,836,466	-	1,836,466
Internal balances	1,162,000	(1,162,000)	-
Inventories	82,741	-	82,741
Land held for resale	3,851,917	-	3,851,917
Prepaid items	102,785	-	102,785
Capital assets:			
Not being depreciated	85,397,427	10,730,043	96,127,470
Being depreciated, net	18,181,127	17,165,253	35,346,380
TOTAL ASSETS	<u>175,957,380</u>	<u>54,361,983</u>	<u>230,319,363</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount from pension plans	4,549,818	395,637	4,945,455
LIABILITIES:			
Accounts payable	1,547,321	4,202,967	5,750,288
Accrued wages payable	560,798	-	560,798
Accrued interest payable	112,850	299,531	412,381
Due to other governments	182,442	-	182,442
Unearned revenue	6,837,711	-	6,837,711
Deposits payable	33,272	500,346	533,618
Long-term liabilities:			
Due within one year	3,572,878	599,408	4,172,286
Due in more than one year	13,253,903	14,759,775	28,013,678
Net pension liability	57,002,099	4,956,704	61,958,803
TOTAL LIABILITIES	<u>83,103,274</u>	<u>25,318,731</u>	<u>108,422,005</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	12,786,405	1,111,861	13,898,266
NET POSITION:			
Net investment in capital assets	97,768,732	22,427,033	120,195,765
Restricted for:			
Housing	8,210,112	-	8,210,112
Public safety	627,702	-	627,702
Transportation	3,703,882	-	3,703,882
Community development	6,424,944	9,720,189	16,145,133
Debt service	889,691	-	889,691
Unrestricted	(33,007,544)	(3,820,194)	(36,827,738)
TOTAL NET POSITION	<u>\$ 84,617,519</u>	<u>\$ 28,327,028</u>	<u>\$ 112,944,547</u>

See accompanying notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,394,812	\$ 1,541,214	\$ -	\$ -
Public safety	26,994,195	2,407,751	296,801	-
Transportation	8,270,272	-	2,952,206	-
Community development	5,068,347	1,798,307	510,814	-
Community services	2,602,832	2,031,969	84,191	-
Interest on long term debt	334,168	-	-	-
Total governmental activities	<u>46,664,626</u>	<u>7,779,241</u>	<u>3,844,012</u>	<u>-</u>
Business-type activities:				
Water	12,487,881	13,104,591	-	-
Sewer	1,138,936	1,891,019	-	-
Solid waste	<u>2,976,404</u>	<u>3,226,183</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>16,603,221</u>	<u>18,221,793</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 63,267,847</u>	<u>\$ 26,001,034</u>	<u>\$ 3,844,012</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position, before extraordinary item

Extraordinary item:

Payment of bond proceeds to the City
from the Successor Agency

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,853,598)	\$ -	\$ (1,853,598)
(24,289,643)	-	(24,289,643)
(5,318,066)	-	(5,318,066)
(2,759,226)	-	(2,759,226)
(486,672)	-	(486,672)
(334,168)	-	(334,168)
<u>(35,041,373)</u>	<u>-</u>	<u>(35,041,373)</u>
-	616,710	616,710
-	752,083	752,083
-	249,779	249,779
<u>-</u>	<u>1,618,572</u>	<u>1,618,572</u>
<u>(35,041,373)</u>	<u>1,618,572</u>	<u>(33,422,801)</u>
16,247,191	-	16,247,191
11,556,673	-	11,556,673
1,790,685	-	1,790,685
3,032,589	-	3,032,589
547,066	126,889	673,955
465,509	-	465,509
87,486	-	87,486
197,855	(197,855)	-
<u>33,925,054</u>	<u>(70,966)</u>	<u>33,854,088</u>
(1,116,319)	1,547,606	431,287
<u>4,918,798</u>	<u>4,000,000</u>	<u>8,918,798</u>
3,802,479	5,547,606	9,350,085
<u>80,815,040</u>	<u>22,779,422</u>	<u>103,594,462</u>
<u>\$ 84,617,519</u>	<u>\$ 28,327,028</u>	<u>\$ 112,944,547</u>

CITY OF FOUNTAIN VALLEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Special Revenue Fund Housing Authority
ASSETS	<u>General</u>	<u>Housing Authority</u>
Cash and investments	\$ 45,723,129	\$ 2,317,012
Restricted cash and investments	-	-
Receivables:		
Accounts	2,579,963	-
Accrued interest	92,200	-
Loans	848	6,837,711
Advances to other funds	1,414,280	-
Advances to successor agency	-	1,836,466
Inventories	82,741	-
Land held for resale	-	3,851,917
Prepaid items	102,785	-
TOTAL ASSETS	<u>\$ 49,995,946</u>	<u>\$ 14,843,106</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 1,488,099	\$ 8,927
Accrued wages payable	560,798	-
Deposits payable	33,272	-
Due to other governments	-	-
Unearned revenue	-	6,837,711
Advances from other funds	-	-
TOTAL LIABILITIES	<u>2,082,169</u>	<u>6,846,638</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	437,052	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>2,519,221</u>	<u>6,846,638</u>
FUND BALANCES:		
Nonspendable:		
Inventories	82,741	-
Prepaid expenses	102,785	-
Advances	1,414,280	-
Restricted for:		
Public safety	-	-
Transportation	-	-
Housing	-	7,996,468
Community development	4,714,142	-
Debt service	-	-
Assigned:		
Fleet replacement	2,000,000	-
Information technology replacement	800,000	-
Major facility replacement	1,750,000	-
Employee benefits	521,647	-
Self insurance	3,000,000	-
Capital equipment	800,000	-
Disaster	1,000,000	-
Capital projects	9,600,000	-
Economic development	2,500,000	-
Unassigned	19,191,130	-
TOTAL FUND BALANCES	<u>47,476,725</u>	<u>7,996,468</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 49,995,946</u>	<u>\$ 14,843,106</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total
\$ 4,690,625	\$ 52,730,766
2,524,453	2,524,453
394,535	2,974,498
-	92,200
182,441	7,021,000
-	1,414,280
-	1,836,466
-	82,741
-	3,851,917
-	102,785
<u>\$ 7,792,054</u>	<u>\$ 72,631,106</u>
\$ 50,295	\$ 1,547,321
-	560,798
-	33,272
182,442	182,442
-	6,837,711
252,280	252,280
<u>485,017</u>	<u>9,413,824</u>
-	437,052
<u>485,017</u>	<u>9,850,876</u>
-	82,741
-	102,785
-	1,414,280
627,702	627,702
3,703,882	3,703,882
213,644	8,210,112
1,710,802	6,424,944
889,691	889,691
-	2,000,000
-	800,000
-	1,750,000
-	521,647
-	3,000,000
-	800,000
-	1,000,000
161,316	9,761,316
-	2,500,000
-	19,191,130
<u>7,307,037</u>	<u>62,780,230</u>
<u>\$ 7,792,054</u>	<u>\$ 72,631,106</u>

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CITY OF FOUNTAIN VALLEY

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

June 30, 2015

Fund balances - total governmental funds	\$ 62,780,230
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	133,757,030
Accumulated depreciation	(30,178,476)
Net OPEB liabilities are not recorded under the modified accrual basis of accounting.	(2,965,148)
Long-term liabilities have not been included in the governmental funds:	
Certificates of participation, capital leases and claims	(11,718,431)
Compensated absences	(2,143,202)
Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities	
Deferred outflows of resources	4,549,818
Deferred inflows of resources	(12,786,405)
Pension liability	(57,002,099)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(112,850)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	<u>437,052</u>
Net position of governmental activities	<u><u>\$ 84,617,519</u></u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2015

	General	Special Revenue Fund Housing Authority
	<u>General</u>	<u>Housing Authority</u>
REVENUES:		
Taxes	\$ 30,655,218	\$ -
Licenses and permits	1,915,471	-
Fines and penalties	705,372	-
Investment income	423,490	120,730
Rental income	1,203,964	-
Intergovernmental	107,884	-
Charges for services	4,177,996	-
Miscellaneous	1,882,517	115,895
TOTAL REVENUES	<u>41,071,912</u>	<u>236,625</u>
EXPENDITURES:		
Current:		
General government	2,883,285	-
Public safety	25,032,981	-
Transportation	4,659,683	-
Community development	3,651,061	80,644
Community services	2,318,201	-
Capital outlay	1,558,000	-
Debt service:		
Principal	109,547	-
Interest	-	-
TOTAL EXPENDITURES	<u>40,212,758</u>	<u>80,644</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>859,154</u>	<u>155,981</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	792,147	-
Transfers out	<u>(1,657,133)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(864,986)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY GAIN	(5,832)	155,981
EXTRAORDINARY GAIN:		
Payment of bond proceeds to the City from the Successor Agency	<u>4,918,798</u>	<u>-</u>
TOTAL EXTRAORDINARY GAIN	<u>4,918,798</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,912,966	155,981
FUND BALANCES - BEGINNING OF YEAR	<u>42,563,759</u>	<u>7,840,487</u>
FUND BALANCES - END OF YEAR	<u>\$ 47,476,725</u>	<u>\$ 7,996,468</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total
\$ -	\$ 30,655,218
-	1,915,471
-	705,372
28,157	572,377
-	1,203,964
3,650,613	3,758,497
107,176	4,285,172
23,413	2,021,825
<u>3,809,359</u>	<u>45,117,896</u>
-	2,883,285
300,037	25,333,018
3,243,721	7,903,404
309,799	4,041,504
10,662	2,328,863
527,519	2,085,519
535,000	644,547
344,400	344,400
<u>5,271,138</u>	<u>45,564,540</u>
<u>(1,461,779)</u>	<u>(446,644)</u>
2,433,243	3,225,390
<u>(1,370,402)</u>	<u>(3,027,535)</u>
<u>1,062,841</u>	<u>197,855</u>
(398,938)	(248,789)
-	<u>4,918,798</u>
-	<u>4,918,798</u>
(398,938)	4,670,009
<u>7,705,975</u>	<u>58,110,221</u>
<u>\$ 7,307,037</u>	<u>\$ 62,780,230</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 4,670,009
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.	
Capital outlays	1,729,189
Depreciation expense	(2,257,316)
Disposal of capital assets	(1,701)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	644,547
The Statement of Net Position includes accrued interest on long-term debt.	10,232
The liability for claims and judgments is reported on the Statement of Net Position and the net change in claims and judgments payable is an increase of expense in the Statement of Activities.	(303,195)
Compensated absences of payable are reported in the Statement of Net Position and the net change in compensated absences payable is an increase expense in the Statement of Activities	(59,474)
Other post-employment benefits payable are reported in the Statement of Net Position and the net change in the other post-employment benefits payable is an increase in expense in the Statement of Activities	(1,075,731)
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	213,363
Revenues that are measurable but not available are not recorded as revenue under the modified accrual basis of accounting.	<u>232,556</u>
Change in net position of governmental activities	<u>\$ 3,802,479</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
ASSETS:				
CURRENT ASSETS:				
UNRESTRICTED ASSETS:				
Cash and cash equivalents	\$ 10,665,098	\$ 4,262,598	\$ 502,127	\$ 15,429,823
Accounts receivable	1,761,730	254,727	462,218	2,478,675
TOTAL UNRESTRICTED ASSETS	12,426,828	4,517,325	964,345	17,908,498
RESTRICTED ASSETS:				
Cash and cash equivalents	9,720,189	-	-	9,720,189
TOTAL CURRENT ASSETS	22,147,017	4,517,325	964,345	27,628,687
NONCURRENT ASSETS:				
Capital assets:				
Not being depreciated	10,518,898	211,145	-	10,730,043
Being depreciated, net	10,966,907	6,198,346	-	17,165,253
TOTAL NONCURRENT ASSETS	21,485,805	6,409,491	-	27,895,296
TOTAL ASSETS	43,632,822	10,926,816	964,345	55,523,983
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amount from pension plans	321,455	74,182	-	395,637
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	3,860,443	93,924	248,600	4,202,967
Deposits payable	500,346	-	-	500,346
Interest payable	299,531	-	-	299,531
Advances from other funds	1,162,000	-	-	1,162,000
Bonds payable, current portion	465,000	-	-	465,000
Compensated absences, current portion	99,682	34,726	-	134,408
TOTAL CURRENT LIABILITIES	6,387,002	128,650	248,600	6,764,252
NONCURRENT LIABILITIES:				
Compensated absences, net of current portion	26,939	9,384	-	36,323
Bonds payable, net of current portion	14,723,452	-	-	14,723,452
Net pension liability	4,027,322	929,382	-	4,956,704
TOTAL NONCURRENT LIABILITIES	18,777,713	938,766	-	19,716,479
TOTAL LIABILITIES	25,164,715	1,067,416	248,600	26,480,731
DEFERRED INFLOWS OF RESOURCES:				
Deferred amounts from pension plans	903,387	208,474	-	1,111,861
NET POSITION:				
Net investment in capital assets	16,017,542	6,409,491	-	22,427,033
Restricted	9,720,189	-	-	9,720,189
Unrestricted	(7,851,556)	3,315,617	715,745	(3,820,194)
TOTAL NET POSITION	\$ 17,886,175	\$ 9,725,108	\$ 715,745	\$ 28,327,028

