

City of Fountain Valley
California

**Comprehensive
Annual Financial Report
Fiscal Year Ended
June 30, 2013**

Prepared by the Finance Department

Sherri Holman

Finance Director/City Treasurer

City Council

2012-2013



Mark McCurdy
Mayor



Michael Vo
Mayor Pro Tempore



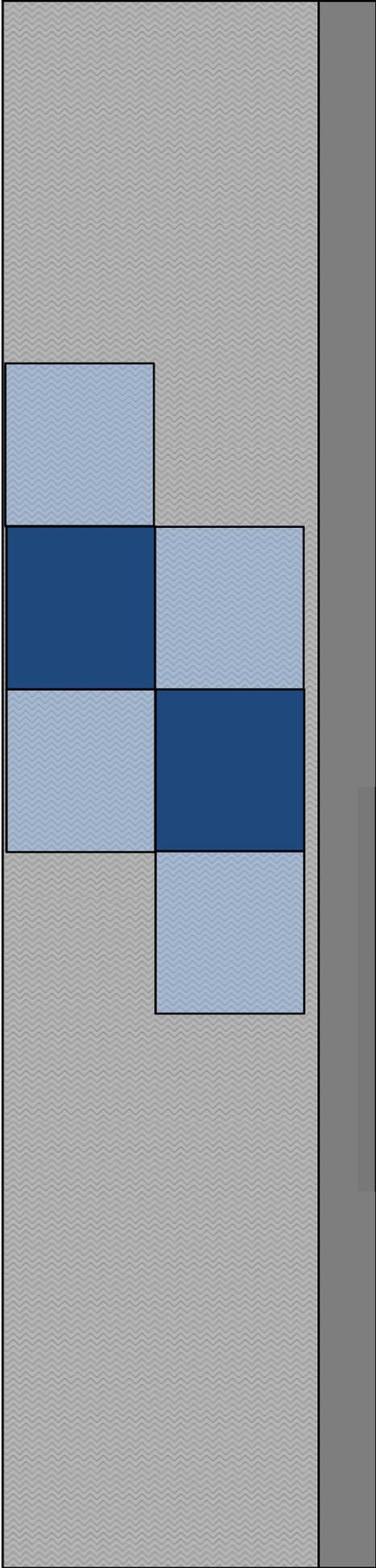
John Collins
Council Member



Steve Nagel
Council Member



Cheryl Brothers
Council Member



CITY OF FOUNTAIN VALLEY

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CITY OF FOUNTAIN VALLEY

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December 13, 2013

Honorable Mayor and City Council
City of Fountain Valley
Fountain Valley, California

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2013, 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 consists of management's representation concerning the finances of the City of Fountain Valley. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with the GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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

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

the fiscal year ended June 30, 2013, 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.

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, 2013, 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.

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 of the financial statement of the City of Fountain Valley was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The City of Fountain Valley is required to have an annual single audit performed in conformity with the provisions of the OMB's Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of finding and recommendations are included in a separately issued single audit report.

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

Reporting Entity

The reporting entity's (the City of Fountain Valley) financial statements includes all funds of the City as well as its component units. Component units are legally separate entities for which the

City is fully accountable. The financial activities of the Fountain Valley Financing Authority, and the Fountain Valley Housing Authority have been reported as debt service and capital projects funds, as appropriated. Under ABX1 26 that was approved by the legislature on June 28, 2011 all redevelopment agencies were eliminated effective February 1, 2012 therefore activity for the former redevelopment agency is as a Fiduciary Private Purpose Fund.

Governmental Profile

The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 56,464 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. The City has operated under a council-manager form of government since incorporation.

Policy making and legislative authority are vested in the City Council, which is comprised of five members elected at large, on a non-partisan basis, for staggered four-year terms of office. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the City's department heads.

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

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.

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.

Budgetary Control

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. This online real-time system allows each department to ascertain the budget status of a program or project prior to requesting a purchase order and purchase amounts are encumbered as each purchase order is issued to ensure that there are sufficient amounts available in an account prior to the purchase. Purchases that would result in an over-expenditure of the funds bottom line are not released until additional appropriations or budget amendments are processed. At fiscal year-end, all operating budget appropriations lapse and encumbrances are reported as reservations of fund balances at June 30, 2012. 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 operations.

Economic Outlook & Highlights for the Future

The City of Fountain Valley is a premier Orange County City that celebrated its fifty sixth birthday in 2013. 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, La Curacao and Fry's Electronics generally do well in spite of the gyrations that occur in an unpredictable economy, and sales tax has grown to be the single largest revenue source for general city operations. However, during the great recession our Sales tax revenues declined by 23.6 percent when compared to fiscal year 2007/08. Now that the dust has settled and the economy has stopped its downward spiral we are starting to see a return of our Sales Tax revenues.

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 on the horizon at the time we completed the design stage for two major projects, the expansion of Mile Square Park Recreation Center and the construction of a Senior/Community Center, a decision was made to explore the possibility of issuing debt as a hedge against losses that we could possibly suffer at the hands of the State Legislature. So, in a very favorable market, with interest rates at an all-time low, the Council voted to issue debt to finance the projects and to pay for the financing with user fees and development fees that had, and would be collected from the new facilities. In July 2003, the Fountain Valley Improvement Authority issued \$13,270,000 Certificates of Participation rated AAA by Standard & Poor's and AAA by Moody's Investor Service.

Housing & Economic Development

Fountain Valley is 98% built out, which means that most of the new development will come from repurposing existing properties. Fountain Valley remains a very desirable place to live; this is evidenced by the demand shown for the new homes built in the city. Most projects are sold out prior to completion of the development. Although there has been an economic slowdown for the last few years many businesses have chosen to either move to Fountain Valley or expand their operations here. This means the Fountain Valley is not only "a nice place to live ", but a great place to do business. Below, is just a sampling of the economic activity that is present in Fountain Valley.

Fountain Valley Civic Center

The project consists of a residential development and a 127 unit hotel located on an 8.3 acre site next to the City Hall campus at Brookhurst Street and Slater Avenue.

The 88 residential units being developed by the Olson Company are under construction and the builder has accepted over 25 deposits for sales of the new homes. The development will consist of 61 townhomes and 27 single family homes. All homes are 100% sold, even those that are not yet completed. It is estimated that all homes will be finished and occupied in early 2014.

The 127 unit hotel is being developed by the Ayers Company and is under construction at this time with an anticipated completion date mid-December 2013.

Hyundai

Hyundai America has begun construction on their North America Headquarters. The project will consist of a 6 story, 420,000 square foot office building, a 50,000 square foot technical service building and a 5-level parking structure. The project has gone vertical and we anticipate completion in early 2014.

Yakult

Yakult is the world's leading probiotic beverage created in Japan in 1935. It is produced by Yakult Honsha Co., Ltd - the world's pioneer in probiotics. Yakult has begun construction on their first production facility in the United States on Newhope Avenue. The facility will consist of an 87,000 square foot beverage manufacturing facility. The ground breaking ceremony took place in the 2011/2012 fiscal year and completion is anticipated by the end of 2013.

Demise of Redevelopment

As mentioned earlier in this transmittal 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. As a result of the dissolution act the City was forced to remit to the County of Orange \$35 million in funds that could have used to fulfill these needs. The loss of these funds has made it extremely difficult for the City to provide economic growth and funding for various infrastructure projects. Another part of redevelopment was the provision of affordable housing. Twenty percent of all tax increment collected was dedicated to affordable housing. Affordable housing programs provided funds to assist low and moderate income homeowners with the means to maintain and improve their homes, thereby preserving neighborhoods throughout the City. The funds also assisted in the development of affordable housing for seniors and other residents of low and moderate income. At the time of dissolution the City had \$12 million in funds that were to be used for homeowner loans and affordable housing projects, those funds were also remitted to the county and the City now has no source of funding to meet these needs.

In addition, under the dissolution act cities now only receive property taxes to fund items that are approved by the Department of Finance (DOF). Cities report to the DOF bi-annually on items that the City requires funding for and the DOF can approve or deny an item at its sole discretion. The DOF has the ability to approve an item in one reporting period and then turn

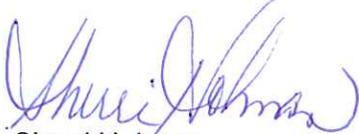
around and deny it on the next cycle. During the 2012/13 fiscal year the DOF denied payments for the COP and Mike Thompson RV, they had previously approved both items then denied them in future reporting. The City feels that the DOF denial of these two items was inappropriate and we filed suit against the state in July 2013. This litigation is still pending and the outcome of the litigation can only be speculated at this time, therefore there are no assumptions of the outcome reflected in the financial statement being presented.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report is made possible by the dedicated efforts of the Finance Department staff. In addition, appreciation is extended to our independent auditors, White Nelson Diehl Evans, for their expertise and advice in preparing this year's financial report. In closing, without the leadership of the City Manager and the vision of our City Council, the results of this report would not have been possible.

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.

Respectfully submitted,



Sherri Holman

Finance Director/Treasurer

City Directory

Mayor

Mark McCurdy

Council Members

Michael Vo
John Collins
Steve Nagel
Cheryl Brothers

Mayor Pro Tempore
Council Member
Council Member
Council Member

City Officials

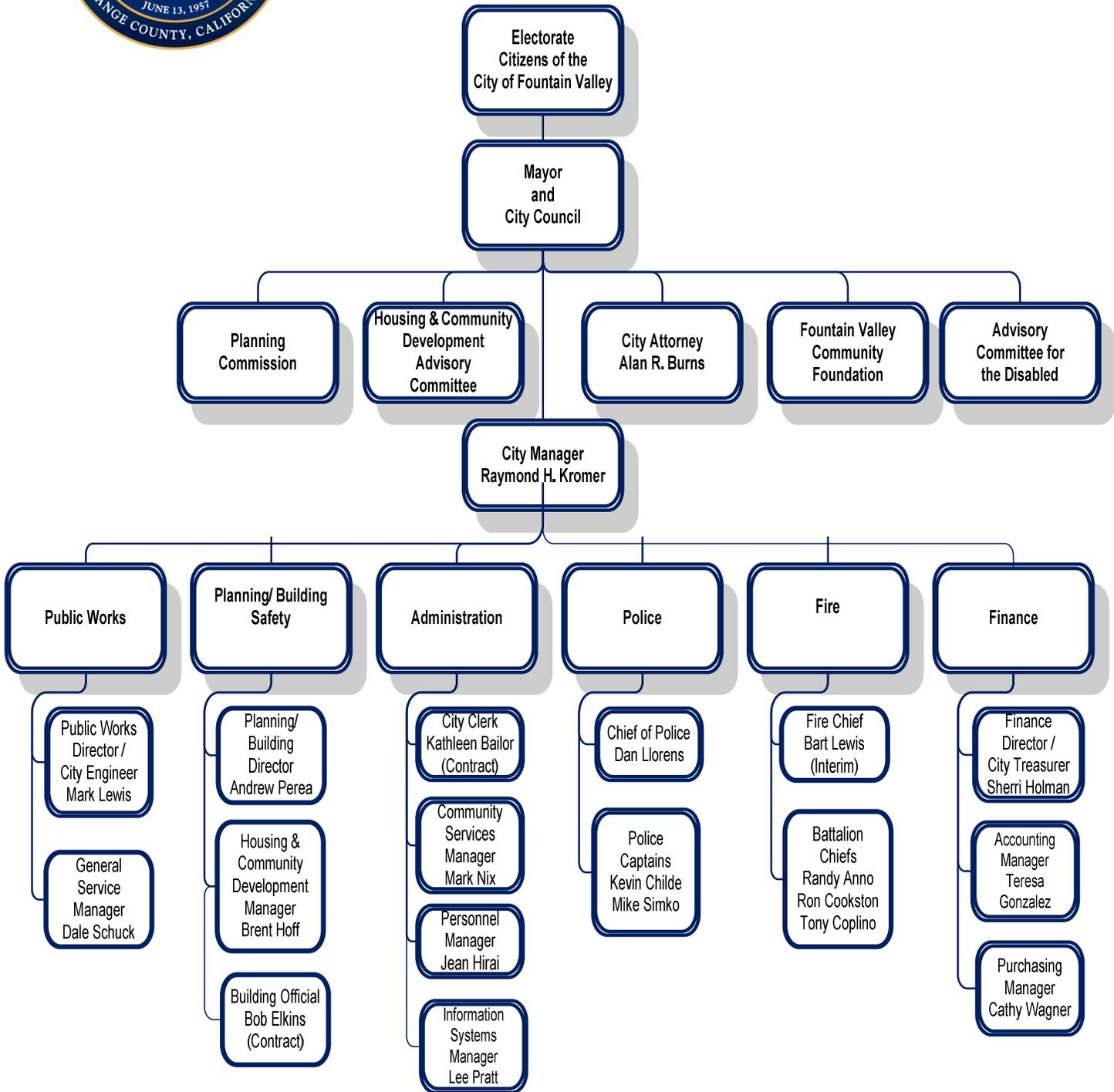
Raymond H. Kromer
Alan R. Burns
Mark Lewis

Andrew Perea
Dan Llorens
Bart Lewis
Sherri Holman

Dale Schuck
Kathleen Bailor
Mark Nix
Jean Hirai
Mike Simko
Kevin Childe
Randy Anno
Tony Coppolino
Ron Cookston
Lee Pratt
Cathy Wagner

City Manager
City Attorney
**Director of Public Works
and City Engineer**
Planning/Building Director
Chief of Police
Interim Fire Chief
**Finance Director/City
Treasurer**
General Services Manager
City Clerk/Part-Time
Community Services Manager
Personnel Manager
Police Captain
Police Captain
Battalion Chief
Battalion Chief
Battalion Chief
Information Systems Manager
Purchasing Manager

Organization of the City



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley (the City), as of and for the year ended June 30, 2013, 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 an opinion 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 opinion.

Opinion

In our opinion, the basic 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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1d to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1d to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard resulted in a reclassification of *unavailable revenues* from liabilities to deferred inflows of resources. Our opinion is not modified with respect to this matter.

As discussed in Note 1e to the basic financial statements, the City changed the availability period for the modified accrual basis of accounting from 90 days to 60 days. The change in accounting method was applied retrospectively and resulted in a restatement of beginning balances disclosed in Note 14. Our opinion is not modified with respect to this matter.

Other Matters:

June 30, 2012 Financial Information and Restatement

The financial statements of the City as of June 30, 2012, were audited by other auditors whose report dated January 14, 2013, expressed an unmodified opinion on those statements. As part of our audit of the 2013 financial statements, we also audited adjustments described in Note 14 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the City other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

Partial Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended June 30, 2012 from which such partial information was derived.

Other Matters (Continued):

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, 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 13, 2013

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, 2013. 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

On June 29, 2011 the legislature approved Assembly Bill 1X 26 (AB1X26) that provided for the dissolution of all redevelopment agencies (RDA) in the State of California. Immediately after passage of the bill the League of California Cities (League) and the California Redevelopment Association (CRA) joined together and filed suit against the State to stop AB1X 26. On December 29, 2011 the California Supreme Court sided with the State and AB1X 26 became law and all redevelopment agencies were dissolved as February 1, 2012. After the dissolution the City became the successor agency for all non-housing assets of the former RDA and the Fountain Valley Housing Authority became the successor agencies for all housing set-aside assets. As agencies began the implementation of AB1X26 it became obvious that the bill was riddled with inconsistencies and lacked clear direction as to how dissolution matters were to be handled. In an effort to clarify this process on June 27, 2012 the legislature approved AB1484. Under AB1X26 agencies were to remit all uncommitted fund balance to the county for redistribution to other taxing entities. The City initially estimated the amount to be \$31.8 million. When AB1484 was enacted it called for successor agencies to have a Due Diligence Review of all financial transactions of the former RDA from January 1, 2011 through June 2012. During this review the DOF denied several transfers that were made in good faith between the former RDA, the City and the Housing Authority, as a result the successor agency made payments totaling \$47,594,740 to the county auditor controller. Furthermore during the 2012/13 fiscal year the Department of Finance (DOF) denied contractual obligations of the former RDA as enforceable obligations of the successor agency that have had a significant negative impact to the City's general fund. The City has filed litigation against the state for the denial of agreements for annual payments to Mike Thompson RV, the annual COP debt service payments and the denial of a \$5.6 million transfer from the deactivated City Center project area. It is important to point out that the City did receive \$6.4 million back from the dissolution as its portion of property tax that it would have received if the RDA had never existed. The receipt of these funds helped to offset the losses that the general fund suffered under the dissolution act for this fiscal year. Unfortunately this was a one-time influx of money and going forward the general fund will continue to bear the losses of the dissolution. More information regarding the dissolution of the agency can be found on pages 68 through 71.

The 2012-2013 fiscal year also brought with it many large construction projects that will benefit the City for many years to come. During the year 116 new homes were added the tax roll through 3 different projects. Ayres began building a 127 room hotel that is due to open late December 2013. Hyundai took down their existing building and began construction on a 6 story 469,000 square foot facility that will serve as their North America headquarters. Yakult choose Fountain Valley to be home to their North America manufacturing and office headquarters and will be open for business in early 2014.

The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$181,577,590 (*net position*). Of this amount, \$56,089,306 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

See independent auditors' report.

The City's total net position decreased by \$9,770,679, this is directly attributable to the dissolution of the former redevelopment agency. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63,366,823 a decrease of \$7,697,854 from the prior year, this amount is completely related to transfers made between the City, former Agency, and Housing Authority that were denied by the DOF during our two Due Diligence Reviews. Approximately 64.3 percent of this amount, \$40,745,212 is available for spending at the government's discretion under GASB 54.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fountain Valley'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 themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Fountain Valley's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the City of Fountain Valley'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 of Fountain Valley that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fountain Valley include general government, public safety, transportation, community development, community services, capital projects and interest on long term debt. The business-type activities of the City are comprised of water and solid waste funds.

The *government-wide financial statements* include not only the City itself (known as the *primary government*), but also the legally separate Fountain Valley Housing Authority and the Fountain Valley Financing Authority that function as integral parts of the primary government and have been included in these financial statements. The government-wide financial statements can be found on pages 17-19 of this report.

See independent auditors' report.

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 of Fountain Valley maintains twenty-four 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, Housing Authority, and Financing Authority, the remaining Non-major Governmental Funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. A budgetary comparison schedule has been provided for each of them to demonstrate compliance with this budget, except for the HOME Grant Fund, as the City did not adopt annual budgets for these funds.

The basic governmental fund financial statements can be found on pages 20-26 of this report.

See independent auditors' report.

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste funds, the water fund is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-75 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fountain Valley. Required supplementary information can be found on pages 77-82 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to required supplementary information. Descriptions of the non-major governmental funds along with the combining and individual fund statements and schedules can be found on pages 83-104 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City of Fountain Valley's case, assets exceeded liabilities by \$181,577,590 at the close of the fiscal year. 36.1 percent of the City's net position reflects cash, investments, accounts receivable and prepaid expenses and 61.2 percent is investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

See independent auditors' report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	72,733	86,273	7,514	7,220	80,247	93,493
Capital assets	108,986	110,247	12,385	12,879	121,371	123,126
Total Assets	181,719	196,520	19,899	20,099	201,618	216,619
Long-term liabilities						
outstanding	13,005	13,607	561	650	13,566	14,257
Other liabilities	4,765	9,361	1,710	1,653	6,475	11,014
Total Liabilities	17,770	22,968	2,271	2,303	20,040	25,271
Net Position:						
Net investment in capital						
Assets	99,260	103,092	11,800	11,746	111,060	114,838
Restricted	14,429	14,475	0	0	14,429	14,475
Unrestricted	50,261	55,985	5,828	6,050	56,089	62,035
Total Net Position	163,950	173,552	17,628	17,796	181,578	191,348

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

At the end of the 2013, fiscal year, the City of Fountain Valley is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased the City's net position by \$9,602,749. The key element of this decrease is related to the dissolution of the redevelopment agency other changes are shown of the next page:

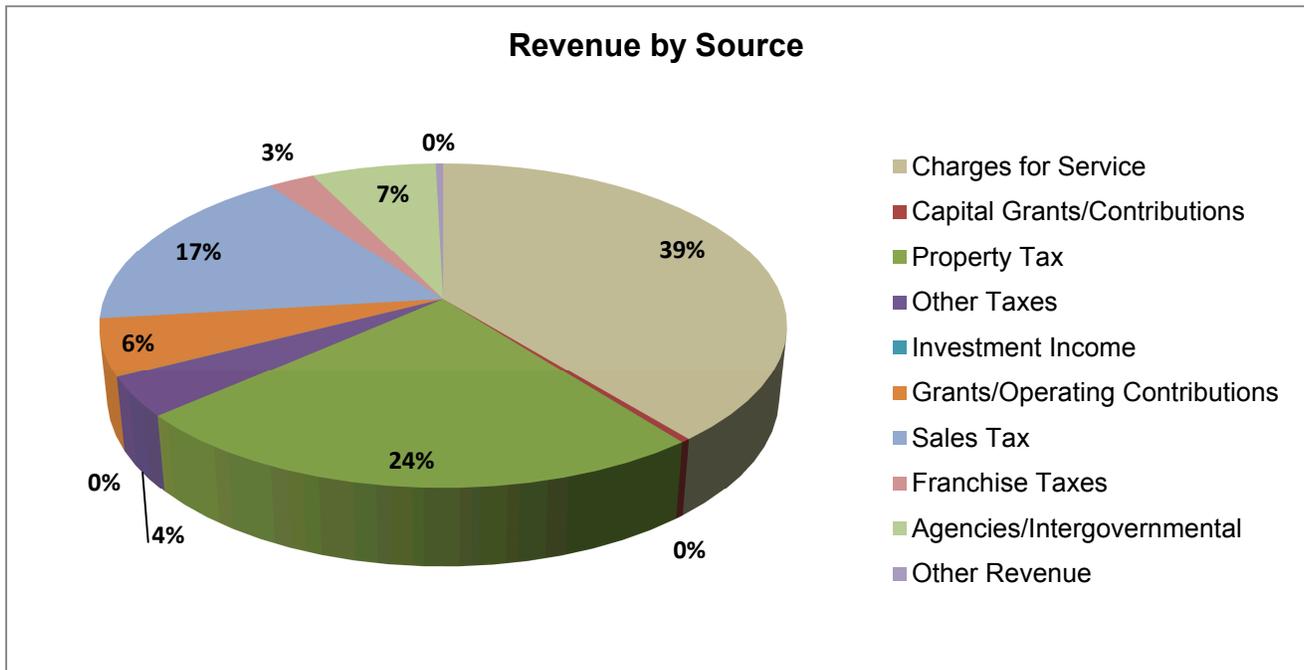
See independent auditors' report.