See accompanying notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2015

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
OPERATING REVENUES:				
Charges for services	\$ 12,876,314	\$ 1,891,019	\$ 3,226,183	\$ 17,993,516
Miscellaneous	228,277	-	-	228,277
TOTAL OPERATING REVENUES	13,104,591	1,891,019	3,226,183	18,221,793
OPERATING EXPENSES:				
Distribution maintenance	66,813	-	-	66,813
Utility administration	899,735	606,142	-	1,505,877
Contract services	-	159,706	2,976,404	3,136,110
Pumping and maintenance	1,313,407	127,455	-	1,440,862
Water treatment	9,156,509	-	-	9,156,509
Depreciation	647,267	245,633	-	892,900
TOTAL OPERATING EXPENSES	12,083,731	1,138,936	2,976,404	16,199,071
OPERATING INCOME	1,020,860	752,083	249,779	2,022,722
NONOPERATING REVENUES (EXPENSES):				
Investment income	102,671	24,218	-	126,889
Interest expense	(404,150)	-	-	(404,150)
TOTAL NONOPERATING REVENUES (EXPENSES)	(301,479)	24,218	-	(277,261)
INCOME BEFORE TRANSFERS AND EXTRAORDINARY ITEM	719,381	776,301	249,779	1,745,461
TRANSFERS:				
Transfers in	208,917	-	-	208,917
Transfers out	(89,075)	(108,780)	(208,917)	(406,772)
TOTAL TRANSFERS	119,842	(108,780)	(208,917)	(197,855)
EXTRAORDINARY ITEM:				
Payment of bond proceeds to the City from the Successor Agency	4,000,000	-	-	4,000,000
CHANGES IN NET POSITION	4,839,223	667,521	40,862	5,547,606
NET POSITION - BEGINNING OF YEAR, AS RESTATED	13,046,952	9,057,587	674,883	22,779,422
NET POSITION - END OF YEAR	\$ 17,886,175	\$ 9,725,108	\$ 715,745	\$ 28,327,028

See accompanying notes to basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2015

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 13,828,903	\$ 1,822,798	\$ 3,207,357	\$ 18,859,058
Cash payments to suppliers of goods and services	(6,673,972)	(556,556)	(2,972,605)	(10,203,133)
Cash payments to employees for services	(2,520,781)	(482,053)	-	(3,002,834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,634,150	784,189	234,752	5,653,091
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	958,973	-	-	958,973
Cash paid to other funds	(1,093,131)	(108,780)	(208,917)	(1,410,828)
Bond proceeds received from the Successor Agency	4,000,000	-	-	4,000,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	3,865,842	(108,780)	(208,917)	3,548,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from bond issuance	15,005,940	-	-	15,005,940
Cash paid for acquisition and construction of capital assets	(9,719,017)	(226,934)	-	(9,945,951)
Principal paid on debt	(535,285)	-	-	(535,285)
Interest paid on debt	(104,619)	-	-	(104,619)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	4,647,019	(226,934)	-	4,420,085
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	102,671	24,218	-	126,889
NET CASH PROVIDED BY INVESTING ACTIVITIES	102,671	24,218	-	126,889
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,249,682	472,693	25,835	13,748,210
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,135,605	3,789,905	476,292	11,401,802
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 20,385,287	\$ 4,262,598	\$ 502,127	\$ 25,150,012

See accompanying notes to basic financial statements.

(Continued)

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2015

	Business-Type Activities			Total
	Water Utility	Sewer	Solid Waste	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,020,860	\$ 752,083	\$ 249,779	\$ 2,022,722
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	647,267	245,633	-	892,900
Bond issuance costs	182,512	-	-	182,512
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	360,297	(7,771)	(18,826)	333,700
(Increase) decrease in deferred outflows of resources from pension plans	(17,557)	(4,052)	-	(21,609)
Increase (decrease) in accounts payable	2,073,112	(144,578)	3,799	1,932,333
Increase (decrease) in deposits payable	364,015	(60,450)	-	303,565
Increase (decrease) in compensated absences	1,162	2,751	-	3,913
Increase (decrease) in net pension liability	(900,905)	(207,901)	-	(1,108,806)
Increase (decrease) in deferred inflows of resources from pension plans	903,387	208,474	-	1,111,861
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,634,150	\$ 784,189	\$ 234,752	\$ 5,653,091
CASH AND CASH EQUIVLENTS - FINANCIAL STATEMENT CLASSIFICATION:				
Cash and cash equivalents	\$ 10,665,098	\$ 4,262,598	\$ 502,127	\$ 15,429,823
Restricted cash and cash equivalents	9,720,189	-	-	9,720,189
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	\$ 20,385,287	\$ 4,262,598	\$ 502,127	\$ 25,150,012

See accompanying notes to basic financial statements.

CITY OF FOUNTAIN VALLEY
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Private-Purpose Trust Funds	Agency Funds	Total
ASSETS:			
Cash and investments	\$ 591,996	\$ 1,078,075	\$ 1,670,071
Cash and investments with fiscal agents	1,993,966	-	1,993,966
Accrued interest receivable	508	-	508
	TOTAL ASSETS	\$ 1,078,075	3,664,545
LIABILITIES:			
Accounts payable	133,755	\$ -	133,755
Deposits payable	-	1,078,075	1,078,075
Advances payable to:			
Housing Authority	1,836,466	-	1,836,466
Accrued interest payable	43,593	-	43,593
Long-term liabilities:			
Due within one year	1,855,000	-	1,855,000
	TOTAL LIABILITIES	\$ 1,078,075	4,946,889
NET POSITION:			
Held in trust for Successor Agency	\$ (1,282,344)		\$ (1,282,344)

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2015

ADDITIONS:	
Taxes	\$ 1,445,721
Investment income	<u>6,399</u>
TOTAL ADDITIONS	<u>1,452,120</u>
DEDUCTIONS:	
Administrative	93,583
Community development	303,687
Interest	<u>128,898</u>
TOTAL DEDUCTIONS	<u>526,168</u>
INCOME BEFORE EXTRAORDINARY ITEM	925,952
EXTRAORDINARY ITEM:	
Payment to the City of bond proceeds	<u>(8,918,798)</u>
CHANGE IN NET POSITION	(7,992,846)
NET POSITION - BEGINNING OF YEAR	<u>6,710,502</u>
NET POSITION - END OF YEAR	<u><u>\$ (1,282,344)</u></u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

NOTES TO THE

BASIC FINANCIAL STATEMENTS



CHASE BANK
GARFIELD STREET

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Reporting Entity:

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

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

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

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

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. The activities of the Authority are reported in the Water Utility Proprietary Fund. Separate financial statements are not prepared for this blended component unit.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

Government-Wide Financial Statements:

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-Wide Financial Statements (Continued):

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

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

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

Fund Financial Statements:

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Financial Statements (Continued):

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

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

Governmental Funds:

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued):

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

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

Proprietary Funds:

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water utility, 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.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fiduciary Funds:

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

c. Fund Classifications:

The City reports the following major governmental funds:

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

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

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 THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (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 Fund is used to account for resources restricted or assigned for expenditure of principal and interest.

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

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

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

d. New Accounting Pronouncements:

GASB Current Year Standards:

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position of governmental and business-type activities at July 1, 2014 by \$65,452,049 and \$5,691,482, respectively.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the City.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GASB Pending Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

e. Cash and Investments:

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

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

f. Cash Equivalents:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

i. Land Held for Resale:

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

j. Capital Assets:

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Capital Assets (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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. That item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

l. Property Taxes:

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

The property tax calendar is as follows:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Claims and Judgments:

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

n. Employee Leave Benefits:

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

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

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

o. Net Position:

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Net Position (Continued):

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

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

p. Net Position Flow Assumption:

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

q. Fund Balances:

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q. Fund Balances (Continued):

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

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

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

r. 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.

s. Use of Estimates:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 68,160,589
Restricted cash and investments	12,244,642
Statement of Fiduciary Net Position:	
Cash and investments	1,670,071
Cash and investments with fiscal agents	<u>1,993,966</u>
Total cash and investments	<u>\$ 84,069,268</u>

Cash and investments held by the City at June 30, 2015 consisted of the following:

Cash on hand	\$ 28,775
Deposits with financial institutions	8,724,152
Investments	<u>75,316,341</u>
Total cash and investments	<u>\$ 84,069,268</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

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

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

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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

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

N/A - Not Applicable

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

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

Disclosures Relating to Interest Rate Risk:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Local Agency Investment Fund	\$ 35,926,924	\$ -	\$ -	\$ -	\$ 35,926,924
U.S. Government Sponsored					
Agency Securities	-	3,517,555	8,428,797	-	11,946,352
U.S. Treasury Notes	1,499,536	4,510,200	3,642,628	-	9,652,364
Money market mutual funds	3,451,762	-	-	-	3,451,762
Medium Term Notes	-	911,978	8,144,011	-	9,055,989
Held by Fiscal Agent:					
Local Agency Investment Fund	1,950,372	-	-	-	1,950,372
Money market mutual funds	3,332,578	-	-	-	3,332,578
	<u>\$ 46,161,172</u>	<u>\$ 8,939,733</u>	<u>\$ 20,215,436</u>	<u>\$ -</u>	<u>\$ 75,316,341</u>

Disclosures Relating to Credit Risk:

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

Investment Type	Minimum Legal Rating	Total as of June 30, 2015	Ratings as of Fiscal Year End			
			AAA	AA+	Other	Not Rated
Local Agency Investment Fund	N/A	\$ 35,926,924	\$ -	\$ -	\$ -	\$35,926,924
U.S. Government Sponsored						
Agency Securities	N/A	11,946,352	998,580	10,947,772	-	-
U.S. Treasury Notes	N/A	9,652,364	-	-	-	9,652,364
Money market mutual funds	A	3,451,762	-	-	-	3,451,762
Medium Term Notes	A	9,055,989	1,498,519	910,769	6,646,701	-
Held by Fiscal Agent:						
Local Agency Investment Fund	N/A	1,950,372	-	-	-	1,950,372
Money market mutual funds	A	3,332,578	3,332,578	-	-	-
		<u>\$ 75,316,341</u>	<u>\$ 5,829,677</u>	<u>\$11,858,541</u>	<u>\$ 6,646,701</u>	<u>\$50,981,422</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk (Continued):

The ratings for the “Other” category above are as follows:

<u>Investment Type</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>Total</u>
Medium Term Notes	<u>\$ 452,682</u>	<u>\$ 800,287</u>	<u>\$ 3,147,312</u>	<u>\$ 1,789,866</u>	<u>\$ 456,554</u>	<u>\$ 6,646,701</u>

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	\$ 4,428,677
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	4,506,845

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2015, 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 THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool:

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

3. INTERFUND ACTIVITY:

The following represents the interfund activity of the City for the fiscal year ended June 30, 2015.

Advances To/From Other Funds:

Advances to other funds and from other funds at June 30, 2015 are as follows:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 252,280
	Water Utility Fund	<u>1,162,000</u>
		<u>\$ 1,414,280</u>

An advance of \$372,593 evidenced by a promissory note with an interest rate of 3.195% was made from the General Fund to the Criminal Activities Special Revenue Fund to pay for a new Computer Aided Dispatch/Records Management System and related hardware and software. The unpaid balance at June 30, 2015 was \$252,280 and is scheduled to be repaid by fiscal year 2016-2017.