CHANGES IN NET POSITION

(In thousands)

	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	Total	Total
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	10,931	8,748	15,207	14,654	26,138	23,402
Operating grants and Contributions	3,763	4,808			3,763	4,808
Capital grants and Contributions	255	703			255	703
General Revenues:					0	0
Property taxes	16,071	14,247			16,071	14,247
Franchise taxes	1,713	1,776			1,713	1,776
Sales taxes	11,408	10,949			11,408	10,949
Other taxes	2,632	744			2,632	744
Revenues from other Agencies	4,587	4,468			4,587	4,468
Other						0
Investment earnings	(66)	553	50	55	(16)	608
Assessments					0	0
Miscellaneous	225	551	44		269	551
Transfers	73	824	(73)	(824)	0	0
Gain/(Loss) on sale of property	3	4			3	4
Total Revenues	<u>51,595</u>	<u>48,375</u>	<u>15,228</u>	<u>13,885</u>	<u>66,823</u>	<u>62,260</u>
Expenses:						
General government	3,269	3,624			3,269	3,624
Public safety	25,959	26,040			25,959	26,040
Transportation	8,086	10,485			8,086	10,485
Community development	5,676	4,710			5,676	4,710
Community Services	2,433	2,520			2,433	2,520
Interest and fiscal charges	389	632			389	632
Capital Projects	401				401	
Extraordinary Loss	14,984	33,237	512		15,496	33,237
Water			11,961	9,640	11,961	9,640
Solid Waste			2,923	2,912	2,923	2,912
Total Expenses	<u>61,197</u>	<u>81,248</u>	<u>15,396</u>	<u>12,552</u>	<u>76,593</u>	<u>93,800</u>
Decrease in net position	(9,602)	(32,873)	(168)	1,333	(9,770)	(31,540)
Net Position - July 1, as restated	<u>173,552</u>	<u>206,425</u>	<u>17,796</u>	<u>16,463</u>	<u>191,348</u>	<u>222,888</u>
Net Position - June 30	<u>163,950</u>	<u>173,552</u>	<u>17,628</u>	<u>17,796</u>	<u>181,578</u>	<u>191,348</u>

See independent auditors' report.



Financial Analysis of the Government Funds

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

Governmental Funds

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$63,366,823 a decrease of \$7,697,854 from the prior year, as mentioned earlier the decrease is related to the agency dissolution matters. Approximately 14 percent of this amount, \$9,062,690 is not available for spending, \$7,212,149, or 12 percent is unreserved but considered restricted for future commitments and 74 percent, \$47,091,894 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 \$40,745,212 and total fund balance was \$42,591,535. This constitutes an increase of \$1,615,815 from the 2012 fiscal year. The major reason for this increase is related to additional property tax received from funds remitted back to the county under the Agency dissolution act.

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

See independent auditors' report.

Fund balance in the Housing Authority Fund at June 30, 2013, was \$7,471,466 an increase of \$182,323; this is directly related to an increase in receipts of loan repayments when this fiscal year is compared to last fiscal year.

The Financing Authority Fund had a decrease in fund balance of \$9,774,982 with a total ending fund balance of \$889,600. This decrease is attributed to loss of an advance to the successor agency that was denied by the DOF during the ROPS process, the advance was related to the successor agency's payment of the annual COP debt service and it is the subject of litigation as mentioned earlier.

Proprietary Funds

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

Total net position for the Water Utility Fund decreased by \$286,496 and totaled \$16,978,089 at June 30, 2013, of this amount the unrestricted net position amounted to \$5,178,153. This decrease in net position is attributed to an over reimbursement from the former RDA that was found during the reconciliation process required to wind down the agency affairs. The water fund returned \$511,770 to the agency for the over reimbursement for Well Site #6. For the fiscal year ended 2013 the Solid Waste Fund had a net position of \$649,960, an increase of \$118,566 from last fiscal year.

General Fund Budgetary Highlights

Changes to Original Budget

A detailed budgetary comparison schedule for the year ended June 30, 2013, is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those originally adopted by Council. This is due to changes that occurred between the adoption of the 2012-2013 annual budget and the closing of the fiscal year.

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

<u>General Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>
Revenues	\$35,380,969	\$36,060,957	\$ 679,988
Expenditures	\$35,094,863	\$36,650,932	\$1,556,069
Other sources (uses) (\$ 774,141)		(\$ 6,174,056)	\$5,399,915

Revenue variances are made up of the following items. During the course of the fiscal year the City secured state and federal grant awards of \$129,988. The remaining \$550,000 reflects an increase in building permit and plan check fees for the construction projects mentioned earlier in this report.

See independent auditors' report.

The variance in expenditures consists of appropriations for the above mentioned grants and personnel services required for the processing of plans and permits for the large construction projects. Also included are appropriations that were carried over from the prior year for project that were started but not completed by year end. In addition the City appropriated funding for the restoration of restrooms at the City's recreation center.

Other sources (uses) variances include is a \$5 million budget adjustment that was required when the DOF denied a transfer to the general fund that resulted in the City remitting those funds back to the county.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounts to \$121,371,169 (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 decrease in the City's investment in capital assets for the current fiscal year was 1.4 percent, or \$1,754,040 and is a result of depreciation expense

CAPITAL ASSETS (net of accumulated depreciation)
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	3,885	3,885	123	123	4,008	4,008
Vehicles and Equipment	1,972	1,956	13	16	1,985	1,972
Furniture and Fixtures	14	2			14	2
Buildings	9,009	9,374	7,939	8,406	16,948	17,780
Construction in Progress	54	2,613	472	390	526	3,003
Improvements other than Structures	3,057	414	3,838	3,943	6,895	4,357
Rights of Way	17,948	17,948			17,948	17,948
Infrastructure	73,047	74,055			73,047	74,055
Total	108,986	110,247	12,385	12,878	121,371	123,125

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 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 the notes on pages 54-55 of this report.

See independent auditors' report.

Long-Term Debt

LEASES, TAX ALLOCATION BONDS, AND NOTES

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Leases Payable	451	668			451	668
Tax Allocation Bonds						
Certificate of Participation	9,275	9,775			9,275	9,775
Compensated Absences	1,976	2,237	119	86	2,095	2,323
Claims Payable	3,491	3,430			3,491	3,430
Other Post Emp. Benefits (OPEB)	807	(113)			807	(113)
Loans Payable			585	633	585	633
Total	16,000	15,997	704	719	16,704	16,716

At year-end, the City had total long term debt outstanding of \$16,703,915; this is a decrease of \$12,976. The decrease is attributable to a reduction in lease payable obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy continues to struggle and growth has been meager and while there are some signs that the economy is improving we are still dealing with state and national record high unemployment rates. Currently California's unemployment rate is 8.7 percent, down 2 percent from last year's rate of 10.7 percent. The unemployment rate for the Nation decreased by 1/2 of a percent, down from 9.2 percent to 8.7 percent. The unemployment rate in Orange County is currently 5.8 percent which represents a decrease of 2 percent from the rate of 7.8 percent last year. While these numbers do reflect decent decreases in the unemployment rate they are still not down to what they were prior to the great recession of 2008.

During the fiscal year Sales tax revenues, the City's single largest revenue source steadily increased. Collections at 6/30/2013 were \$11,407,422, an increase of \$458,662, or 4.2% higher than the previous year, however sales tax collections are nowhere near what they were from our 2007/08 high. When preparing the 2013-2014 budget staff projected that Sales tax would only increase by a modest 2.12 percent from 2012-2013 estimates because there are still so many uncertainties as to our continued economic growth.

See independent auditors' report.

Interest rates affect all industries and local government is no exception. The amount of interest income the City can anticipate deriving from the investment of inactive funds in the next year depends on actions taken by the Federal Reserve Board and they react according to trends in the economy. Consequently since the economy is stable but extremely fragile the Feds have kept rates at historical lows and there seems to be no indication that the market will be returning to “normal” anytime in the near future. As of the end of the fiscal year, investments being offered for governmental entities were yielding about 1.25 percent on a five year note; this is essentially unchanged from the prior year, so interest rates are not showing any signs of improvement, rates at LAIF continue to drop and are currently a dismal 0.244 percent.

Property Tax revenues for the City remain consistent; we did not see the major decline in property values experienced by many of the surrounding communities. As mentioned earlier we have many new homes coming on the roll; however we will not see the full effect of this increase until we begin the 2014-2015 budget process. We included a small 1.45 percent increase in property tax revenues in the 2013-2014 budget. However early results from the County Tax Collector has our increase at 3.45 percent, very encouraging. As we move forward we will also see an increase in unsecured property tax due to the Hyundai expansion and the addition of Yakult. It is anticipated that once the Ayres Hotel is fully operational we will see an additional \$300,000 annually in Transient Occupancy Tax. Fountain Valley certainly had a much needed growth spurt during this fiscal year. However there are still many challenges before us and our focus must remain on economic development so that can continue to attract companies like Ayres and Yakult to our community.

On June 18, 2013, the Council adopted the 2013-2014 annual operating budget with appropriations totaling \$67,183,906 for the City and an additional \$7,531,222 for the successor agencies of the former RDA. The loss of Agency funds has had and will continue to have a significant impact on the City’s General Fund. The exact amount of that impact has yet to be determined as there has been no resolution with the litigation the City has against the state on dissolution issues. During the 2012-2013 fiscal year the impact to the general fund was approximately \$1.6 million.

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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BASIC FINANCIAL STATEMENTS

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION

June 30, 2013
(with comparative totals as of June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012
ASSETS:				
Cash and investments	\$ 50,556,477	\$ 6,582,096	\$ 57,138,573	\$ 60,314,571
Cash and investments with fiscal agents	2,533,880	-	2,533,880	2,533,774
Receivables:				
Accounts	3,103,749	2,588,460	5,692,209	5,496,356
Accrued interest	54,443	-	54,443	77,486
Loans	7,421,922	-	7,421,922	7,792,683
Advances to successor agency	3,364,450	-	3,364,450	13,139,450
Internal balances	1,657,000	(1,657,000)	-	-
Inventories	82,767	-	82,767	80,838
Net OPEB asset	-	-	-	112,767
Land held for resale	3,851,917	-	3,851,917	3,851,917
Prepaid expenses	106,556	-	106,556	93,594
Capital assets:				
Not being depreciated	85,435,982	595,112	86,031,094	88,508,023
Being depreciated, net	23,550,086	11,789,989	35,340,075	34,617,186
TOTAL ASSETS	181,719,229	19,898,657	201,617,886	216,618,645
LIABILITIES:				
Accounts payable	1,224,608	1,500,476	2,725,084	3,157,020
Accrued wages payable	407,195	-	407,195	1,796,450
Accrued interest payable	137,654	-	137,654	129,821
Deposits payable	-	66,448	66,448	182,427
Advances from successor agency	-	-	-	3,175,000
Long-term liabilities:				
Due within one year	2,995,561	143,184	3,138,745	2,572,405
Due in more than one year	13,004,670	560,500	13,565,170	14,257,253
TOTAL LIABILITIES	17,769,688	2,270,608	20,040,296	25,270,376
NET POSITION:				
Net investment in capital assets	99,259,832	11,799,936	111,059,768	114,838,192
Restricted for:				
Housing	7,675,638	-	7,675,638	7,289,143
Public safety	1,391,512	-	1,391,512	1,299,798
Transportation	4,414,795	-	4,414,795	4,770,870
Community development	56,971	-	56,971	225,839
Debt service	889,600	-	889,600	889,582
Unrestricted	50,261,193	5,828,113	56,089,306	62,034,845
TOTAL NET POSITION	\$ 163,949,541	\$ 17,628,049	\$ 181,577,590	\$ 191,348,269

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

CITY OF FOUNTAIN VALLEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,268,718	\$ 1,313,296	\$ -	\$ -
Public safety	25,959,047	2,551,306	448,717	-
Transportation	8,085,945	-	2,644,496	255,300
Community development	5,675,610	4,200,182	468,770	-
Community services	2,433,094	2,865,863	201,178	-
Capital projects	401,606	-	-	-
Interest on long term debt	389,544	-	-	-
Total governmental activities	<u>46,213,564</u>	<u>10,930,647</u>	<u>3,763,161</u>	<u>255,300</u>
Business-type activities:				
Water	11,961,160	12,030,680	-	-
Solid waste	2,923,270	3,175,972	-	-
Total business-type activities	<u>14,884,430</u>	<u>15,206,652</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 61,097,994</u>	<u>\$ 26,137,299</u>	<u>\$ 3,763,161</u>	<u>\$ 255,300</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Intergovernmental revenues, unrestricted

Investment income (loss)

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Extraordinary items:

Loss on dissolution

Removal of disallowed advance

Payment to successor agency for disallowed expenses

Total extraordinary items

Change in net position

Net position - beginning of year, as restated

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2013	2012
\$ (1,955,422)	\$ -	\$ (1,955,422)	\$ (2,081,032)
(22,959,024)	-	(22,959,024)	(22,269,217)
(5,186,149)	-	(5,186,149)	(7,116,105)
(1,006,658)	-	(1,006,658)	(606,639)
633,947	-	633,947	(1,047,159)
(401,606)	-	(401,606)	-
(389,544)	-	(389,544)	(631,851)
<u>(31,264,456)</u>	<u>-</u>	<u>(31,264,456)</u>	<u>(33,752,003)</u>
-	69,520	69,520	1,794,003
-	252,702	252,702	308,810
-	<u>322,222</u>	<u>322,222</u>	<u>2,102,813</u>
<u>(31,264,456)</u>	<u>322,222</u>	<u>(30,942,234)</u>	<u>(31,649,190)</u>
16,071,106	-	16,071,106	14,247,327
11,407,422	-	11,407,422	10,948,760
1,712,754	-	1,712,754	1,775,922
2,632,282	-	2,632,282	744,079
4,587,172	-	4,587,172	4,468,380
(65,914)	50,416	(15,498)	607,432
2,404	-	2,404	3,612
225,313	44,142	269,455	550,830
72,940	(72,940)	-	-
<u>36,645,479</u>	<u>21,618</u>	<u>36,667,097</u>	<u>33,346,342</u>
-	-	-	(33,237,247)
(5,708,772)	(511,770)	(6,220,542)	-
(9,275,000)	-	(9,275,000)	-
<u>(14,983,772)</u>	<u>(511,770)</u>	<u>(15,495,542)</u>	<u>(33,237,247)</u>
(9,602,749)	(167,930)	(9,770,679)	(31,540,095)
<u>173,552,290</u>	<u>17,795,979</u>	<u>191,348,269</u>	<u>222,888,364</u>
<u>\$ 163,949,541</u>	<u>\$ 17,628,049</u>	<u>\$ 181,577,590</u>	<u>\$ 191,348,269</u>

CITY OF FOUNTAIN VALLEY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013
(with comparative totals as of June 30, 2012)

		Special Revenue Fund	Debt Service Fund
	General	Housing Authority	Fountain Valley Financing Authority
ASSETS			
Cash and investments	\$ 39,726,077	\$ 260,959	\$ -
Cash and investments with fiscal agents	-	-	889,600
Receivables:			
Accounts	2,572,129	-	-
Accrued interest	54,443	-	-
Loans/notes	-	7,199,591	-
Due from other funds	2,442	-	-
Advances to other funds	1,657,000	-	-
Advances to successor agency	-	3,364,450	-
Inventory	82,767	-	-
Land held for resale	-	3,851,917	-
Prepaid expenses	106,556	-	-
	<u>\$ 44,201,414</u>	<u>\$ 14,676,917</u>	<u>\$ 889,600</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 894,502	\$ 5,860	\$ -
Accrued wages payable	407,195	-	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Advances from successor agency	-	-	-
	<u>1,301,697</u>	<u>5,860</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	308,182	7,199,591	-
	<u>308,182</u>	<u>7,199,591</u>	<u>-</u>
	<u>1,609,879</u>	<u>7,205,451</u>	<u>-</u>
FUND BALANCES:			
Nonspendable:			
Inventory	82,767	-	-
Prepaid expenses	106,556	-	-
Advances	1,657,000	3,364,450	-
Land held for resale	-	3,851,917	-
Restricted for:			
Public safety	-	-	-
Transportation	-	-	-
Housing	-	255,099	-
Community development	-	-	-
Debt service	-	-	889,600
Assigned	-	-	-
Unassigned	40,745,212	-	-
	<u>42,591,535</u>	<u>7,471,466</u>	<u>889,600</u>
	<u>42,591,535</u>	<u>7,471,466</u>	<u>889,600</u>
	<u>\$ 44,201,414</u>	<u>\$ 14,676,917</u>	<u>\$ 889,600</u>

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

Other Governmental Funds	Total Governmental Funds	
	2013	2012
\$ 10,569,441	\$ 50,556,477	\$ 53,847,843
1,644,280	2,533,880	2,533,774
531,620	3,103,749	2,857,635
-	54,443	77,486
222,331	7,421,922	7,792,683
-	2,442	2,442
-	1,657,000	1,885,000
-	3,364,450	13,139,450
-	82,767	80,838
-	3,851,917	3,851,917
-	106,556	93,594
<u>\$ 12,967,672</u>	<u>\$ 72,735,603</u>	<u>\$ 86,162,662</u>
\$ 324,246	\$ 1,224,608	\$ 1,632,351
-	407,195	1,796,450
-	-	123,247
2,442	2,442	2,442
-	-	3,175,000
<u>326,688</u>	<u>1,634,245</u>	<u>6,729,490</u>
<u>226,762</u>	<u>7,734,535</u>	<u>8,368,495</u>
<u>553,450</u>	<u>9,368,780</u>	<u>15,097,985</u>
-	82,767	80,838
-	106,556	93,594
-	5,021,450	15,024,450
-	3,851,917	3,851,917
1,391,512	1,391,512	1,204,947
4,414,795	4,414,795	4,865,721
204,172	459,271	254,772
56,971	56,971	43,843
-	889,600	889,582
6,346,772	6,346,772	5,838,725
-	40,745,212	38,916,288
<u>12,414,222</u>	<u>63,366,823</u>	<u>71,064,677</u>
<u>\$ 12,967,672</u>	<u>\$ 72,735,603</u>	<u>\$ 86,162,662</u>

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CITY OF FOUNTAIN VALLEY

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

June 30, 2013
(with comparative totals as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
Fund balances - total governmental funds	\$ 63,366,823	\$ 71,064,677
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of depreciation, have not been included as financial resources in government fund activity:		
Capital assets	138,651,739	138,056,803
Accumulated depreciation	(29,665,671)	(27,810,141)
Net OPEB asset (liability) is not recorded under the modified accrual basis of accounting.	(806,857)	112,767
Long-term liabilities have not been included in the governmental funds:		
Certificates of participation, capital leases and claims	(13,217,024)	(13,873,626)
Compensated absences	(1,976,350)	(2,236,864)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(137,654)	(129,821)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	<u>7,734,535</u>	<u>8,368,495</u>
Net position of governmental activities	<u>\$ 163,949,541</u>	<u>\$ 173,552,290</u>

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

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	General	Special Revenue Fund Housing Authority	Debt Service Fund Fountain Valley Financing Authority
REVENUES:			
Taxes	\$ 30,142,198	\$ -	\$ -
Licenses and permits	2,260,643	-	-
Fines and penalties	799,794	-	-
Investment income (loss)	(214,632)	115,042	47
Rental income	1,151,228	-	-
Intergovernmental	4,511,960	-	-
Charges for services	4,468,806	-	-
Miscellaneous	2,534,264	296,678	194,715
TOTAL REVENUES	45,654,261	411,720	194,762
EXPENDITURES:			
Current:			
General government	2,919,814	-	-
Public safety	24,836,803	-	-
Transportation	4,593,401	-	-
Community development	3,060,098	229,397	-
Community services	2,123,704	-	-
Capital outlay	455,951	-	-
Debt service:			
Principal	217,422	-	500,000
Interest	-	-	381,711
TOTAL EXPENDITURES	38,207,193	229,397	881,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,447,068	182,323	(686,949)
OTHER FINANCING SOURCES (USES):			
Transfers in	522,352	-	186,967
Transfers out	(644,833)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(122,481)	-	186,967
EXTRAORDINARY GAIN (LOSS):			
Removal of disallowed advance	-	-	(9,275,000)
Payment to successor agency for disallowed expenses	(5,708,772)	-	-
TOTAL EXTRAORDINARY GAIN (LOSS)	(5,708,772)	-	(9,275,000)
NET CHANGE IN FUND BALANCES	1,615,815	182,323	(9,774,982)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	40,975,720	7,289,143	10,664,582
FUND BALANCES - END OF YEAR	\$ 42,591,535	\$ 7,471,466	\$ 889,600