An advance of \$2,500,000 evidenced by a promissory note with an interest rate of 5.5% was made by the General Fund to the Water Enterprise Fund to pay for construction of Well No.9. The unpaid balance at June 30, 2015 was \$1,162,000 and is scheduled to be repaid by fiscal year 2017-2018.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

3. INTERFUND ACTIVITY (CONTINUED):

Transfers In/Out:

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds (a)	\$ 737,567
	Sewer Fund (a)	54,580
Other Governmental Funds	General Fund (b)	1,657,133
	Other Governmental Funds (c)	632,835
	Water Utility Fund (d)	89,075
	Sewer Fund (e)	54,200
Water Utility Fund	Solid Waste Fund (f)	<u>208,917</u>
		<u>\$ 3,434,307</u>

- (a) Transfers in to the General Fund include \$508,723 from the Gas Tax Special Revenue Fund to reimburse eligible expenditures, \$28,844 from the Measure M2 Revenue Fund for funding assistance for Senior Mobility Program from M2 Funds, \$200,000 from the Community Development Block Grant Special Revenue Fund for funding assistance of the recreation center remodel, and \$54,580 from the Sewer Proprietary Fund to reimburse eligible expenditures.
- (b) Transfers out of the General Fund include \$894,544 to the Financing Authority for debt service payments on the Certificates of Participation, \$762,072 to the Gas Tax Special Revenue Fund for funding assistance from waste franchise for residential road rehabilitation, and \$517 to the Pollution Reduction Special Revenue Fund to cover disallowed expenses.
- (c) Transfers out of the Measure M2 Special Revenue Fund to the Traffic Improvement Special Revenue Fund and Drainage Capital Projects Fund for \$493,190 and \$99,645, respectively, for funding assistance for various capital projects funded by local share of M2 Funds. Transfers out of the Traffic Improvement Special Revenue Fund to the Gas Tax Special Revenue fund for \$40,000 for the signal system upgrade project.
- (d) Transfers out of the Water Utility Proprietary Fund include \$81,575 to the Gas Tax Special Revenue Fund for residential rehabilitation projects and \$7,500 to the Traffic Improvement Fund for arterial road rehabilitation projects.
- (e) Transfers out of Sewer Proprietary Fund include \$52,000 to the Gas Tax Special Revenue Fund for residential road rehabilitation projects and \$2,200 to the Traffic Improvement Fund for arterial road rehabilitation projects.
- (f) Transfer out of the Solid Waste Proprietary Fund for administrative charge of Rainbow billing services recorded in the Water Utility Proprietary Fund.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

4. CAPITAL ASSETS:

Governmental Activities:

Changes in capital assets for governmental activities for the year ended June 30, 2015 were as follows:

	Balances at July 1, 2014 <small>(As Restated - Note 13)</small>	<u>Additions</u>	<u>Deletions</u>	Balances at June 30, 2015
Capital assets, not being depreciated:				
Infrastructure (modified approach)	\$ 63,548,697	\$ -	\$ -	\$ 63,548,697
Land	3,885,105	-	-	3,885,105
Rights of way	17,948,464	-	-	17,948,464
Construction in progress	<u>612,237</u>	<u>1,077,194</u>	<u>(1,674,270)</u>	<u>15,161</u>
Total capital assets, not being depreciated	<u>85,994,503</u>	<u>1,077,194</u>	<u>(1,674,270)</u>	<u>85,397,427</u>
Capital assets, being depreciated:				
Buildings	17,274,254	717,895	-	17,992,149
Improvements	4,125,670	271,888	-	4,397,558
Vehicles and equipment	8,229,175	1,336,482	(191,135)	9,374,522
Furniture and fixtures	20,302	-	-	20,302
Infrastructure (depreciation approach)	<u>16,575,072</u>	<u>-</u>	<u>-</u>	<u>16,575,072</u>
Total capital assets, being depreciated	<u>46,224,473</u>	<u>2,326,265</u>	<u>(191,135)</u>	<u>48,359,603</u>
Less accumulated depreciation:				
Buildings	(8,631,018)	(366,086)	-	(8,997,104)
Improvements	(713,511)	(217,233)	-	(930,744)
Vehicles and equipment	(5,957,419)	(858,058)	189,434	(6,626,043)
Furniture and fixtures	(8,634)	(1,373)	-	(10,007)
Infrastructure (depreciation approach)	<u>(12,800,012)</u>	<u>(814,566)</u>	<u>-</u>	<u>(13,614,578)</u>
Total accumulated depreciation	<u>(28,110,594)</u>	<u>(2,257,316)</u>	<u>189,434</u>	<u>(30,178,476)</u>
Total capital assets being depreciated, net	<u>18,113,879</u>	<u>68,949</u>	<u>(1,701)</u>	<u>18,181,127</u>
Capital assets, net	<u>\$ 104,108,382</u>	<u>\$ 1,146,143</u>	<u>\$ (1,675,971)</u>	<u>\$ 103,578,554</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

4. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

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

General government	\$ 313,958
Transportation	3,651
Public safety	577,280
Community development	1,094,298
Community services	<u>268,129</u>
	<u>\$ 2,257,316</u>

Business-type Activities:

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2015 were as follows:

	Balances at July 1, 2014 <small>(As Restated - Note 13)</small>	<u>Additions</u>	<u>Deletions</u>	Balances at June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 123,076	\$ -	\$ -	\$ 123,076
Construction in progress	<u>2,657,289</u>	<u>9,945,951</u>	<u>(1,996,273)</u>	<u>10,606,967</u>
Total capital assets, not being depreciated	<u>2,780,365</u>	<u>9,945,951</u>	<u>(1,996,273)</u>	<u>10,730,043</u>
Capital assets, being depreciated:				
Buildings	14,805,369	453,320	-	15,258,689
Improvements other than buildings	19,568,421	1,542,953	-	21,111,374
Machinery and equipment	<u>244,222</u>	<u>-</u>	<u>-</u>	<u>244,222</u>
Total capital assets, being depreciated	<u>34,618,012</u>	<u>1,996,273</u>	<u>-</u>	<u>36,614,285</u>
Less accumulated depreciation:				
Buildings	(7,386,203)	(538,315)	-	(7,924,518)
Improvements other than buildings	(11,121,740)	(331,474)	-	(11,453,214)
Machinery and equipment	<u>(48,189)</u>	<u>(23,111)</u>	<u>-</u>	<u>(71,300)</u>
Total accumulated depreciation	<u>(18,556,132)</u>	<u>(892,900)</u>	<u>-</u>	<u>(19,449,032)</u>
Total capital assets being depreciated, net	<u>16,061,880</u>	<u>1,103,373</u>	<u>-</u>	<u>17,165,253</u>
Capital assets, net	<u>\$ 18,842,245</u>	<u>\$ 11,049,324</u>	<u>\$ (1,996,273)</u>	<u>\$ 27,895,296</u>

Depreciation expense in the amount of \$647,267 and \$245,633 was charged to the Water Utility and Sewer Funds, respectively.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2015 (including unamortized discounts and refunding costs) are as follows:

	Balance at July 1, 2014, <small>(As restated - Note 13)</small>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2015	Due Within One Year
Governmental Activities:					
2003 Certificates of Participation	\$ 8,760,000	\$ -	\$ (535,000)	\$ 8,225,000	\$ 550,000
Capital lease obligations	218,822	-	(109,547)	109,275	109,275
Compensated absences	2,083,728	1,874,297	(1,814,823)	2,143,202	1,687,235
Claims and judgments (Note 6)	3,080,961	2,269,862	(1,966,667)	3,384,156	1,226,368
Other post-employment benefits obligation (OPEB) (Note 7)	<u>1,889,417</u>	<u>2,642,554</u>	<u>(1,566,823)</u>	<u>2,965,148</u>	<u>-</u>
	<u>\$ 16,032,928</u>	<u>\$ 6,786,713</u>	<u>\$ (5,992,860)</u>	<u>\$ 16,826,781</u>	<u>\$ 3,572,878</u>

2003 Certificates of Participation:

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

The required reserve for the Certificates of Participations Bonds is \$875,814 and as of June 30, 2015 the reserve was fully funded at \$889,608. The amount of bonds outstanding at June 30, 2015 is \$8,225,000.

Future requirements to amortize outstanding certificates of participation as of June 30, 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 550,000	\$ 325,814	\$ 875,814
2017	570,000	305,929	875,929
2018	590,000	284,606	874,606
2019	615,000	260,859	875,859
2020	640,000	235,375	875,375
2021 - 2025	3,600,000	762,138	4,362,138
2026 - 2027	<u>1,660,000</u>	<u>75,600</u>	<u>1,735,600</u>
	<u>\$ 8,225,000</u>	<u>\$ 2,250,321</u>	<u>\$ 10,475,321</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

5. LONG-TERM LIABILITIES (CONTINUED):

Capital Lease Obligations:

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

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

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

The lease agreements have been recorded at the present value of the future minimum lease payments as of the date of inception. The outstanding balance of the capital lease obligations at June 30, 2015 was \$109,275, with future scheduled lease payments as follows:

Total scheduled payments (all during fiscal year 2015-2016)	\$ 114,935
Less: amount representing interest	<u>(5,660)</u>
Present value of future lease payments	<u>\$ 109,275</u>

Compensated Absences:

Governmental compensated absences are generally liquidated by the general fund.

Business-type Activities:

Changes in long-term liabilities for business-type activities for the year ended June 30, 2015 are as follows:

	Balance at July 1, 2014, <small>(As restated – Note 13)</small>		Balance at June 30, 2015		Due Within One Year
	Additions	Deletions			
Business-type Activities:					
2014A Revenue Bond	\$ -	\$ 13,695,000	\$ -	\$ 13,695,000	\$ 465,000
2014A Revenue Bond premium	-	1,493,452	-	1,493,452	-
Note payable	535,285	-	(535,285)	-	-
Compensated absences	<u>166,818</u>	<u>118,623</u>	<u>(114,710)</u>	<u>170,731</u>	<u>134,408</u>
	<u>\$ 702,103</u>	<u>\$ 15,307,075</u>	<u>\$ (649,995)</u>	<u>\$ 15,359,183</u>	<u>\$ 599,408</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

5. LONG-TERM LIABILITIES (CONTINUED):

2014A Revenue Bonds

On December 17, 2014, the Fountain Valley Public Financing Authority (the Authority) issued approximately \$13,695,000 in Revenue bonds for the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (the 2014 Project) and to refinance the Orange County Water District Note Payable. The Bonds are special limited obligation of the Authority payable solely from Authority revenues, which consist of installment payments to be made by the City to the Authority pursuant to an installment purchase agreement, dated as of December 1, 2014 by and between the City and the Authority. The Bonds are secured by installment payments to be made pursuant to an Installment Purchase Agreement, by and between the City and the Authority. The 2014A Revenue Bonds were issued to provide for the refinancing of the OCWD Well Loan and the financing of the 2014 Project, which installment payments will be payable from net revenues of the City's water system. The Installment Purchase Agreement also requires the water fund to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 120% of the debt service for such fiscal year. For fiscal year 2014-2015, the net revenues equal 275.9% of the debt service. Total interest expense for the 2014A bonds was \$299,531 of which \$60,314 has been capitalized as an addition to the cost of construction for the year ended June 30, 2015. Unspent proceeds total \$9,720,189 as of June 30, 2015 and are reported as restricted cash and cash equivalents in the proprietary fund statement of net position.

Future requirements to amortize outstanding 2014A Revenue Bonds as of June 30, 2015 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2016	\$ 465,000	\$ 572,797	\$ 1,037,797
2017	495,000	541,581	1,036,581
2018	510,000	526,431	1,036,431
2019	535,000	505,531	1,040,531
2020	555,000	483,731	1,038,731
2021 - 2025	3,030,000	2,035,756	5,065,756
2026 - 2030	3,635,000	1,232,531	4,867,531
2031 - 2035	4,470,000	391,478	4,861,478
	<u>\$ 13,695,000</u>	<u>\$ 6,289,836</u>	<u>\$ 19,984,836</u>

Note Payable:

The Water Utility Fund of the City entered into an agreement with the Orange County Water District (OCWD) in 2003 in a joint effort to improve water supply facilities. This agreement was for the construction of a groundwater production well, including a pump, motor and ancillary surface facilities in the City of Fountain Valley. The interest rate was 3.5%. This note payable was paid off through the issuance of the 2014A Revenue Bonds.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

5. LONG-TERM LIABILITIES (CONTINUED):

Compensated Absences:

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

6. CLAIMS AND JUDGMENTS:

Self-Insurance:

At June 30, 2015, the City was self-insured for workers' compensation, employee long-term disability insurance and general liability. Additionally, the City has purchased coverage for individual workers' compensation claims in excess of \$500,000 for general employees and \$1,000,000 for public safety. The City's general and auto liability self-insurance retention is \$25,000, and the balance extending to \$50,000,000 is covered by the use of pooling maintained through the California Joint Powers Insurance Authority (CJPIA). The City also purchases commercial insurance for other risks of loss, including property loss, fidelity and vehicle physical damage.

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

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

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

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

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

Workers' Compensation (Continued). For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

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

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2014-15.

Changes in Claims and Judgments Payable:

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2012-2013	\$ 3,429,968	\$ 83,283	\$ (22,463)	\$ 3,490,788
2013-2014	3,490,788	493,740	(903,567)	3,080,961
2014-2015	3,080,961	2,269,862	(1,966,667)	3,384,156

7. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Plan Description (Continued):

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

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

Eligibility:

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits	98	79	177
Active plan members	<u>113</u>	<u>96</u>	<u>209</u>
	<u>211</u>	<u>175</u>	<u>386</u>

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2014-15, the City contributed \$1,566,823 to the plan for current premiums and there were no additional contributions to the PARS OPEB trust.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation:

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

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 912,891	\$ 1,740,511	\$ 2,653,402
Interest on net OPEB obligation	(11,293)	98,206	86,913
Adjustments to annual required contribution	<u>(33,634)</u>	<u>(64,127)</u>	<u>(97,761)</u>
Annual OPEB cost (expense)	867,964	1,774,590	2,642,554
Contributions made (including premiums paid)	<u>(727,443)</u>	<u>(839,380)</u>	<u>(1,566,823)</u>
Increase in net OPEB obligation	140,521	935,210	1,075,731
Net OPEB obligation (asset) - Beginning of year	<u>(245,497)</u>	<u>2,134,914</u>	<u>1,889,417</u>
Net OPEB obligation (asset) - End of year	<u>\$ (104,976)</u>	<u>\$ 3,070,124</u>	<u>\$ 2,965,148</u>

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

<u>Miscellaneous</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/13	\$ 960,000	63.87%	\$ (604,748)
6/30/14	1,016,649	64.66%	(245,497)
6/30/15	867,964	83.81%	(104,976)

<u>Safety</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/13	\$ 1,573,000	63.59%	\$ 1,411,605
6/30/14	1,631,144	55.66%	2,134,914
6/30/15	1,774,590	47.30%	3,070,124

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation (Continued):

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

Fiscal Year Ended	Total		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/13	\$ 2,533,000	63.59%	\$ 806,857
6/30/14	2,647,793	59.11%	1,889,417
6/30/15	2,642,554	59.29%	2,965,148

Funded Status and Funding Progress:

As of January 1, 2014, the most recent actuarial valuation date, the plan was 17.68% funded (actuarial value of assets as a percentage of actuarial accrued liability). The actuarial accrued liability for benefits was \$39,603,775 and the actuarial value of assets was \$7,002,861, resulting in an unfunded actuarial accrued liability (UAAL) of \$32,600,914. Assets were valued using the market value of assets. The covered payroll (annual payroll of active employees covered by the plan) was \$16,565,232, and the ratio of the UAAL to the covered payroll was 196.81%.

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Actuarial Methods and Assumptions:

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 4.60% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate established as follows: 8% in the second year, reduced by decrements of 0.50% per year to an ultimate rate of 4.5% after the eighth year and thereafter. A general inflation rate of 2.75% per annum was utilized. The UAAL is being amortized as a level percentage of projected payroll over a 30 year closed period as of June 30, 2015. The remaining amortization period is 24 years. It is assumed the City's payroll will increase 3.25% per year.

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.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

Benefits Provided:

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

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier I Prior to <u>December 25, 2010</u>	Tier II On or After <u>December 25, 2010</u>	Tier III - PEPRA On or After <u>January 1, 2013</u>
Hire date			
Benefit formula	2.5% @55	2% @60	2% @62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	21.917%	8.049%	5.609%

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

Benefits Provided (Continued):

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows (continued):

	Safety - Police		
	Tier I	Tier II	Tier III - PEPR
	Prior to October 30, 2010	On or After October 30, 2010	On or After January 1, 2013
Hire date			
Benefit formula	3%@50	3%@55	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% to 3.0%	2% to 2.7%
Required employee contribution rates	12%	9%	11.5%
Required employer contribution rates	34.840% (1)	20.774%	11.500%

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

	Safety - Fire		
	Tier I	Tier II	Tier III - PEPR
	Prior to March 31, 2012	On or After March 31, 2012	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	34.840% (1)	19.900%	11.500%

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

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

As of June 30, 2015, 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	\$ 21,781,373
Safety	40,177,430
Total Net Pension Liability	<u>\$ 61,958,803</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, 2014, 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, 2013 rolled forward to June 30, 2014 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 all Plans as of June 30, 2013 and 2014 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2013	0.88131%	1.07112%
Proportion - June 30, 2014	0.81412%	1.02717%
Change - Increase (Decrease)	-0.06719%	-0.04395%

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

For the year ended June 30, 2015, the City recognized pension expense of \$4,713,538. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,945,455	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(209,690)
Net differences between projected and actual earnings on plan investments	-	(13,688,576)
Total	<u>\$ 4,945,455</u>	<u>\$ (13,898,266)</u>

\$4,945,455 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (3,497,033)
2017	(3,497,033)
2018	(3,482,056)
2019	(3,422,144)
2020	-
Thereafter	-

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

Actuarial Assumptions:

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

Discount Rate (Continued):

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 34,068,622	\$ 62,709,518
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 21,781,373	\$ 40,177,430
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 11,584,123	\$ 21,611,963

Pension Plans Fiduciary Net Position:

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

- c. Payable to the Pension Plans:

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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, 2015, the City's payroll covered by the plan was \$454,210 and the City made employer contributions of \$3,655 (3.75% of current covered payroll for employees hired before August 29, 2014).

10. LOANS RECEIVABLE:

The City has outstanding loans to employees to purchase computers. As of June 30, 2015, the outstanding balance is \$848.

The City has outstanding rehabilitation and first time home buyer loans receivable totaling \$1,696,572 from qualified applicants. Loans receivable of \$1,514,131 is recorded in the Housing Authority Fund; \$118,752 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$63,689 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules. The loans receivable are offset by due to other governments or unearned revenue.

On October 1, 2002, the City entered into an Affordable Housing Agreement with Fountain Valley Partners, L.P. for the development of an apartment complex for seniors. Under the agreement, the City agreed to loan Fountain Valley Housing Partners, L.P. \$5,606,071 at an interest rate of 2%. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. The loan receivable is offset by unearned revenue. The amount outstanding at June 30, 2015 is \$5,323,580.

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

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

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

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

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

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

The Successor Agency received a Finding of Completion on April 26, 2013, and the asset transfer review on October 2, 2013 from the DOF. In addition, the Oversight Board has approved the Long Range Property Management Program on June 9, 2014 and the Agreement Between the City and the Successor Agency for the expenditure of Tax Allocation Bond Proceeds. This resulted in a transfer of unused bond proceeds totaling \$8,918,798 from the Successor Agency to the City.

12. SUCCESSOR AGENCY DISCLOSURES:

Advances To/From Successor Agency:

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

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
Successor Agency	City Housing Authority (a)	<u>\$ 1,836,466</u>

(a) Advance from the low and moderate income housing fund of the former Agency for Community Development to help pay for the 2009-2010 Supplemental Education Revenue Augmentation Fund (SERAF) payment. A loan payment of \$870,336 was made in fiscal year 2014-2015 as governed by the criteria in the health and safety code section.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

12. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2015 (including unamortized discounts and refunding costs) are as follows:

	Balance at <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2015</u>	Due Within <u>One Year</u>
1998 Tax Allocation Bonds	<u>\$ 3,630,000</u>	<u>\$ -</u>	<u>\$ (1,775,000)</u>	<u>\$ 1,855,000</u>	<u>\$ 1,855,000</u>

1998 Tax Allocation Bonds:

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

The amount of bonds outstanding at June 30, 2015 is \$1,855,000.

The annual requirements to amortize the outstanding bonds as of June 30, 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 1,855,000</u>	<u>\$ 87,185</u>	<u>\$ 1,942,185</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

13. RESTATEMENT OF NET POSITION:

Restatements of the Government-Wide Financial Statements' net position as of July 1, 2014, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position at July 1, 2014, as originally reported	\$ 156,391,829	\$ 18,346,164	\$ 174,737,993
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(65,452,049)	(5,691,482)	(71,143,531)
The sewer fund, previously reported as a capital projects fund, meets the definition of a proprietary fund - transfer of capital assets and compensated absences payable to the sewer fund	(6,386,829)	6,386,829	-
Transfer of beginning net position of the sewer fund from governmental activities to business-type activities	<u>(3,737,911)</u>	<u>3,737,911</u>	<u>-</u>
Net position at July 1, 2014, as restated	<u>\$ 80,815,040</u>	<u>\$ 22,779,422</u>	<u>\$ 103,594,462</u>

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2015

13. RESTATEMENT OF NET POSITION (CONTINUED):

Restatements of the Proprietary Funds Financial Statements' net position as of July 1, 2014, are as follows:

	<u>Water Utility</u>	<u>Sewer</u>
Net position at July 1, 2014, as originally reported	\$ 17,671,281	\$ 3,737,911
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(4,624,329)	(1,067,153)
The sewer fund, previously reported as a capital projects fund, meets the definition of a proprietary fund - transfer of capital assets and compensated absences payable to the sewer fund	<u>-</u>	<u>6,386,829</u>
Net position at July 1, 2014, as restated	<u>\$ 13,046,952</u>	<u>\$ 9,057,587</u>

14. SUBSEQUENT EVENTS:

On August 19, 2015, the City issued approximately \$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.

Other events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of December 15, 2015, the date the financial statements were available to be issued.

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CITY OF FOUNTAIN VALLEY

REQUIRED SUPPLEMENTARY INFORMATION



OLSON HOMES: SOLANA WALK
SLATER AVENUE

CITY OF FOUNTAIN VALLEY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

	<u>2015</u>
Plan's proportion of the net pension liability	0.99573%
Plan's proportionate share of the net pension liability	\$ 61,958,803
Plan's covered - employee payroll	\$ 17,787,691
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	348.32%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	76.25%
Plan's proportionate share of aggregate employer contributions	\$ 4,675,351

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF FOUNTAIN VALLEY
SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

	2015
Contractually required contribution (actuarially determined)	\$ 4,945,455
Contributions in relation to the actuarially determined contributions	(4,945,455)
Contribution deficiency (excess)	\$ -
Covered - employee payroll	\$ 18,347,687
Contributions as a percentage of covered - employee payroll	26.95%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed 30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period
Remaining amortization period	
Asset valuation method	Market
Inflation	3.50%
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 for all plans with the exception of 52 for Miscellaneous PEPRA 2% @ 62
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF FOUNTAIN BALLEY

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2015

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
01/01/2010	\$ -	\$ 34,244	\$ 34,244	0.00%	\$ 17,041	200.95%
01/01/2012	5,474	34,694	29,220	15.78%	18,041	161.96%
01/01/2014	7,003	39,604	32,601	17.68%	16,565	196.81%

CITY OF FOUNTAIN VALLEY
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 29,618,662	\$ 29,618,662	\$ 30,655,218	\$ 1,036,556
Licenses and permits	1,580,700	1,700,700	1,915,471	214,771
Fines and penalties	754,900	754,900	705,372	(49,528)
Investment income	403,000	403,000	423,490	20,490
Rental income	1,109,000	1,109,000	1,203,964	94,964
Intergovernmental	2,000	225,474	107,884	(117,590)
Charges of services	3,967,102	4,125,102	4,177,996	52,894
Miscellaneous	940,578	945,463	1,882,517	937,054
TOTAL REVENUES	<u>38,375,942</u>	<u>38,882,301</u>	<u>41,071,912</u>	<u>2,189,611</u>
EXPENDITURES:				
Current:				
General government	3,076,596	5,061,862	2,883,285	2,178,577
Public safety	24,875,884	24,992,617	25,032,981	(40,364)
Transportation	4,835,218	4,835,218	4,659,683	175,535
Community development	2,978,740	5,207,240	3,651,061	1,556,179
Community services	2,286,900	2,347,900	2,318,201	29,699
Capital outlay	1,146,017	1,810,595	1,558,000	252,595
Debt service:				
Principal	-	-	109,547	(109,547)
TOTAL EXPENDITURES	<u>39,199,355</u>	<u>44,255,432</u>	<u>40,212,758</u>	<u>4,042,674</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(823,413)</u>	<u>(5,373,131)</u>	<u>859,154</u>	<u>6,232,285</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	521,121	721,121	792,147	71,026
Transfers out	(4,964,439)	(5,189,439)	(1,657,133)	3,532,306
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,443,318)</u>	<u>(4,468,318)</u>	<u>(864,986)</u>	<u>3,603,332</u>
EXTRAORDINARY GAIN:				
Payment of bond proceeds to the City from the Successor Agency	-	4,913,559	4,918,798	5,239
NET CHANGE IN FUND BALANCE	<u>(5,266,731)</u>	<u>(4,927,890)</u>	<u>4,912,966</u>	<u>9,840,856</u>
FUND BALANCE - BEGINNING OF YEAR				
	<u>42,563,759</u>	<u>42,563,759</u>	<u>42,563,759</u>	<u>-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 37,297,028</u>	<u>\$ 37,635,869</u>	<u>\$ 47,476,725</u>	<u>\$ 9,840,856</u>

See accompanying notes to required supplementary information.