See independent auditors' report and notes to basic financial statements

Other Governmental Funds	Total Governmental Funds	
	2013	2012
\$ -	\$ 30,142,198	\$ 27,551,121
-	2,260,643	1,661,600
-	799,794	771,860
84,037	(15,506)	800,796
-	1,151,228	1,445,466
3,554,541	8,066,501	9,301,515
2,084,090	6,552,896	6,047,713
172,196	3,197,853	1,792,391
<u>5,894,864</u>	<u>52,155,607</u>	<u>49,372,462</u>
-	2,919,814	3,174,656
234,707	25,071,510	24,797,114
3,490,733	8,084,134	9,853,602
1,160,361	4,449,856	3,885,966
-	2,123,704	2,249,853
738,527	1,194,478	4,147,242
-	717,422	2,285,397
-	381,711	798,958
<u>5,624,328</u>	<u>44,942,629</u>	<u>51,192,788</u>
<u>270,536</u>	<u>7,212,978</u>	<u>(1,820,326)</u>
693,046	1,402,365	2,040,038
(684,592)	(1,329,425)	(2,944,656)
<u>8,454</u>	<u>72,940</u>	<u>(904,618)</u>
-	(9,275,000)	-
-	(5,708,772)	(40,483,347)
-	(14,983,772)	(40,483,347)
278,990	(7,697,854)	(43,208,291)
<u>12,135,232</u>	<u>71,064,677</u>	<u>114,272,968</u>
<u>\$ 12,414,222</u>	<u>\$ 63,366,823</u>	<u>\$ 71,064,677</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, 2013
(with comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Net change in fund balances - total governmental funds	\$ (7,697,854)	\$ (43,208,291)
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	792,872	4,173,878
Depreciation expense	(2,053,466)	(2,049,458)
Disposal of capital assets	-	(4,903)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	717,422	2,285,397
The Statement of Net Position includes accrued interest on long-term debt.	(7,833)	(27,596)
To record as a reduction of expense the net change in claims and judgments payable in the Statement of Activities.	(60,820)	(358,446)
To record as an expense (reduction of expense) the net change in compensated absences payable in the Statement of Activities.	260,514	(16,140)
To record as a reduction of expense the net change in other post-employment benefits payable in the Statement of Activities.	(919,624)	(1,016,606)
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	(633,960)	102,935
Adjustment to extraordinary gain (loss) associated with dissolution of the redevelopment agency to account for differences between modified-accrual and full accrual basis of accounting for:		
Long-term liabilities	-	6,985,000
Interest payable	-	261,100
Change in net position of governmental activities	<u>\$ (9,602,749)</u>	<u>\$ (32,873,130)</u>

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

CITY OF FOUNTAIN VALLEY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

June 30, 2013
 (with comparative totals as of June 30, 2012)

	Business-Type Activities		Totals	
	Water Utility	Solid Waste	2013	2012
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,159,126	\$ 422,970	\$ 6,582,096	\$ 6,466,728
Accounts receivable	2,117,236	471,224	2,588,460	2,638,721
TOTAL CURRENT ASSETS	8,276,362	894,194	9,170,556	9,105,449
NONCURRENT ASSETS:				
Capital assets:				
Not being depreciated	595,112	-	595,112	498,978
Being depreciated, net	11,789,989	-	11,789,989	12,379,569
TOTAL NONCURRENT ASSETS	12,385,101	-	12,385,101	12,878,547
TOTAL ASSETS	20,661,463	894,194	21,555,657	21,983,996
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	1,256,242	244,234	1,500,476	1,524,669
Deposits payable	66,448	-	66,448	59,180
Advances from other funds	1,657,000	-	1,657,000	1,885,000
Note payable, current portion	49,880	-	49,880	48,194
Compensated absences, current portion	93,304	-	93,304	20,837
TOTAL CURRENT LIABILITIES	3,122,874	244,234	3,367,108	3,537,880
NONCURRENT LIABILITIES:				
Note payable, net of current portion	535,285	-	535,285	585,165
Compensated absences, net of current portion	25,215	-	25,215	64,972
TOTAL NONCURRENT LIABILITIES	560,500	-	560,500	650,137
TOTAL LIABILITIES	3,683,374	244,234	3,927,608	4,188,017
NET POSITION:				
Net investment in capital assets	11,799,936	-	11,799,936	11,746,210
Unrestricted	5,178,153	649,960	5,828,113	6,049,769
TOTAL NET POSITION	\$ 16,978,089	\$ 649,960	\$ 17,628,049	\$ 17,795,979

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

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Business-Type Activities		Totals	
	Water Utility	Solid Waste	2013	2012
OPERATING REVENUES:				
Charges for services	\$ 12,030,680	\$ 3,175,972	\$ 15,206,652	\$ 14,625,529
Miscellaneous	44,142	-	44,142	29,747
TOTAL OPERATING REVENUES	12,074,822	3,175,972	15,250,794	14,655,276
OPERATING EXPENSES:				
Utility administration	1,046,643	-	1,046,643	771,486
Contract services	-	2,923,270	2,923,270	2,912,260
Pumping and maintenance	1,221,279	-	1,221,279	1,273,859
Water treatment	8,937,936	-	8,937,936	8,504,882
Depreciation	629,134	-	629,134	679,179
TOTAL OPERATING EXPENSES	11,834,992	2,923,270	14,758,262	14,141,666
OPERATING INCOME	239,830	252,702	492,532	513,610
NONOPERATING REVENUES (EXPENSES):				
Investment income	50,416	-	50,416	54,604
Interest expense	(126,168)	-	(126,168)	(139,797)
TOTAL NONOPERATING REVENUES (EXPENSES)	(75,752)	-	(75,752)	(85,193)
INCOME BEFORE TRANSFERS	164,078	252,702	416,780	428,417
TRANSFERS:				
Transfers in	134,136	-	134,136	1,236,262
Transfers out	(72,940)	(134,136)	(207,076)	(331,644)
TOTAL TRANSFERS	61,196	(134,136)	(72,940)	904,618
CHANGES IN NET POSITION BEFORE EXTRAORDINARY ITEM	225,274	118,566	343,840	1,333,035
EXTRAORDINARY ITEM:				
Payment to successor agency for disallowed expenses	(511,770)	-	(511,770)	-
CHANGES IN NET POSITION	(286,496)	118,566	(167,930)	1,333,035
NET POSITION - BEGINNING OF YEAR, AS RESTATED	17,264,585	531,394	17,795,979	16,462,944
NET POSITION - END OF YEAR	\$ 16,978,089	\$ 649,960	\$ 17,628,049	\$ 17,795,979

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

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Business-Type Activities		Totals	
	Water Utility	Solid Waste	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 12,239,669	\$ 3,068,652	\$ 15,308,321	\$ 14,427,048
Cash payments to suppliers of goods and services	(5,181,704)	(2,922,169)	(8,103,873)	(11,595,241)
Cash payments to employees for services	(6,016,736)	-	(6,016,736)	(2,335,452)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,041,229	146,483	1,187,712	496,355
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	134,136	-	134,136	(547,644)
Cash paid to other funds	(300,940)	(134,136)	(435,076)	1,237,953
Cash paid to successor agency for disallowed expenses as an extraordinary item	(511,770)	-	(511,770)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(678,574)	(134,136)	(812,710)	690,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash paid for acquisition and construction of capital assets	(135,688)	-	(135,688)	(2,275,384)
Principal paid on debt	(48,194)	-	(48,194)	(139,797)
Interest paid on debt	(126,168)	-	(126,168)	(46,564)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(310,050)	-	(310,050)	(2,461,745)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	50,416	-	50,416	54,604
NET CASH PROVIDED BY INVESTING ACTIVITIES	50,416	-	50,416	54,604
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103,021	12,347	115,368	(1,220,477)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,056,105	410,623	6,466,728	7,687,205
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,159,126	\$ 422,970	\$ 6,582,096	\$ 6,466,728

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

(Continued)

CITY OF FOUNTAIN VALLEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2013
 (with comparative totals for the year ended June 30, 2012)

	Business-Type Activities		Totals	
	Water Utility	Solid Waste	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 239,830	\$ 252,702	\$ 492,532	\$ 993,089
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	629,134	-	629,134	679,179
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	157,581	(107,320)	50,261	(687,322)
Increase (decrease) in accounts payable	(25,294)	1,101	(24,193)	(464,289)
Increase (decrease) in deposits payable	7,268	-	7,268	(20,385)
Increase (decrease) in compensated absences	32,710	-	32,710	(3,917)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,041,229</u>	 <u>\$ 146,483</u>	 <u>\$ 1,187,712</u>	 <u>\$ 496,355</u>

There were no noncash investing and financing activities during the years ended June 30, 2013 and 2012.

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

CITY OF FOUNTAIN VALLEY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

(with comparative totals as of June 30, 2012)

	Private-Purpose Trust Funds	Agency Funds	Totals	
			2013	2012
ASSETS:				
Cash and investments	\$ 11,224,328	\$ 967,502	\$ 12,191,830	\$ 50,650,674
Cash and investments with fiscal agents	2,078,655	-	2,078,655	2,115,554
Accrued interest receivable	5,343	-	5,343	48,398
Advances to Housing Authority	-	-	-	3,175,000
TOTAL ASSETS	13,308,326	\$ 967,502	14,275,828	55,989,626
LIABILITIES:				
Accounts payable	181,339	\$ -	181,339	364,820
Deposits payable	-	967,502	967,502	886,757
Advances payable to:				
Housing Authority	3,364,450	-	3,364,450	3,364,450
Financing Authority	-	-	-	9,775,000
Accrued interest payable	124,750	-	124,750	291,471
Long-term liabilities:				
Due within one year	1,715,000	-	1,715,000	1,640,000
Due in more than one year	3,630,000	-	3,630,000	5,345,000
TOTAL LIABILITIES	9,015,539	\$ 967,502	9,983,041	21,667,498
NET POSITION:				
Held in trust for Successor Agency	<u>\$ 4,292,787</u>		<u>\$ 4,292,787</u>	<u>\$ 34,322,128</u>

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

CITY OF FOUNTAIN VALLEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Private-Purpose Trust Funds	
	2013	2012
ADDITIONS:		
Taxes	\$ 3,084,804	\$ 2,863,665
Investment income (loss)	60,330	(56,932)
TOTAL ADDITIONS	<u>3,145,134</u>	<u>2,806,733</u>
DEDUCTIONS:		
Administrative	245,975	305,152
Community development	478,007	546,132
Interest	351,295	30,371
Pass-through payments	-	643,686
Payment to the County	47,594,740	-
TOTAL DEDUCTIONS	<u>48,670,017</u>	<u>1,525,341</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>(45,524,883)</u>	<u>1,281,392</u>
EXTRAORDINARY ITEMS:		
Payments to City for enforceable obligations	-	(196,511)
Extraordinary gain	-	33,237,247
Payment from city to reimburse disallowed expenses	6,220,542	-
Payment from city to remove disallowed advance	9,275,000	-
TOTAL EXTRAORDINARY ITEMS	<u>15,495,542</u>	<u>33,040,736</u>
CHANGES IN NET POSITION	(30,029,341)	34,322,128
NET POSITION - BEGINNING OF YEAR	<u>34,322,128</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 4,292,787</u>	<u>\$ 34,322,128</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. Reporting Entity:

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

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

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

The Fountain Valley Housing Authority (Housing Authority) was established on February 15, 2011 to preserve the ability to provide affordable housing activities. Separate financial statements are not prepared for this blended component unit.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary 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, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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 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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Funds (Continued)

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

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

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

Recognition of governmental fund type revenues represented by non-current receivables are offset by deferred inflows of resources until they become current receivables. Non-current portions of other long-term receivables are offset by nonspendable fund balance.