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

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 200,770	\$ 200,770	\$ 120,730	\$ (80,040)
Miscellaneous	100,450	100,450	115,895	15,445
TOTAL REVENUES	301,220	301,220	236,625	(64,595)
EXPENDITURES:				
Current:				
Community development	328,175	328,175	80,644	247,531
TOTAL EXPENDITURES	328,175	328,175	80,644	247,531
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,955)	(26,955)	155,981	182,936
FUND BALANCE - BEGINNING OF YEAR	7,840,487	7,840,487	7,840,487	-
FUND BALANCE - END OF YEAR	\$ 7,813,532	\$ 7,813,532	\$ 7,996,468	\$ 182,936

See accompanying notes to required supplementary information.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2015

1. BUDGETS AND BUDGETARY DATA:

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

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

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

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

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

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

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2015

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

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

Streets:

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2015

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

Sidewalks:

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

Sidewalk Maintenance

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

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

Curbs and Gutters:

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

Comparison of Needed-to-Actual Maintenance/Preservation:

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2015

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

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

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

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

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2015

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

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

	<u>Fiscal Year 2011-2012</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ 412,901
Actual	408,767

Roadway Classification:	
Arterial and Collectors:	
Budgeted	2,797,183
Actual	1,134,362
Residential Roadway:	
Budgeted	4,550,000
Actual	2,572,988

	<u>Fiscal Year 2010-2011</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ 877,700
Actual	221,177

Roadway Classification:	
Arterial and Collectors:	
Budgeted	4,587,275
Actual	2,672,156
Residential Roadway:	
Budgeted	1,600,000
Actual	126,116

CITY OF FOUNTAIN VALLEY

SUPPLEMENTARY SCHEDULES



BRANDYWINE HOMES: LEMONGRASS
MAGNOLIA STREET

CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS

June 30, 2015

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

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

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CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2015

CAPITAL PROJECTS FUNDS

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

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

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

CITY OF FOUNTAIN VALLEY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2015

Special Revenue Funds					
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
ASSETS					
Cash and investments	\$ 500,035	\$ 1,694,227	\$ 65,807	\$ 8,982	\$ 363,098
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Accounts	-	151,116	-	-	18,460
Loans	-	-	-	-	-
TOTAL ASSETS	\$ 500,035	\$ 1,845,343	\$ 65,807	\$ 8,982	\$ 381,558
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,611	\$ 26,538	\$ -	\$ 8,982	\$ -
Due to other governments	-	-	-	-	-
Advance from other funds	252,280	-	-	-	-
TOTAL LIABILITIES	253,891	26,538	-	8,982	-
FUND BALANCES:					
Restricted for:					
Public safety	246,144	-	-	-	381,558
Transportation	-	1,818,805	65,807	-	-
Housing	-	-	-	-	-
Community development	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned:					
Capital projects	-	-	-	-	-
TOTAL FUND BALANCES	246,144	1,818,805	65,807	-	381,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 500,035	\$ 1,845,343	\$ 65,807	\$ 8,982	\$ 381,558

Special Revenue Funds (Continued)			Debt Service Fund	Capital Projects Funds		
HOME Grant	Measure M2	Community Development Block Grant	Fountain Valley Financing Authority	Drainage	Fountain Valley Financing Authority	Total
\$ 213,644	\$ 1,636,187	\$ 47,329	\$ -	\$ 161,316	\$ -	\$ 4,690,625
-	-	-	889,691	-	1,634,762	2,524,453
-	183,083	41,876	-	-	-	394,535
63,689	-	118,752	-	-	-	182,441
<u>\$ 277,333</u>	<u>\$ 1,819,270</u>	<u>\$ 207,957</u>	<u>\$ 889,691</u>	<u>\$ 161,316</u>	<u>\$ 1,634,762</u>	<u>\$ 7,792,054</u>
\$ -	\$ -	\$ 13,164	\$ -	\$ -	\$ -	\$ 50,295
63,689	-	118,753	-	-	-	182,442
-	-	-	-	-	-	252,280
<u>63,689</u>	<u>-</u>	<u>131,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,017</u>
-	-	-	-	-	-	627,702
-	1,819,270	-	-	-	-	3,703,882
213,644	-	-	-	-	-	213,644
-	-	76,040	-	-	1,634,762	1,710,802
-	-	-	889,691	-	-	889,691
-	-	-	-	161,316	-	161,316
<u>213,644</u>	<u>1,819,270</u>	<u>76,040</u>	<u>889,691</u>	<u>161,316</u>	<u>1,634,762</u>	<u>7,307,037</u>
<u>\$ 277,333</u>	<u>\$ 1,819,270</u>	<u>\$ 207,957</u>	<u>\$ 889,691</u>	<u>\$ 161,316</u>	<u>\$ 1,634,762</u>	<u>\$ 7,792,054</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2015

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
REVENUES:					
Investment income	\$ 3,906	\$ 6,066	\$ 420	\$ 61	\$ 2,019
Intergovernmental	282,832	1,636,075	-	-	88,450
Charges for services	-	-	-	60,484	-
Miscellaneous	10,063	-	-	-	-
TOTAL REVENUES	296,801	1,642,141	420	60,545	90,469
EXPENDITURES:					
Current:					
Public safety	298,535	-	-	-	1,502
Transportation	-	2,528,219	-	715,502	-
Community development	-	-	-	-	-
Community services	-	-	10,662	-	-
Capital outlay	430,040	18,820	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	728,575	2,547,039	10,662	715,502	1,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(431,774)	(904,898)	(10,242)	(654,957)	88,967
OTHER FINANCING SOURCES (USES):					
Transfers in	-	935,647	-	502,890	517
Transfers out	-	(508,723)	-	(40,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	426,924	-	462,890	517
NET CHANGE IN FUND BALANCES	(431,774)	(477,974)	(10,242)	(192,067)	89,484
FUND BALANCES - BEGINNING OF YEAR	677,918	2,296,779	76,049	192,067	292,074
FUND BALANCES - END OF YEAR	\$ 246,144	\$ 1,818,805	\$ 65,807	\$ -	\$ 381,558

Special Revenue Funds (Continued)			Debt Service Fund	Capital Projects Funds			
HOME Grant	Measure M2	Community Development Block Grant	Fountain Valley Financing Authority	Drainage	Fountain Valley Financing Authority	Total	
\$ 3,912	\$ 10,584	\$ 780	\$ 144	\$ -	\$ 265	\$ 28,157	
-	1,150,484	492,772	-	-	-	3,650,613	
-	-	-	-	46,692	-	107,176	
4,554	-	8,796	-	-	-	23,413	
<u>8,466</u>	<u>1,161,068</u>	<u>502,348</u>	<u>144</u>	<u>46,692</u>	<u>265</u>	<u>3,809,359</u>	
-	-	-	-	-	-	300,037	
-	-	-	-	-	-	3,243,721	
-	-	302,287	-	-	7,512	309,799	
-	-	-	-	-	-	10,662	
-	-	-	-	78,659	-	527,519	
-	-	-	535,000	-	-	535,000	
-	-	-	344,400	-	-	344,400	
-	-	302,287	879,400	78,659	7,512	5,271,138	
<u>8,466</u>	<u>1,161,068</u>	<u>200,061</u>	<u>(879,256)</u>	<u>(31,967)</u>	<u>(7,247)</u>	<u>(1,461,779)</u>	
-	-	-	894,544	99,645	-	2,433,243	
-	(621,679)	(200,000)	-	-	-	(1,370,402)	
-	(621,679)	(200,000)	894,544	99,645	-	1,062,841	
8,466	539,389	61	15,288	67,678	(7,247)	(398,938)	
<u>205,178</u>	<u>1,279,881</u>	<u>75,979</u>	<u>874,403</u>	<u>93,638</u>	<u>1,642,009</u>	<u>7,705,975</u>	
<u>\$ 213,644</u>	<u>\$ 1,819,270</u>	<u>\$ 76,040</u>	<u>\$ 889,691</u>	<u>\$ 161,316</u>	<u>\$ 1,634,762</u>	<u>\$ 7,307,037</u>	

CITY OF FOUNTAIN VALLEY

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

CRIMINAL ACTIVITIES SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100	\$ 100	\$ 3,906	\$ 3,806
Intergovernmental	224,807	385,712	282,832	(102,880)
Miscellaneous	15,000	15,000	10,063	(4,937)
TOTAL REVENUES	239,907	400,812	296,801	(104,011)
EXPENDITURES:				
Current:				
Public safety	301,758	429,851	298,535	131,316
Capital outlay	-	437,102	430,040	7,062
TOTAL EXPENDITURES	301,758	866,953	728,575	138,378
EXCESS OF REVENUES UNDER EXPENDITURES	(61,851)	(466,141)	(431,774)	34,367
OTHER FINANCING SOURCES:				
Transfers in	38,416	38,416	-	(38,416)
TOTAL OTHER FINANCING SOURCES	38,416	38,416	-	(38,416)
NET CHANGE IN FUND BALANCE	(23,435)	(427,725)	(431,774)	(4,049)
FUND BALANCE - BEGINNING OF YEAR	677,918	677,918	677,918	-
FUND BALANCE - END OF YEAR	\$ 654,483	\$ 250,193	\$ 246,144	\$ (4,049)

CITY OF FOUNTAIN VALLEY

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 18,000	\$ 18,000	\$ 6,066	\$ (11,934)
Intergovernmental	1,474,677	1,474,677	1,636,075	161,398
TOTAL REVENUES	1,492,677	1,492,677	1,642,141	149,464
EXPENDITURES:				
Current:				
Transportation	2,464,000	2,577,718	2,528,219	49,499
Capital outlay	-	18,820	18,820	-
TOTAL EXPENDITURES	2,464,000	2,596,538	2,547,039	49,499
EXCESS OF REVENUES UNDER EXPENDITURES	(971,323)	(1,103,861)	(904,898)	198,963
OTHER FINANCING SOURCES (USES):				
Transfers in	110,000	936,237	935,647	(590)
Transfers out	(354,000)	(354,000)	(508,723)	(154,723)
TOTAL OTHER FINANCING SOURCES (USES)	(244,000)	582,237	426,924	(155,313)
NET CHANGE IN FUND BALANCE	(1,215,323)	(521,624)	(477,974)	43,650
FUND BALANCE - BEGINNING OF YEAR	2,296,779	2,296,779	2,296,779	-
FUND BALANCE - END OF YEAR	\$ 1,081,456	\$ 1,775,155	\$ 1,818,805	\$ 43,650

CITY OF FOUNTAIN VALLEY

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

ABANDONED VEHICLE ABATEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 420	\$ 420
TOTAL REVENUES	-	-	420	420
EXPENDITURES:				
Current:				
Community services	13,303	13,303	10,662	2,641
TOTAL EXPENDITURES	13,303	13,303	10,662	2,641
EXCESS OF REVENUES UNDER EXPENDITURES	(13,303)	(13,303)	(10,242)	3,061
FUND BALANCE - BEGINNING OF YEAR	76,049	76,049	76,049	-
FUND BALANCE - END OF YEAR	\$ 62,746	\$ 62,746	\$ 65,807	\$ 3,061

CITY OF FOUNTAIN VALLEY

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

TRAFFIC IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 61	\$ 61
Charges for services	10,000	10,000	60,484	50,484
TOTAL REVENUES	10,000	10,000	60,545	50,545
EXPENDITURES:				
Current:				
Transportation	1,255,000	2,068,233	715,502	1,352,731
TOTAL EXPENDITURES	1,255,000	2,068,233	715,502	1,352,731
EXCESS OF REVENUES UNDER EXPENDITURES	(1,245,000)	(2,058,233)	(654,957)	1,403,276
OTHER FINANCING SOURCES (USES):				
Transfers in	1,245,000	1,245,000	502,890	(742,110)
Transfers out	-	(40,000)	(40,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,245,000	1,205,000	462,890	(742,110)
NET CHANGE IN FUND BALANCE	-	(853,233)	(192,067)	661,166
FUND BALANCE - BEGINNING OF YEAR	192,067	192,067	192,067	-
FUND BALANCE - END OF YEAR	\$ 192,067	\$ (661,166)	\$ -	\$ 661,166

CITY OF FOUNTAIN VALLEY

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

POLLUTION REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 3,000	\$ 3,000	\$ 2,019	\$ (981)
Intergovernmental	65,000	65,000	88,450	23,450
TOTAL REVENUES	68,000	68,000	90,469	22,469
EXPENDITURES:				
Current:				
Public safety	2,669	2,669	1,502	1,167
TOTAL EXPENDITURES	2,669	2,669	1,502	1,167
EXCESS OF REVENUES OVER EXPENDITURES	65,331	65,331	88,967	23,636
OTHER FINANCING USES:				
Transfers in	-	-	517	517
Transfers out	(35,000)	(35,000)	-	35,000
TOTAL OTHER FINANCING USES	(35,000)	(35,000)	517	35,517
NET CHANGE IN FUND BALANCE	30,331	30,331	89,484	59,153
FUND BALANCE - BEGINNING OF YEAR	292,074	292,074	292,074	-
FUND BALANCE - END OF YEAR	\$ 322,405	\$ 322,405	\$ 381,558	\$ 59,153

CITY OF FOUNTAIN VALLEY

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

MEASURE M2 SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 5,000	\$ 5,000	\$ 10,584	\$ 5,584
Intergovernmental	1,151,014	1,151,014	1,150,484	(530)
TOTAL REVENUES	1,156,014	1,156,014	1,161,068	5,054
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	1,156,014	1,156,014	1,161,068	5,054
OTHER FINANCING USES:				
Transfers out	(1,287,541)	(1,287,541)	(621,679)	665,862
TOTAL OTHER FINANCING USES	(1,287,541)	(1,287,541)	(621,679)	665,862
NET CHANGE IN FUND BALANCE	(131,527)	(131,527)	539,389	670,916
FUND BALANCE - BEGINNING OF YEAR	1,279,881	1,279,881	1,279,881	-
FUND BALANCE - END OF YEAR	\$ 1,148,354	\$ 1,148,354	\$ 1,819,270	\$ 670,916

CITY OF FOUNTAIN VALLEY

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 780	\$ 780
Intergovernmental	270,044	270,044	492,772	222,728
Miscellaneous	-	-	8,796	8,796
TOTAL REVENUES	270,044	270,044	502,348	232,304
EXPENDITURES:				
Current:				
Community development	380,044	435,044	302,287	132,757
TOTAL EXPENDITURES	380,044	435,044	302,287	132,757
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(110,000)	(165,000)	200,061	365,061
OTHER FINANCING USES:				
Transfers out	-	(200,000)	(200,000)	-
TOTAL OTHER FINANCING USES	-	(200,000)	(200,000)	-
NET CHANGE IN FUND BALANCE	(110,000)	(365,000)	61	365,061
FUND BALANCE - BEGINNING OF YEAR	75,979	75,979	75,979	-
FUND BALANCE - END OF YEAR	\$ (34,021)	\$ (289,021)	\$ 76,040	\$ 365,061

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY FINANCING AUTHORITY DEBT SERVICE FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 60	\$ 60	\$ 144	\$ 84
TOTAL REVENUES	60	60	144	84
EXPENDITURES:				
Debt service:				
Principal	535,000	535,000	535,000	-
Interest	353,421	353,421	344,400	9,021
TOTAL EXPENDITURES	888,421	888,421	879,400	9,021
EXCESS OF REVENUES UNDER EXPENDITURES	(888,361)	(888,361)	(879,256)	9,105
OTHER FINANCING SOURCES (USES):				
Transfers in	888,421	888,421	894,544	6,123
Transfers out	(60)	(60)	-	60
TOTAL OTHER FINANCING SOURCES (USES)	888,361	888,361	894,544	6,183
NET CHANGE IN FUND BALANCE	-	-	15,288	15,288
FUND BALANCE - BEGINNING OF YEAR	874,403	874,403	874,403	-
FUND BALANCE - END OF YEAR	\$ 874,403	\$ 874,403	\$ 889,691	\$ 15,288

CITY OF FOUNTAIN VALLEY

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

DRAINAGE CAPITAL PROJECTS FUND

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 2,500	\$ 2,500	\$ 46,692	\$ 44,192
TOTAL REVENUES	2,500	2,500	46,692	44,192
EXPENDITURES:				
Capital outlay	3,500,000	3,500,000	78,659	3,421,341
TOTAL EXPENDITURES	3,500,000	3,500,000	78,659	3,421,341
EXCESS OF REVENUES UNDER EXPENDITURES	(3,497,500)	(3,497,500)	(31,967)	3,465,533
OTHER FINANCING SOURCES:				
Transfers in	3,500,000	3,500,000	99,645	(3,400,355)
TOTAL OTHER FINANCING SOURCES	3,500,000	3,500,000	99,645	(3,400,355)
NET CHANGE IN FUND BALANCE	2,500	2,500	67,678	65,178
FUND BALANCE - BEGINNING OF YEAR	93,638	93,638	93,638	-
FUND BALANCE - END OF YEAR	\$ 96,138	\$ 96,138	\$ 161,316	\$ 65,178

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY FINANCING AUTHORITY CAPITAL PROJECTS FUND

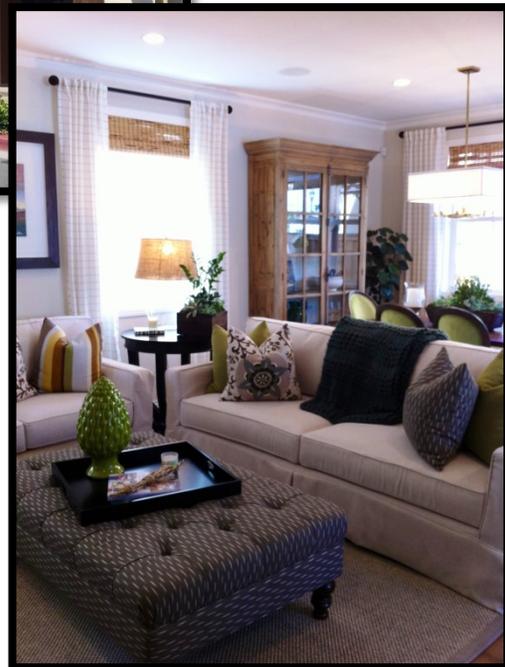
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 80	\$ 80	\$ 265	\$ 185
Miscellaneous	1,400	1,400	-	(1,400)
TOTAL REVENUES	1,480	1,480	265	(1,215)
EXPENDITURES:				
Current:				
General government	1,400	1,400	7,512	(6,112)
TOTAL EXPENDITURES	1,400	1,400	7,512	(6,112)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80	80	(7,247)	(7,327)
FUND BALANCE - BEGINNING OF YEAR	1,642,009	1,642,009	1,642,009	-
FUND BALANCE - END OF YEAR	\$ 1,642,089	\$ 1,642,089	\$ 1,634,762	\$ (7,327)

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CITY OF FOUNTAIN VALLEY

FIDUCIARY FUNDS



OLSON HOMES: SOLANA WALK
SLATER AVENUE

CITY OF FOUNTAIN VALLEY

FIDUCIARY FUNDS

June 30, 2015

PRIVATE PURPOSE TRUST FUNDS

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

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

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

AGENCY FUNDS

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

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

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

June 30, 2015

	Successor Agency Funds			Total
	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust	
ASSETS:				
Cash and investments	\$ -	\$ 591,996	\$ -	\$ 591,996
Cash and investments with fiscal agents	1,993,966	-	-	1,993,966
Accrued interest receivable	-	508	-	508
TOTAL ASSETS	1,993,966	592,504	-	2,586,470
LIABILITIES:				
Accounts payable	-	133,755	-	133,755
Advances payable:				
Housing Authority	1,836,466	-	-	1,836,466
Accrued interest payable	43,593	-	-	43,593
Long-term liabilities:				
Due within one year	1,855,000	-	-	1,855,000
TOTAL LIABILITIES	3,735,059	133,755	-	3,868,814
NET POSITION:				
Held in trust for Successor Agency	<u>\$ (1,741,093)</u>	<u>\$ 458,749</u>	<u>\$ -</u>	<u>\$ (1,282,344)</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2015

	Successor Agency Funds			Total
	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust	
ADDITIONS:				
Taxes	\$ -	\$ -	\$ 1,445,721	\$ 1,445,721
Investment income (loss)	(58)	6,457	-	6,399
TOTAL ADDITIONS	(58)	6,457	1,445,721	1,452,120
DEDUCTIONS:				
Administrative	-	93,583	-	93,583
Community development	-	303,687	-	303,687
Interest	128,898	-	-	128,898
TOTAL DEDUCTIONS	128,898	397,270	-	526,168
INCOME (LOSS), BEFORE TRANSFERS AND EXTRAORDINARY ITEM	(128,956)	(390,813)	1,445,721	925,952
TRANSFERS:				
Transfers from other trust funds	821,521	624,200	-	1,445,721
Transfers to other trust funds	-	-	(1,445,721)	(1,445,721)
EXTRAORDINARY ITEM:				
Payment to the City for bond proceeds	-	(8,918,798)	-	(8,918,798)
TOTAL TRANSFERS AND EXTRAORDINARY ITEM	821,521	(8,294,598)	(1,445,721)	(8,918,798)
CHANGES IN NET POSITION	692,565	(8,685,411)	-	(7,992,846)
NET POSITION - BEGINNING OF YEAR	(2,433,658)	9,144,160	-	6,710,502
NET POSITION - END OF YEAR	<u>\$ (1,741,093)</u>	<u>\$ 458,749</u>	<u>\$ -</u>	<u>\$ (1,282,344)</u>

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2015

	Agency Funds		
	Special Deposit and Receipt	Developer Agreements	Total
ASSETS:			
Cash and investments	\$ 960,541	\$ 117,534	\$ 1,078,075
LIABILITIES:			
Deposits payable	\$ 960,541	\$ 117,534	\$ 1,078,075

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
SPECIAL DEPOSIT AND RECEIPT FUND				
ASSETS:				
Cash and investments	\$ 932,386	\$ 462,895	\$ (434,740)	\$ 960,541
LIABILITIES:				
Deposits payable	\$ 932,386	\$ 462,895	\$ (434,740)	\$ 960,541
 REIMBURSEMENT AGREEMENT FUND				
ASSETS:				
Cash and investments	\$ 101,871	\$ 101,305	\$ (85,642)	\$ 117,534
LIABILITIES:				
Deposits payable	\$ 101,871	\$ 101,305	\$ (85,642)	\$ 117,534
 ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 1,034,257	\$ 564,200	\$ (520,382)	\$ 1,078,075
LIABILITIES:				
Deposits payable	\$ 1,034,257	\$ 564,200	\$ (520,382)	\$ 1,078,075

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CITY OF FOUNTAIN VALLEY

STATISTICAL SECTION

(UNAUDITED)



AYRES HOTEL
BROOKHURST & SLATER

CITY OF FOUNTAIN VALLEY

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2015

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

Contents:	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	116
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	126
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.	132
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.	140
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.	143

CITY OF FOUNTAIN VALLEY

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual bases of accounting)

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

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$ 74,207,233	\$ 92,919,149	\$ 103,091,982	\$ 99,543,316	\$ 101,557,748	\$ 97,768,732
55,038,160	52,990,041	14,475,232	14,428,516	15,452,824	19,856,331
56,156,029	60,549,852	55,985,076	42,839,271	39,381,257	(33,007,544)
<u>\$ 185,401,422</u>	<u>\$ 206,459,042</u>	<u>\$ 173,552,290</u>	<u>\$ 156,811,103</u>	<u>\$ 156,391,829</u>	<u>\$ 84,617,519</u>
\$ 10,479,014	\$ 10,945,907	\$ 11,746,210	\$ 11,799,936	\$ 11,878,770	\$ 22,427,033
-	-	-	-	-	9,720,189
6,170,774	4,531,257	6,049,769	5,828,113	6,467,394	(3,820,194)
<u>\$ 16,649,788</u>	<u>\$ 15,477,164</u>	<u>\$ 17,795,979</u>	<u>\$ 17,628,049</u>	<u>\$ 18,346,164</u>	<u>\$ 28,327,028</u>
\$ 84,686,247	\$ 103,865,056	\$ 114,838,192	\$ 111,343,252	\$ 113,436,518	\$ 120,195,765
55,038,160	52,990,041	14,475,232	14,428,516	15,452,824	29,576,520
62,326,803	65,081,109	62,034,845	48,667,384	45,848,651	(36,827,738)
<u>\$ 202,051,210</u>	<u>\$ 221,936,206</u>	<u>\$ 191,348,269</u>	<u>\$ 174,439,152</u>	<u>\$ 174,737,993</u>	<u>\$ 112,944,547</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

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

* Solid Waste and Sewer Funds previously reported in governmental activities

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$ 4,389,509	\$ 2,288,544	\$ 3,623,812	\$ 3,268,718	\$ 3,398,739	\$ 3,394,812
25,294,734	26,634,914	26,039,750	26,100,788	25,531,715	26,994,195
10,842,575	9,535,081	10,486,308	8,085,945	8,602,763	8,270,272
3,638,224	4,546,691	4,709,958	5,675,610	5,256,405	5,068,347
4,789,810	2,198,738	2,520,280	2,433,094	2,649,541	2,602,832
-	-	-	401,606	-	-
1,446,472	1,058,808	631,851	389,544	349,089	334,168
<u>50,401,324</u>	<u>46,262,776</u>	<u>48,011,959</u>	<u>46,355,305</u>	<u>45,788,252</u>	<u>46,664,626</u>
10,752,153	9,464,335	9,640,203	11,961,160	12,344,634	12,487,881
*	*	*	*	*	1,138,936
2,985,275	2,859,051	2,912,260	2,923,270	2,936,437	2,976,404
<u>13,737,428</u>	<u>12,323,386</u>	<u>12,552,463</u>	<u>14,884,430</u>	<u>15,281,071</u>	<u>16,603,221</u>
<u>64,138,752</u>	<u>58,586,162</u>	<u>60,564,422</u>	<u>61,239,735</u>	<u>61,069,323</u>	<u>63,267,847</u>
1,986,574	1,799,114	1,542,780	1,313,296	1,589,201	1,541,214
2,261,734	2,145,255	2,402,968	2,551,306	2,437,171	2,407,751
-	-	-	-	-	-
2,696,944	2,764,100	3,452,877	4,570,944	3,571,688	1,798,307
3,085,631	1,416,509	1,349,743	2,865,863	1,696,636	2,031,969
-	-	-	-	-	-
4,500,691	20,306,778	4,808,433	3,763,161	4,417,860	3,844,012
2,478,423	380,511	703,155	255,300	-	-
<u>17,009,997</u>	<u>28,812,267</u>	<u>14,259,956</u>	<u>15,319,870</u>	<u>13,712,556</u>	<u>11,623,253</u>
8,634,443	10,550,050	11,434,206	12,030,680	12,939,652	13,104,591
*	*	*	*	*	1,891,019
3,001,822	3,007,925	3,221,070	3,175,972	3,096,014	3,226,183
<u>11,636,265</u>	<u>13,557,975</u>	<u>14,655,276</u>	<u>15,206,652</u>	<u>16,035,666</u>	<u>18,221,793</u>
<u>28,646,262</u>	<u>42,370,242</u>	<u>28,915,232</u>	<u>30,526,522</u>	<u>29,748,222</u>	<u>29,845,046</u>
(33,391,327)	(17,450,509)	(33,752,003)	(31,035,435)	(32,075,696)	(35,041,373)
(2,101,163)	1,234,589	2,102,813	322,222	754,595	1,618,572
<u>(35,492,490)</u>	<u>(16,215,920)</u>	<u>(31,649,190)</u>	<u>(30,713,213)</u>	<u>(31,321,101)</u>	<u>(33,422,801)</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