Proprietary Funds

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

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Proprietary Funds (Continued)

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

Fiduciary Funds

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

c. Fund Classifications:

The City reports the following major governmental funds:

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

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

Fountain Valley Financing Authority Debt Service Fund - This debt service fund is used to account for the repayment of principal and interest on the indebtedness of the Authority.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

d. New Accounting Pronouncements:

Implemented:

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, *“Elements of Financial Statements”* into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Implemented (Continued):

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”. This statement established accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of this statement resulted in the reclassification of *unavailable revenues* from liabilities to deferred inflows of resources.

Pending Accounting Standards:

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

- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, effective for periods beginning after December 15, 2012.
- GASB 67 - “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*”, effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - “*Government Combinations and Disposals of Government Operations*”, effective for periods beginning after December 15, 2013.
- GASB 70 - “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”, effective for the periods beginning after June 15, 2013.

e. Change in Accounting Method:

Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. In previous years, the City has considered revenue to be available if they were collected within 90 days of the end of the fiscal year. The City has determined that a 60 day availability period more accurately represents the time period for which revenues received are used to pay liabilities of the current period. This change in accounting method has been applied retrospectively as shown in Note 14.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Cash and Investments:

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

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

g. 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.

Certain restricted assets and deposits of proprietary funds consist of investments which are not considered to be cash equivalents as defined above and therefore excluded from the statements of cash flows.

h. 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.

i. Prepaid Expenses:

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. 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.

k. Capital Assets:

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

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

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

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. Capital Assets (Continued):

The following schedule shows the minimum threshold at which the various types of asset purchases are capitalized:

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.

l. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any applicable deferred outflows of resources.

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. 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

n. 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.

o. Employee Leave Benefits:

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

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Employee Leave Benefits (Continued):

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

p. Net Position:

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

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

Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

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”.

q. 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.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

r. Fund Balances:

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

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

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

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

Assigned Fund Balance - this includes amounts that are intended to be used for specific purposes as indicated either by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes.

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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

t. Prior Year Data:

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

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 57,138,573
Cash and investments with fiscal agents	2,533,880
Statement of Fiduciary Net Position:	
Cash and investments	12,191,830
Cash and investments with fiscal agents	<u>2,078,655</u>
Total cash and investments	<u>\$ 73,942,938</u>

Cash and investments held by the City at June 30, 2013 consisted of the following:

Cash on hand	\$ 28,775
Deposits with financial institutions	15,163,078
Investments	<u>58,751,085</u>
Total cash and investments	<u>\$ 73,942,938</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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

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

N/A - Not Applicable

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

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

Disclosures Relating to Interest Rate Risk:

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
Local Agency Investment Fund	\$ 22,907,180	\$ -	\$ -	\$ -	\$ 22,907,180
U.S. Government Sponsored					
Agency Securities	-	-	28,599,080	-	28,599,080
Money market mutual funds	2,632,290	-	-	-	2,632,290
Held by Fiscal Agent:					
Local Agency Investment Fund	1,954,946	-	-	-	1,954,946
Money market mutual funds	<u>2,657,589</u>	-	-	-	<u>2,657,589</u>
	<u>\$ 30,152,005</u>	<u>\$ -</u>	<u>\$ 28,599,080</u>	<u>\$ -</u>	<u>\$ 58,751,085</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, 2013	Ratings as of Fiscal Year End			
			AAA	AA+	A	Not Rated
Local Agency Investment Fund	N/A	\$ 22,907,180	\$ -	\$ -	\$ -	\$22,907,180
U.S. Government Sponsored						
Agency Securities	N/A	28,599,080	-	28,599,080	-	-
Money market mutual funds	A	2,632,290	2,632,290	-	-	-
Held by Fiscal Agent:						
Local Agency Investment Fund	N/A	1,954,946	-	-	-	1,954,946
Money market mutual funds	A	<u>2,657,589</u>	<u>2,657,589</u>	-	-	-
		<u>\$ 58,751,085</u>	<u>\$ 5,289,879</u>	<u>\$28,599,080</u>	<u>\$ -</u>	<u>\$24,862,126</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	\$ 17,743,480
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	8,863,820

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, 2013, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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, 2013.

Due To/From Other Funds:

Interfund receivable and payable balances at June 30, 2013 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 2,442</u>

Interfund balances are the result of short-term borrowings to cover negative cash balances and operating shortages at June 30, 2013.

Advances To/From Other Funds:

Advances to other funds and from other funds at June 30, 2013 are as follows:

<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>	<u>Amount</u>
General Fund	Water Utility Fund	<u>\$ 1,657,000</u>

Advanced due to a promissory note issued from the General Fund to the Water Enterprise Fund for the initial amount of \$2,500,000 to pay for construction of Well No.9 with an interest rate of 5.5%.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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)	\$ 522,352
Financing Authority Debt Service Fund	General Fund (b)	186,967
Other Governmental Funds	General Fund (c)	457,866
	Other Governmental Funds (d)	162,240
	Water Utility Fund (e)	72,940
Water Utility Fund	Solid Waste Fund (f)	<u>134,136</u>
		<u>\$ 1,536,501</u>

- (a) Transfers in to the General Fund include \$417,104 from the Gas Tax Special Revenue Fund to reimburse eligible expenditures, \$100,000 from the Pollution Reduction Special Revenue Fund for the purchase of new Hybrid vehicles, and \$5,248 from the Community Development Special Revenue Fund for assistance for recreation center remodel.
- (b) Transfer to Financing Authority for debt service payments on the Certificates of Participation.
- (c) Transfers out of the General Fund to the Gas Tax Special Revenue Fund to contribute to street rehabilitation construction projects.
- (d) Transfer out of the Gas Tax Special Revenue Fund to the Traffic Improvement Special Revenue Fund for \$100,000 to move Prop 1B funds to the appropriate fund. Transfers out of the Sewer Assessment Capital Projects Fund to the Gas Tax Special Revenue Fund and Traffic Improvement Special Revenue Fund for \$55,640 and \$6,600, respectively, for street rehabilitation construction projects.
- (e) Transfer out of the Water Utility Fund to the Gas Tax Special Revenue Fund and Traffic Improvement Special Revenue Fund for \$70,000 and \$2,940, respectively, for street rehabilitation projects.
- (f) Transfer out of the Solid Waste Fund for administrative charge of Rainbow billing services recorded in the Water Utility Fund.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

4. CAPITAL ASSETS:

Governmental Activities:

Changes in capital assets for governmental activities for the year ended June 30, 2013 were as follows:

	Balances at July 1, 2012	Additions	Deletions	Balances at June 30, 2013
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>2,612,905</u>	<u>143,173</u>	<u>(2,702,362)</u>	<u>53,716</u>
Total capital assets, not being depreciated	<u>87,995,171</u>	<u>143,173</u>	<u>(2,702,362)</u>	<u>85,435,982</u>
Capital assets, being depreciated:				
Buildings	17,274,254	-	-	17,274,254
Improvements	752,560	2,822,323	-	3,574,883
Vehicles and equipment	6,148,673	516,008	(197,936)	6,466,745
Furniture and fixtures	6,572	13,730	-	20,302
Infrastructure (depreciation approach)	<u>25,879,573</u>	<u>-</u>	<u>-</u>	<u>25,879,573</u>
Total capital assets, being depreciated	<u>50,061,632</u>	<u>3,352,061</u>	<u>(197,936)</u>	<u>53,215,757</u>
Less accumulated depreciation:				
Buildings	(7,899,914)	(365,552)	-	(8,265,466)
Improvements	(338,652)	(178,744)	-	(517,396)
Vehicles and equipment	(4,192,804)	(499,527)	197,936	(4,494,395)
Furniture and fixtures	(5,479)	(1,234)	-	(6,713)
Infrastructure (depreciation approach)	<u>(15,373,292)</u>	<u>(1,008,409)</u>	<u>-</u>	<u>(16,381,701)</u>
Total accumulated depreciation	<u>(27,810,141)</u>	<u>(2,053,466)</u>	<u>197,936</u>	<u>(29,665,671)</u>
Total capital assets being depreciated, net	<u>22,251,491</u>	<u>1,298,595</u>	<u>-</u>	<u>23,550,086</u>
Capital assets, net	<u>\$ 110,246,662</u>	<u>\$ 1,441,768</u>	<u>\$ (2,702,362)</u>	<u>\$ 108,986,068</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

4. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

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

General government	\$ 210,349
Transportation	2,272
Public safety	255,496
Community development	1,279,483
Community services	305,866
	<u>\$ 2,053,466</u>

Business-type Activities:

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2013 were as follows:

	Balances at July 1, 2012 (as restated)	Additions	Deletions	Balances at June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 123,076	\$ -	\$ -	\$ 123,076
Construction in progress	389,776	82,260	-	472,036
Total capital assets, not being depreciated	<u>512,852</u>	<u>82,260</u>	<u>-</u>	<u>595,112</u>
Capital assets, being depreciated:				
Buildings	14,751,941	53,428	-	14,805,369
Improvements other than buildings	10,263,920	-	-	10,263,920
Machinery and equipment	47,777	-	-	47,777
Total capital assets, being depreciated	<u>25,063,638</u>	<u>53,428</u>	<u>-</u>	<u>25,117,066</u>
Less accumulated depreciation:				
Buildings	(6,345,838)	(520,182)	-	(6,866,020)
Improvements other than buildings	(6,320,670)	(105,486)	-	(6,426,156)
Machinery and equipment	(31,435)	(3,466)	-	(34,901)
Total accumulated depreciation	<u>(12,697,943)</u>	<u>(629,134)</u>	<u>-</u>	<u>(13,327,077)</u>
Total capital assets being depreciated, net	<u>12,365,695</u>	<u>(575,706)</u>	<u>-</u>	<u>11,789,989</u>
Capital assets, net	<u>\$ 12,878,547</u>	<u>\$ (493,446)</u>	<u>\$ -</u>	<u>\$ 12,385,101</u>

Depreciation expense in the amount of \$629,134 was charged to the water utility fund.
See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

5. LONG-TERM LIABILITIES:

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2013 (including unamortized discounts and refunding costs) are as follows:

	Balance at			Balance at	Due Within
	July 1, 2012	Additions	Deletions	June 30, 2013	One Year
Governmental Activities:					
2003 Certificates of Participation	\$ 9,775,000	\$ -	\$ (500,000)	\$ 9,275,000	\$ 515,000
Capital lease obligations	668,658	-	(217,422)	451,236	232,414
Compensated absences	2,236,864	1,914,074	(2,174,588)	1,976,350	1,555,882
Claims and judgments (Note 6)	3,429,968	83,283	(22,463)	3,490,788	692,265
Other post-employment benefits obligation (OPEB) (Note 7)	<u>(112,767)</u>	<u>2,533,000</u>	<u>(1,613,376)</u>	<u>806,857</u>	<u>-</u>
	<u>\$ 15,997,723</u>	<u>\$ 4,530,357</u>	<u>\$ (4,527,849)</u>	<u>\$ 16,000,231</u>	<u>\$ 2,995,561</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.