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

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$ 13,753,615	\$ 16,259,507	\$ 14,247,327	\$ 16,071,106	\$ 10,423,211	\$ 16,247,191
1,660,650	1,710,195	1,775,922	1,712,754	1,628,690	1,790,685
9,179,402	10,328,426	10,948,760	11,407,422	11,442,672	11,556,673
616,375	732,375	744,079	2,632,282	2,739,433	3,032,589
4,623,154	4,792,704	4,468,380	4,587,172	4,569,352	-
-	-	-	-	-	-
2,003,963	1,222,953	552,828	(65,914)	707,717	547,066
-	-	-	-	-	-
-	2,489,616	824,382	72,940	79,800	197,855
-	577	3,612	2,404	32,419	465,509
208,667	971,776	550,830	225,313	33,128	87,486
-	-	(33,237,247)	(14,983,772)	-	4,918,798
<u>32,045,826</u>	<u>38,508,129</u>	<u>878,873</u>	<u>21,661,707</u>	<u>31,656,422</u>	<u>38,843,852</u>
120,820	82,403	54,604	50,416	33,905	126,889
318,176	(2,489,616)	(824,382)	(72,940)	(79,800)	(197,855)
-	-	-	44,142	9,415	-
-	-	-	(511,770)	-	4,000,000
<u>438,996</u>	<u>(2,407,213)</u>	<u>(769,778)</u>	<u>(490,152)</u>	<u>(36,480)</u>	<u>3,929,034</u>
<u>32,484,822</u>	<u>36,100,916</u>	<u>109,095</u>	<u>21,171,555</u>	<u>31,619,942</u>	<u>42,772,886</u>
(1,345,501)	21,057,620	(32,873,130)	(9,373,728)	(419,274)	3,802,479
(1,662,167)	(1,172,624)	1,333,035	(167,930)	718,115	5,547,606
<u>\$ (3,007,668)</u>	<u>\$ 19,884,996</u>	<u>\$ (31,540,095)</u>	<u>\$ (9,541,658)</u>	<u>\$ 298,841</u>	<u>\$ 9,350,085</u>

CITY OF FOUNTAIN VALLEY

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

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

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

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>					
\$ 2,360,972	\$ 2,271,395	\$ 1,831,432	\$ 1,846,323	\$ 1,966,451	\$ 1,599,806
-	-	-	-	-	4,714,142
-	-	-	-	12,100,000	21,971,647
<u>38,233,080</u>	<u>40,563,646</u>	<u>38,916,288</u>	<u>40,745,212</u>	<u>28,497,308</u>	<u>19,191,130</u>
<u>\$ 40,594,052</u>	<u>\$ 42,835,041</u>	<u>\$ 40,747,720</u>	<u>\$ 42,591,535</u>	<u>\$ 42,563,759</u>	<u>\$ 47,476,725</u>
\$ 10,755,520	\$ 10,260,000	\$ 17,219,367	\$ 7,216,367	\$ -	\$ -
56,518,979	53,968,387	7,258,865	7,212,149	15,452,824	15,142,189
<u>7,152,709</u>	<u>7,243,162</u>	<u>5,838,725</u>	<u>6,346,772</u>	<u>3,831,549</u>	<u>161,316</u>
<u>\$ 74,427,208</u>	<u>\$ 71,471,549</u>	<u>\$ 30,316,957</u>	<u>\$ 20,775,288</u>	<u>\$ 19,284,373</u>	<u>\$ 15,303,505</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,			
	2006	2007	2008	2009
Revenues:				
Taxes	\$ 29,977,510	\$ 31,253,588	\$ 32,068,803	\$ 30,214,810
Licenses and permits	1,445,694	1,710,162	1,904,415	1,798,630
Fines and forfeitures (penalties)	871,895	934,538	919,127	871,673
Revenue from use of money and property	4,592,912	916,066	894,371	978,415
Investment income	(188,890)	5,648,819	5,288,416	3,750,171
Intergovernmental	7,563,236	8,038,196	15,394,421	12,389,425
Charges for services	5,962,499	7,002,326	9,109,895	8,312,658
Miscellaneous	2,467,174	2,024,241	4,118,932	1,880,004
Total revenues	<u>52,692,030</u>	<u>57,527,936</u>	<u>69,698,380</u>	<u>60,195,786</u>
Expenditures				
Current:				
General government	5,900,370	3,382,349	4,440,714	4,189,795
Public safety	20,698,380	22,445,780	24,899,666	25,400,083
Transportation	6,405,142	6,836,619	9,036,928	13,290,929
Community development	2,613,673	2,544,831	10,445,502	2,983,448
Community services	5,360,791	4,481,599	4,463,218	4,607,806
Capital outlay	3,882,308	2,574,732	15,774,107	4,737,265
Debt service:				
Principal retirement	1,854,880	1,715,000	1,883,385	2,018,023
Interest and fiscal charges	1,887,647	2,562,763	2,620,715	2,180,617
Pass-through payments	510,659	579,303	644,577	1,032,558
Total expenditures	<u>49,113,850</u>	<u>47,122,976</u>	<u>74,208,812</u>	<u>60,440,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,578,180</u>	<u>10,404,960</u>	<u>(4,510,432)</u>	<u>(244,738)</u>
Other financing sources (uses):				
Transfers in	2,400,930	2,775,567	9,799,212	8,380,744
Transfers out	(2,533,531)	(2,908,237)	(9,866,821)	(9,619,948)
Issuance of leases	-	611,288	457,541	381,332
Total other financing sources (uses)	<u>(132,601)</u>	<u>478,618</u>	<u>389,932</u>	<u>(857,872)</u>
Net change in fund balances, before extraordinary item	3,445,579	10,883,578	(4,120,500)	(1,102,610)
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	<u>\$ 3,445,579</u>	<u>\$ 10,883,578</u>	<u>\$ (4,120,500)</u>	<u>\$ (1,102,610)</u>
Debt service as a percentage of noncapital expenditures	9.4%	10.9%	8.8%	9.4%

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
\$ 29,746,135	\$ 30,796,616	\$ 27,551,121	\$ 30,142,198	\$ 24,609,300	\$ 30,655,218
1,510,769	1,597,034	1,661,600	2,260,643	1,834,212	1,915,471
810,868	915,314	771,860	799,794	751,302	705,372
1,377,236	1,488,521	1,445,466	1,151,228	1,163,515	1,203,964
1,879,310	1,219,533	800,796	(15,506)	744,447	572,377
9,167,306	8,798,365	9,301,515	8,066,501	8,489,979	3,758,497
4,923,766	5,213,090	6,047,713	6,552,896	6,124,998	4,285,172
1,219,229	2,623,945	1,792,391	3,197,853	1,679,542	2,021,825
<u>50,634,619</u>	<u>52,652,418</u>	<u>49,372,462</u>	<u>52,155,607</u>	<u>45,397,295</u>	<u>45,117,896</u>
3,893,528	4,431,120	3,174,656	2,919,814	2,870,199	2,883,285
23,478,042	28,612,844	24,797,114	25,071,510	24,616,202	25,333,018
9,081,940	9,011,091	9,853,602	8,084,134	8,446,708	7,903,404
4,107,181	4,658,578	3,885,966	4,449,856	3,989,139	4,041,504
1,736,105	2,014,282	2,249,853	2,123,704	2,321,707	2,328,863
772,615	1,047,498	4,147,242	1,194,478	3,640,756	2,085,519
2,114,535	2,205,258	2,285,397	717,422	747,414	644,547
1,761,157	1,103,263	798,958	381,711	363,661	344,400
4,536,093	1,888,001	-	-	-	-
<u>51,481,196</u>	<u>54,971,935</u>	<u>51,192,788</u>	<u>44,942,629</u>	<u>46,995,786</u>	<u>45,564,540</u>
<u>(846,577)</u>	<u>(2,319,517)</u>	<u>(1,820,326)</u>	<u>7,212,978</u>	<u>(1,598,491)</u>	<u>(446,644)</u>
3,818,818	16,787,826	2,040,038	1,402,365	3,061,091	3,225,390
(4,003,456)	(16,003,210)	(2,944,656)	(1,329,425)	(2,981,291)	(3,027,535)
112,882	-	-	-	-	-
<u>(71,756)</u>	<u>784,616</u>	<u>(904,618)</u>	<u>72,940</u>	<u>79,800</u>	<u>197,855</u>
(918,333)	(1,534,901)	(2,724,944)	7,285,918	(1,518,691)	(248,789)
-	-	(40,483,347)	(14,983,772)	-	4,918,798
<u>\$ (918,333)</u>	<u>\$ (1,534,901)</u>	<u>\$ (43,208,291)</u>	<u>\$ (7,697,854)</u>	<u>\$ (1,518,691)</u>	<u>\$ 4,670,009</u>
16.6%	9.6%	6.4%	2.5%	2.6%	2.3%

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
	Secured	Unsecured	Less: Exemptions	
2006	\$ 5,349,309,112	\$ 257,922,331	\$ -	\$ 5,607,231,443
2007	5,784,953,429	287,232,798	-	6,072,186,227
2008	6,310,344,079	284,437,291	-	6,594,781,370
2009	6,382,947,330	287,957,315	-	6,670,904,645
2010	6,482,764,941	287,619,118	-	6,770,384,059
2011	6,679,192,884	302,119,850	-	6,981,312,734
2012	6,777,682,538	259,218,249	-	7,036,900,787
2013	6,922,510,895	241,861,867	-	7,164,372,762
2014	7,131,038,979	295,542,241	-	7,426,581,220
2015	7,659,415,546	335,167,621	-	7,994,583,167

Notes:

Amounts are shown net of exemptions

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

City of Fountain Valley Successor Agency to the Redevelopment Agency

Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
\$ 631,721,712	\$ 151,356,552	\$ -	\$ 783,078,264	1.00000%
667,800,630	167,311,063	-	835,111,693	1.00000%
749,222,135	156,285,338	-	905,507,473	1.00000%
785,238,123	150,717,223	-	935,955,346	1.00000%
802,335,858	145,996,675	-	948,332,533	1.00000%
813,208,044	159,430,374	-	972,638,418	1.00000%
830,549,168	125,833,546	-	956,382,714	1.00000%
836,994,525	116,634,319	-	953,628,844	1.00000%
871,690,984	183,678,328	-	1,055,369,312	1.00000%
1,001,677,295	158,611,508	-	1,160,288,803	1.00000%

CITY OF FOUNTAIN VALLEY

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

Last Ten Fiscal Years

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
City Direct Rate:				
City basic rate	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:				
Fountain Valley El Tax Override - 1970 SSBA	0.06588	0.00592	N/A	N/A
Huntington Beach High School 2004 - Bond 2004A	0.02388	0.02197	0.02366	0.02522
Coast Community College	0.01545	0.01599	0.01472	0.01673
Metro Water District of Orange County	0.00520	0.00470	0.00430	0.00430
Huntington Beach High School 2004 - Bond 2005	0.00151	0.00008	0.00232	0.00260
Huntington Beach High School 2004 - Bond 2007	N/A	N/A	0.00024	0.00159
Total Direct Rate	<u>1.11192</u>	<u>1.04866</u>	<u>1.04524</u>	<u>1.05044</u>

Notes:

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

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
N/A	N/A	N/A	N/A	N/A	N/A
0.02605	0.02617	0.02726	0.02605	0.02271	0.02400
0.17500	0.01754	0.01881	0.01750	0.02899	0.03015
0.00370	0.00370	0.00350	0.00370	0.00350	0.00350
0.00265	0.00266	0.00275	0.00265	0.00001	0.00214
0.00144	0.00143	0.00142	0.00144	0.00132	0.00123
<u>1.20884</u>	<u>1.05150</u>	<u>1.05374</u>	<u>1.05134</u>	<u>1.05653</u>	<u>1.06102</u>

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CITY OF FOUNTAIN VALLEY
 PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2015		2006	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Hyundai Motor America	\$ 161,279,123	2.02%	\$ 29,416,837	0.45%
Fountain Valley Regional Hospital	156,448,031	1.96%	123,751,403	1.90%
Orange Coast Memorial Medical Center	109,988,049	1.38%		
JKS-CMFV LLC	95,707,458	1.20%		
Memorial Health Services	75,031,350	0.94%		
Shea Center Crystal Springs LLC	42,162,331	0.53%		
Fountain Valley Senior Housing	39,227,361	0.49%	35,541,930	1.00%
US Millennium LP	38,404,671	0.48%		
Fountain Valley MHP Associates	34,947,942	0.44%		
MTSC-Lake Elsinore Partners	34,434,052	0.43%		
Vermeulen Properties	34,129,800	0.43%		
Kawaguchi Enterprises LP Apple Social	33,586,216	0.42%		
Bexaew Havens	32,708,824	0.41%		
Shea Center Corte Bella LLC	32,431,842	0.41%		
Galleria Apartments FV	30,580,756	0.38%		
Valley Park Apartments Limited	28,448,420	0.36%		
	<u>\$ 979,516,226</u>	<u>13.67%</u>	<u>\$ 188,710,170</u>	<u>3.35%</u>

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

CITY OF FOUNTAIN VALLEY

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years**	Total Collections to Date	
		Amount*	Percent of Levy		Amount	Percent of Levy
2006	\$ 7,137,294	\$ 7,188,146	100.71%	\$ 86,440	\$ 7,274,586	101.92%
2007	7,597,511	7,501,066	98.73%	148,589	7,649,655	100.69%
2008	8,449,522	8,353,866	98.87%	264,181	8,618,047	101.99%
2009	8,271,990	8,306,058	100.41%	146,890	8,452,948	102.19%
2010	8,249,362	8,671,222	105.11%	58,017	8,729,239	105.82%
2011	8,506,281	8,355,562	98.23%	45,028	8,400,590	98.76%
2012	8,546,953	8,411,980	98.42%	79,327	8,491,307	99.35%
2013	8,844,898	8,731,657	98.72%	48,937	8,780,594	99.27%
2014	9,227,976	9,114,156	98.77%	40,888	9,155,044	99.21%
2015	9,757,887	9,652,108	98.92%	30,039	9,682,147	99.22%

Note:

*The amounts presented include City property taxes only.