Future requirements to amortize outstanding certificates of participation as of June 30, 2013 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2014	\$ 515,000	\$ 363,661	\$ 878,661
2015	535,000	344,400	879,400
2016	550,000	325,814	875,814
2017	570,000	305,929	875,929
2018	590,000	284,606	874,606
2019 - 2023	3,330,000	1,041,659	4,371,659
2024 - 2027	<u>3,185,000</u>	<u>292,312</u>	<u>3,477,312</u>
	<u>\$ 9,275,000</u>	<u>\$ 2,958,381</u>	<u>\$ 12,233,381</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

5. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued):

Capital Lease Obligations:

The City of Fountain Valley has entered into various agreements to lease fire trucks and copying equipment. Such agreements are, in substance, purchases and are reported as capital lease obligations.

The lease arrangements are as follows:

<u>Description</u>	<u>Date of Agreement</u>	<u>Monthly Installment</u>	<u>Interest Rate</u>	<u>Commencing</u>	<u>Terminating</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>
Fire trucks	10/28/2005	\$ 19,313*	5.18%	10/01/2007	10/01/2015	\$ 1,417,407	\$ 1,018,883
Copying equipment	01/16/2007	1,051	8.00%	09/13/2007	08/13/2012	48,657	48,657
Copying equipment	09/15/2009	1,730	8.00%	10/01/2009	09/01/2014	103,800	77,807

* - 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, 2013 was \$451,236, with future scheduled lease payments as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2014	\$ 254,326
2015	120,579
2016	<u>114,945</u>
Subtotal	489,850
Less: amount representing interest	<u>(38,614)</u>
Present value of future lease payments	<u>\$ 451,236</u>

Compensated Absences:

Governmental compensated absences are generally liquidated by the general fund.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

5. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities:

Changes in long-term liabilities for business-type activities for the year ended June 30, 2013 are as follows:

	Balance at <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2013</u>	Due Within <u>One Year</u>
Business-type Activities:					
Note payable	\$ 633,359	\$ -	\$ (48,194)	\$ 585,165	\$ 49,880
Compensated absences	<u>85,809</u>	<u>61,952</u>	<u>(29,242)</u>	<u>118,519</u>	<u>93,304</u>
	<u>\$ 719,168</u>	<u>\$ 61,952</u>	<u>\$ (77,436)</u>	<u>\$ 703,684</u>	<u>\$ 143,184</u>

Note Payable:

The Water Utility Fund of the City entered into an agreement with the Orange County Water District (OCWD) in a joint effort to improve water supply facilities. This agreement is for the construction of a groundwater production well, including a pump, motor and ancillary surface facilities, in the City of Fountain Valley. At June 30, 2013 the amount outstanding on the loan is \$585,165. The interest rate is 3.5% with annual principal and interest payments beginning July 1, 2003.

The annual requirements to amortize the loan, as of June 30, 2013 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 49,880	\$ 20,481	\$ 70,361
2015	51,626	18,735	70,361
2016	53,433	16,928	70,361
2017	55,303	15,058	70,361
2018	57,239	13,122	70,361
2019 - 2023	<u>317,684</u>	<u>34,121</u>	<u>351,805</u>
	<u>\$ 585,165</u>	<u>\$ 118,445</u>	<u>\$ 703,610</u>

Compensated Absences:

Business-type compensated absences are generally liquidated by the water fund.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

6. CLAIMS AND JUDGMENTS:

Self-Insurance:

At June 30, 2013, 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 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

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

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

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

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

6. CLAIMS AND JUDGMENTS (CONTINUED):

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

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

Adequacy of Protection:

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-2013.

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>
2010-2011	\$ 3,168,683	\$ 1,236,334	\$ (1,333,495)	\$ 3,071,522
2011-2012	3,071,522	755,251	(396,805)	3,429,968
2012-2013	3,429,968	83,283	(22,463)	3,490,788

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. 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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Plan Description (Continued):

For all covered employees with effective dates of retirement after October 1, 1980 and a minimum of 10-20 years of continuous service, the City contributes the actual cost of insurance up to the amount contributed for active employees. For general, professional and technical employees hired prior to February 16, 1986, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For employees hired after February 16, 1986, benefits with the City will terminate upon reaching age 65. For fire employees hired prior to August 10, 1985, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For fire employees hired after August 10, 1985, benefits with the City will terminate upon reaching age 65. For police employees, insurance with the City will be supplemental to Medicare upon reaching the age of 65. Department Directors receive paid supplemental coverage after the age of 65.

Eligibility:

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

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

City's Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2012-13, the City contributed \$1,613,376 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, 2013

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	\$ 960,000	\$ 1,573,000	\$ 2,533,000
Interest on net OPEB obligation	(58,719)	47,693	(11,026)
Adjustments to annual required contribution	<u>58,719</u>	<u>(47,693)</u>	<u>11,026</u>
Annual OPEB cost (expense)	960,000	1,573,000	2,533,000
Contributions made (including premiums paid)	<u>(613,103)</u>	<u>(1,000,273)</u>	<u>(1,613,376)</u>
Increase (decrease) in net OPEB obligation	346,897	572,727	919,624
Net OPEB obligation (asset) - Beginning of year	<u>(951,645)</u>	<u>838,878</u>	<u>(112,767)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ (604,748)</u></u>	<u><u>\$ 1,411,605</u></u>	<u><u>\$ 806,857</u></u>

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

<u>Miscellaneous</u>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/11	\$ 1,084,271	282.68%	\$ (1,275,803)
6/30/12	1,061,283	69.46%	(951,645)
6/30/13	960,000	63.87%	(604,748)

<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>
6/30/11	\$ 1,511,729	233.91%	\$ 146,430
6/30/12	1,738,955	60.18%	838,878
6/30/13	1,573,000	63.59%	1,411,605

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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)
6/30/11	\$ 2,596,000	254.20%	\$ (1,129,373)
6/30/12	2,800,238	63.70%	(112,767)
6/30/13	2,533,000	63.69%	806,857

Funded Status and Funding Progress:

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

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

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

Actuarial Methods and Assumptions:

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 6.25% investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate established as follows for Non-Medicare/Medicare and HMO/PPO: Between 8.5% and 8.9% in the second year with incrementally decreasing rates reduced to 5.0% in the eighth year and thereafter. A general inflation rate of 3.0% per annum was utilized. The UAAL is being amortized as a level percentage of projected payroll over a 26 year closed period. It is assumed the City's payroll will increase 3.25% per year.

8. DEFINED BENEFIT PENSION PLAN (PERS):

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

8. DEFINED BENEFIT PENSION PLAN (PERS):

Contributions and Funding Policy:

Active plan members for the Miscellaneous, Safety - Police and Safety - Fire Tier I are required to contribute 8%, 12% and 9% of their annual covered salary, respectively. These plans were closed to new members before the implementation of the California Employees Pension Reform Act (PEPRA) on January 1, 2013. Tier I contains only classic members (Miscellaneous hired before December 25, 2010, Safety - Police hired prior to October 30, 2010 and Safety - Fire hired prior to March 31, 2012) for which the City contributes 0%, 6% and 0% of the employee contribution on behalf of the employee while the employee contributes 8%, 6% and 9%, respectively. Tier II is open to qualified employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in PERS System). Active plan member of Miscellaneous Tier II are required to contribute 7% of their annual covered salaries, Safety - Fire Tier II contributes 9%. The active Tier II Miscellaneous & Safety – Fire are required to contribute the entire employee portion while the City contributes between 3-6% of the 9% employee contribution for Safety - Police Tier II. Tier III was created by PEPRA as of January 1, 2013 and is open to all new employees who do not qualify for Tier II. Active plan members of Miscellaneous & Safety Tier III are required contribute 6.25% & 11.5%, respectively, of their annual covered salary. PEPRA does not allow the City to pay any portion of the employee required contribution on behalf of the employee. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members under the California Employees Pension Reform Act (PEPRA) provisions. The actuarial methods and assumption are those adopted by the CalPERS Board of Administration.

The City is required to contribute at an actuarially determined rate. The rate for the years ended June 30, 2011, 2012 and 2013 for the Miscellaneous Tier I plan are 14.780%, 17.800% and 20.830% of annual covered payroll, respectively. The rate for the years ended June 30, 2011, 2012 and 2013 for the Miscellaneous Tier II plan are 7.995%, 8.902% and 7.846% of annual covered payroll, respectively. The rate for the years ended June 30, 2011, 2012 and 2013 for the Safety Tier I plan are 23.756%, 28.859% and 29.823% of annual covered payroll, respectively. The rate for the years ended June 30, 2011, 2012 and 2013 for the Safety Tier II plan is 15.592%, 20.308% and 20.057% of annual covered payroll, respectively. The City's contributions to the Miscellaneous plans for the years ended June 30, 2011, 2012, and 2013 were \$1,169,360, \$1,414,957 and \$1,374,407, respectively, and were equal to the required contributions for each year. The City's contributions to the safety plans for the years ended June 30, 2011, 2012, and 2013 were \$2,342,776, \$2,740,832, and \$2,596,274, respectively, and were equal to the required contributions for each year. The Miscellaneous and Safety employees of the City are included in the CalPERS risk pool which was created for groups of fewer than 100 active members.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

9. DEFINED CONTRIBUTION PENSION PLAN (PARS):

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

For the year ended June 30, 2013, the City's payroll covered by the plan was \$444,402 and the City made employer contributions of \$16,665 (3.75% of current covered payroll).

10. LOANS RECEIVABLE:

The City has outstanding rehabilitation and first time home buyer loans receivable totaling \$1,937,615 from qualified applicants. Loans receivable of \$1,715,284 is recorded in the Housing Authority Fund; \$154,088 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$68,243 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules. Since the funds are not received within the 60 day availability period, an offsetting amount has been recorded as unavailable revenue.