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

CITY OF FOUNTAIN VALLEY

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities					Total Governmental Activities
	Leases Payable	Tax Allocation Bonds	Notes Payable	Certificates of Participation (1)	Other Post Employment Benefits (3)	
2006	\$ 791,893	\$ 15,520,000	\$ 17,904,551	\$ 12,505,000	\$ -	\$ 46,721,444
2007	63,797	14,235,000	18,452,805	12,075,000	-	44,826,602
2008	1,373,218	12,900,000	18,910,346	11,635,000	-	44,818,564
2009	1,219,811	11,510,000	19,262,062	11,190,000	1,423,271	44,605,144
2010	1,124,313	10,065,000	16,536,398	10,730,000	2,875,654	41,331,365
2011	899,055	8,555,000	-	10,260,000	-	19,714,055
2012	668,658	-	-	9,775,000	-	10,443,658
2013	451,236	-	-	9,275,000	806,857	10,533,093
2014	218,822	-	-	8,760,000	1,889,417	10,868,239
2015	109,275	-	-	8,225,000	2,965,148	11,299,423

(1) On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of \$13,270,000.

(2) These ratios are calculated using personal income and population for the prior calendar year.

(3) Added in accordance with GASB 45.

(4) 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 basic financial statements.

Business-type Activities			Total Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt per Capita (2)
Loans Payable	Revenue Bonds (4)					
\$ 890,160	\$ -	\$ 890,160	\$ 47,611,604	1.82%	\$ 829	
850,955	-	850,955	45,677,557	1.73%	795	
810,377	-	810,377	45,628,941	1.62%	788	
768,379	-	768,379	45,373,523	1.58%	778	
724,912	-	724,912	42,056,277	1.60%	716	
679,923	-	679,923	20,393,978	0.73%	369	
633,359	-	633,359	11,077,017	0.38%	197	
585,165	-	585,165	11,118,258	0.37%	197	
535,285	-	535,285	11,403,524	0.35%	201	
-	13,695,000	13,695,000	24,994,423	0.75%	438	

CITY OF FOUNTAIN VALLEY

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Certificates of Participation</u>	<u>Percent of Assessed Value (1)</u>	<u>Per Capita</u>
2006	\$ 15,520,000	0.28%	\$ 270
2007	14,235,000	0.23%	248
2008	11,635,000	0.18%	201
2009	11,190,000	0.17%	192
2010	10,730,000	0.16%	183
2011	10,260,000	0.15%	185
2012	9,775,000	0.14%	174
2013	9,275,000	0.13%	164
2014	8,760,000	0.12%	154
2015	8,225,000	0.10%	144

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, 2015

2014-2015 City Assessed Valuation:
Total Assessed Valuation

\$ 7,994,583,167

	<u>Percentage Applicable (1)</u>	<u>Total Debt June 30, 2015</u>	<u>City's Share of Debt June 30, 2015</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.345%	\$ 110,420,000	\$ 380,949
Coast Community College District	6.883%	609,598,698	44,958,678
Rancho Santiago Community College District	0.331%	277,290,443	917,831
Rancho Santiago Community College District SFID No. 1	0.638%	70,585,000	450,332
Garden Grove Unified School District	11.612%	243,995,160	28,332,718
Huntington Beach Union High School District	12.080%	202,489,998	24,460,792
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 1,514,379,299</u>	<u>\$ 99,501,300</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.679%	98,906,000	1,678,435
Orange County Pension Obligations	1.679%	366,854,623	6,225,523
Orange County Board of Education Certificates of Participation	1.675%	15,190,000	257,774
Municipal Water District of Orange County Water Facilities Corporation	2.027%	5,360,000	108,647
Huntington Beach Union High School District Certificates of Participation	12.080%	59,691,090	7,210,684
Fountain Valley School District Certificates of Participation	73.349%	6,435,000	4,720,008
Ocean View School District Certificates of Participation	0.957%	14,725,000	140,918
City of Fountain Valley Certificates of Participation	100.000%	<u>8,225,000</u>	<u>8,225,000</u>
		<u>\$ 575,386,713</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			28,566,989
Less: MWDOC Water Facilities Corporation (100% self-supporting)			<u>108,647</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 28,458,342</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$1,855,000	1,855,000
TOTAL DIRECT DEBT			<u>\$ 8,225,000</u>
TOTAL GROSS COMBINED TOTAL DEBT			<u>\$ 118,698,289</u>
TOTAL NET COMBINED TOTAL DEBT			<u>\$ 118,589,642</u>
GROSS COMBINED TOTAL DEBT (2)			<u>\$ 126,923,289</u>
NET COMBINED TOTAL DEBT			<u>\$ 126,814,642</u>

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

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

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.21%
Total Direct Debt (\$8,760,000).....	0.10%
Gross Combined Total Debt.....	1.59%
Net Combined Total Debt.....	1.59%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,296,590,213):

Total Overlapping Tax Increment Debt.....	0.14%
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Source: California Municipal Statistics, Inc. (July 31, 2015)

CITY OF FOUNTAIN VALLEY
LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

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

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

Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
\$ 6,770,384,059	\$ 6,981,312,734	\$ 7,036,900,784	\$ 7,164,372,762	\$ 7,426,581,220	\$ 7,994,583,167
25%	25%	25%	25%	25%	25%
1,692,596,015	1,745,328,184	1,759,225,196	1,791,093,191	1,856,645,305	1,998,645,792
15%	15%	15%	15%	15%	15%
253,889,402	261,799,228	263,883,779	268,663,979	278,496,796	299,796,869
-	-	-	-	-	-
<u>\$ 253,889,402</u>	<u>\$ 261,799,228</u>	<u>\$ 263,883,779</u>	<u>\$ 268,663,979</u>	<u>\$ 278,496,796</u>	<u>\$ 299,796,869</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF FOUNTAIN VALLEY
 PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2006	\$ 6,065,995	\$ 1,235,000	\$ 728,678	3.09
2007	6,241,917	1,285,000	680,513	3.18
2008	7,086,966	1,335,000	629,113	3.61
2009	7,170,290	1,390,000	575,713	3.65
2010	7,477,137	1,445,000	518,773	3.81
2011	7,484,250	1,510,000	457,310	3.80
2012	4,245,463	1,570,000	392,380	2.16
2013	1,926,400	1,640,000	323,300	0.98
2014	1,925,055	1,715,000	210,055	1.00
2015	1,903,898	1,775,000	128,898	1.00

Notes:

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

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

CITY OF FOUNTAIN VALLEY

PLEDGED-REVENUE COVERAGE
2014A REVENUE BONDS

Current Fiscal Year

Fiscal Year Ended June 30	Operating Revenues (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2015	\$ 13,424,147	\$ 11,314,798	\$ 2,109,349	\$ 465,000	\$ 299,531	\$ 764,531	275.9%

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

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

Notes:

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

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

CITY OF FOUNTAIN VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2006	57,405	\$ 14,700	\$ 45,638	3.00%
2007	57,475	147,800	45,969	4.80%
2008	57,925	154,800	48,523	7.70%
2009	58,309	161,700	49,298	11.90%
2010	58,741	145,100	44,789	12.10%
2011 *	55,313	159,000	50,372	11.80%
2012	56,153	168,800	51,770	9.60%
2013	56,464	172,400	53,320	9.20%
2014	56,707	180,700	56,697	7.10%
2015	57,010	191,700	58,311	5.60%

Sources:

(1) California State Department of Finance/2014 U.S. Bureau of Labor Statistics: City of F.V, (estimates: last updated 10/14/2015)

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

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

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

CITY OF FOUNTAIN VALLEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2015		2006	
	Number of Employees	Percent of Total Employment (1)	Number of Employees	Percent of Total Employment (2)
Fountain Valley Regional Hospital	1,734	7.50%	1720	N/A
Memorial Health Services	1,122	4.85%	N/A	N/A
Hyundai Motor America	1,304	5.64%	406	N/A
Orange Coast Memorial Med.	997	4.31%	880	N/A
Kingston Technology Corporation	685	2.96%	738	N/A
Surefire LLC	393	1.70%	350	N/A
Antech Diagnostics, Inc.	325	1.41%	N/A	N/A
Costco Wholesale #411	318	1.38%	425	N/A
Sam's Club #6615	264	1.14%	195	N/A
Ceridian Tax Services, Inc.	251	1.09%	513	N/A
Spec Services, Inc.	228	0.99%	N/A	N/A
Manor Care of Fountain Valley	204	0.88%	187	N/A
Home Depot #647	175	0.76%	N/A	N/A
Fry's Electronics	172	0.74%	292	N/A
D-Link Systems, Inc.	164	0.71%	281	N/A
Hyundai Autoever America	160	0.69%	198	N/A

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

(2) Historical Percent values for whole city are not available until 2007

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CITY OF FOUNTAIN VALLEY

FULL-TIME CITY EMPLOYEES
BY DEPARTMENT

Last Ten Fiscal Years

Department	Fiscal Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	3.0	3.0	3.0	3.0	2.0	2.0	3.0	3.0	3.0	3.0
City Clerk	3.0	3.0	3.0	3.0	1.0	1.0	1.0	1.0	2.0	2.0
Finance	14.0	15.0	15.0	12.0	11.0	11.0	10.6	10.6	10.6	10.8
Information services	*	*	*	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Personnel	4.0	4.0	4.0	4.0	3.5	3.5	3.5	3.5	3.5	4.0
Planning/Building	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	7.0
Public works	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0
Field services	48.0	48.0	45.0	45.0	32.0	31.5	32.0	31.0	28.0	28.0
Fire	47.0	47.0	47.0	47.0	43.0	43.0	43.0	43.0	43.0	42.0
Police	90.0	89.0	89.0	89.0	78.0	78.0	78.0	79.0	85.0	83.0
Community services	6.0	6.0	6.0	6.0	4.0	5.0	5.0	6.0	6.0	6.0
Utilities (water and sewer)	17.0	17.0	21.0	21.0	21.0	22.0	22.0	22.0	22.0	22.0
Total	<u>251.0</u>	<u>251.0</u>	<u>252.0</u>	<u>252.0</u>	<u>215.5</u>	<u>217.0</u>	<u>218.1</u>	<u>219.1</u>	<u>223.1</u>	<u>220.8</u>

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

CITY OF FOUNTAIN VALLEY

OPERATING INDICATORS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Police:				
Arrests	1,764	2,380	2,230	2,134
Parking citations issued	10,134	12,532	11,534	10,550
Fire:				
Number of emergency calls	4,064	4,247	4,661	5,042
Inspections	14,000	16,033	12,890	11,582
Public works:				
Street resurfacing (miles)	20	22	26	14
Parks and recreation:				
Number of recreation classes	738	752	1,098	-
Number of facility rentals	289	172	184	-
Water:				
New connections	1,046	1,119	1,027	1,080
Average daily consumption (thousands of gallons)	12,230	10,340	10,064	8,866

Source: City of Fountain Valley

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
2,037	1,779	1,563	1,649	1,636	1,423
9,562	8,143	8,138	7,209	7,373	6,789
4,260	4,260	4,366	4,557	4,638	4,638
13,346	16,126	7,902	7,885	2,542	5,973
11	11	14	11	9	9
1,140	1,169	1,143	1,257	1,103	1,103
453	1,760	1,642	1,108	3,768	3,768
1,512	399	107	21	340	1,253
8,222	7,995	8,110	7,775	7,876	7,395

CITY OF FOUNTAIN VALLEY

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	2	2	2	2
Public works:				
Street (miles)	141.30	141.30	141.30	141.30
Streetlights**	N/A	N/A	N/A	N/A
Traffic signals	53	52	52	53
Parks and recreation:				
Parks	19	19	19	20
Community centers	2	2	2	2
Water:				
Water mains (miles)	183.80	184.00	184.00	185.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000

**Streetlights are owned by So. Cal Edison

Fiscal Year Ended June 30,

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
2	2	2	2	2	2
141.30	141.30	141.30	165.00	165.00	165.00
N/A	N/A	N/A	N/A	N/A	N/A
53	53	53	53	54	54
20	20	20	20	20	20
2	2	2	2	2	2
185.00	187.00	187.00	202.00	202.00	202.00
18,000,000	15,000,000	12,500,000	13,500,000	13,500,000	16,700,000

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