On February 6, 1996, the City loaned the Olson Company \$975,000 for the development of fifteen moderate-income single family detached homes. The loan consists of two parts: \$525,000 (\$35,000 per home) to be repaid to the City upon the sale of the homes and \$450,000 to be passed on to the individual homeowners as 30-year loans of \$30,000 each. The 30-year loans accrue no interest for the first 10 years and thereafter will accrue at 5% simple interest. Each \$30,000 loan will become due and payable to the City if the homeowner resells the property to a family that does not qualify under the income limits or if they sell the home above a qualified purchase price. In the event the loan becomes due, the City will be paid \$30,000 plus the greater of a 10% annual interest rate or its share in the equity of the property. Due to the long-term nature of this note, the City deferred recognition of revenues in the fund financial statements until payments were received in the fund financial statements. This loan was paid off as of June 30, 2013.

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 has agreed to loan Fountain Valley Housing Partners, L.P. \$5,606,071. As of June 30, 2011, \$5,606,071 was loaned 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. Due to the long-term nature of the loan, the City has deferred recognition of revenues until payment has been received. The amount outstanding at June 30, 2013 is \$5,484,307.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

11. BUDGETARY COMPLIANCE:

Excess of Expenditures over Appropriations:

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2013.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
General Fund	\$ 36,650,932	\$ 38,207,193	\$ (1,556,261)

12. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

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

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

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

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

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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

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 does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will 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.

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 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.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency made payments totaling \$47,594,740 to the CAC as a result of the due diligence review.

The DOF issued a Finding of Completion on April 26, 2013, in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

The Financing Authority had a \$9,775,000 advance due from the Successor Agency to the City for the repayment of the Agency's portion of the 2003 COP's as of June 30, 2012. The \$500,000 principal payment due for the time period of July - December 2012 was paid after it was approved by the DOF on ROPS 2. However, the DOF disallowed the repayment of the advance on ROPS 3 (representing the time period of January - June 2013). This resulted in the City removing the advance balance of December 31, 2012 of \$9,275,000 through an extraordinary gain (loss).

The City's Housing Authority had an advance due to the Successor Agency of \$3,175,000 as of June 30, 2012 that was repaid during the year ended June 30, 2013.

The DOF disallowed transfers of \$5,655,513 and \$511,770 made from the Successor Agency to the City during the period of January - June 2012. In addition, the Successor Agency over-reimbursed the City by \$53,259 in prior years. The City accounted for the repayment of the disallowed transfers and over-reimbursement in the year ended June 30, 2013 on the Statement of Changes in Fiduciary Net Position as an extraordinary item under Payment from City to reimburse disallowed expenses and as an extraordinary loss in the City fund financial statements and Statement of Activities.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

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

The State Controller has not completed its review, and property transfers from the Successor Agency to the City, as identified by the DOF, could be disallowed upon completion of this review.

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

13. 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>\$ 3,364,450</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.

Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2013 (including unamortized discounts and refunding costs) are as follows:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
1998 Tax Allocation Bonds	<u>\$ 6,985,000</u>	<u>\$ -</u>	<u>\$ (1,640,000)</u>	<u>\$ 5,345,000</u>	<u>\$ 1,715,000</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

13. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

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%. 1998 Bonds maturing on or before January 1, 2008, are not subject to optional redemption prior to their respective maturing dates. 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 required reserve for the Tax Allocation Bonds is \$1,964,500 and as of June 30, 2013 the reserve was only funded at \$1,956,845. The amount of bonds outstanding at June 30, 2013 is \$5,345,000.

The annual requirements to amortize the outstanding bonds as of June 30, 2013 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,715,000	\$ 249,500	\$ 1,964,500
2015	1,775,000	170,610	1,945,610
2016	<u>1,855,000</u>	<u>87,185</u>	<u>1,942,185</u>
	<u>\$ 5,345,000</u>	<u>\$ 507,295</u>	<u>\$ 5,852,295</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

14. RESTATEMENT OF NET POSITION AND FUND BALANCES:

Net Position - July 1, 2012

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position as previously reported as of June 30, 2012	\$ 173,255,403	\$ 17,289,678
Increase in net position to correct payroll liabilities	162,852	-
Increase in net position due to change in accounting policy (period of availability decreased from 90 to 60 days)	134,035	-
Increase in net position to correct prior unbilled accounts receivable calculation	-	849,789
Reduction in net position to expense hydrants capitalized in prior year	<u>-</u>	<u>(343,488)</u>
Net position as restated July 1, 2012	<u>\$ 173,552,290</u>	<u>\$ 17,795,979</u>

Net position for the proprietary fund financial statements as of July 1, 2012 was restated as follows:

	<u>Water Utility Fund</u>
Net position as previously reported as of June 30, 2012	\$ 16,758,284
Increase in net position to correct prior unbilled accounts receivable calculation	849,789
Reduction in net position to expense hydrants capitalized and depreciated in prior years	<u>(343,488)</u>
Net position as restated July 1, 2012	<u>\$ 17,264,585</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

14. RESTATEMENT OF NET POSITION AND FUND BALANCES (CONTINUED):

Net Position - July 1, 2011

Net position for the government-wide financial statements as of July 1, 2011 was restated as follows:

	Total Primary <u>Government</u>
Net position as previously reported as of June 30, 2011	\$ 221,936,206
Increase in net position to correct prior unbilled accounts receivable calculation	1,329,268
Reduction in net position due to change in accounting policy (period of availability decreased from 90 to 60 days)	(33,622)
Reduction in net position to expense hydrants capitalized and depreciated in prior years	<u>(343,488)</u>
Net position as restated July 1, 2011	<u>\$ 222,888,364</u>

Net position for the proprietary fund financial statements as of July 1, 2011 was restated as follows:

	Total Business Type <u>Funds</u>
Net position as previously reported as of June 30, 2011	\$ 15,477,164
Increase in net position to correct prior unbilled accounts receivable calculation	1,329,268
Reduction in net position to expense hydrants capitalized and depreciated in prior years	<u>(343,488)</u>
Net position as restated July 1, 2011	<u>\$ 16,462,944</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2013

14. RESTATEMENT OF NET POSITION AND FUND BALANCES (CONTINUED):

Fund Balance - July 1, 2012

Fund balance for the governmental fund financial statements as of July 1, 2012 was restated as follows:

	General Fund	Other Governmental Funds
Fund balance as previously reported as of June 30, 2012	\$ 40,843,800	\$ 12,154,430
Increase in fund balances to correct payroll liabilities	162,852	-
Reduction in net position due to change in accounting policy (period of availability decreased from 90 to 60 days)	<u>(30,932)</u>	<u>(19,198)</u>
Fund balance as restated July 1, 2012	<u>\$ 40,975,720</u>	<u>\$ 12,135,232</u>

Fund Balance - July 1, 2011

Fund balance for the governmental fund financial statements as of July 1, 2011 was restated as follows:

	Total Governmental Funds
Fund balance as previously reported as of June 30, 2011	\$ 114,306,590
Reduction in fund balances to report period of availability change from 90 to 60 days	<u>(33,622)</u>
Fund balance as restated July 1, 2011	<u>\$ 114,272,968</u>

15. SUBSEQUENT EVENT:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 13, 2013, the date the financial statements were available to be issued.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOUNTAIN BALLEY

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2013

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

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

See independent auditors' report.

CITY OF FOUNTAIN VALLEY
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Taxes	\$ 22,730,260	\$ 22,730,260	\$ 30,142,198	\$ 7,411,938	\$ 22,244,293
Licenses and permits	1,656,700	1,956,700	2,260,643	303,943	1,661,600
Fines and penalties	787,400	787,400	799,794	12,394	771,860
Investment income (loss)	454,000	454,000	(214,632)	(668,632)	348,139
Rental income	1,002,240	1,002,240	1,151,228	148,988	1,445,466
Intergovernmental	4,353,000	4,463,168	4,511,960	48,792	4,927,755
Charges of services	3,920,964	4,170,964	4,468,806	297,842	4,140,942
Miscellaneous	476,405	496,225	2,534,264	2,038,039	1,260,128
TOTAL REVENUES	<u>35,380,969</u>	<u>36,060,957</u>	<u>45,654,261</u>	<u>9,593,304</u>	<u>36,800,183</u>
EXPENDITURES:					
Current:					
General government	2,740,062	3,038,876	2,919,814	119,062	2,382,640
Public safety	23,107,375	23,107,375	24,836,803	(1,729,428)	24,546,833
Transportation	4,618,784	4,618,784	4,593,401	25,383	4,675,047
Community development	2,453,877	2,903,877	3,060,098	(156,221)	2,212,748
Community services	2,026,247	2,028,725	2,123,704	(94,979)	2,210,012
Capital outlay	148,518	953,295	455,951	497,344	2,571,634
Debt service:					
Principal	-	-	217,422	(217,422)	230,397
Interest	-	-	-	-	9,842
TOTAL EXPENDITURES	<u>35,094,863</u>	<u>36,650,932</u>	<u>38,207,193</u>	<u>(1,556,261)</u>	<u>38,839,153</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>286,106</u>	<u>(589,975)</u>	<u>7,447,068</u>	<u>8,037,043</u>	<u>(2,038,970)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	592,951	875,527	522,352	(353,175)	667,650
Transfers out	(1,367,092)	(7,049,583)	(644,833)	6,404,750	(454,379)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(774,141)</u>	<u>(6,174,056)</u>	<u>(122,481)</u>	<u>6,051,575</u>	<u>213,271</u>
EXTRAORDINARY LOSS:					
Payment to successor agency for disallowed expenses	-	-	(5,708,772)	(5,708,772)	-
NET CHANGE IN FUND BALANCE	<u>(488,035)</u>	<u>(6,764,031)</u>	<u>1,615,815</u>	<u>8,379,846</u>	<u>(1,825,699)</u>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>40,975,720</u>	<u>40,975,720</u>	<u>40,975,720</u>	<u>-</u>	<u>42,801,419</u>
FUND BALANCE - END OF YEAR	<u>\$ 40,487,685</u>	<u>\$ 34,211,689</u>	<u>\$ 42,591,535</u>	<u>\$ 8,379,846</u>	<u>\$ 40,975,720</u>

See independent auditors' report.

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

For the year ended June 30, 2013
 (with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 198,070	\$ 198,070	\$ 115,042	\$ (83,028)	\$ 151,150
Miscellaneous	145,000	145,000	296,678	151,678	70,345
 TOTAL REVENUES	 343,070	 343,070	 411,720	 68,650	 221,495
EXPENDITURES:					
Current:					
Community development	3,641,878	3,641,878	229,397	3,412,481	156,971
 TOTAL EXPENDITURES	 3,641,878	 3,641,878	 229,397	 3,412,481	 156,971
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (3,298,808)	 (3,298,808)	 182,323	 3,481,131	 64,524
 EXTRAORDINARY GAIN	 -	 -	 -	 -	 214,450
 NET CHANGE IN FUND BALANCE	 (3,298,808)	 (3,298,808)	 182,323	 3,481,131	 278,974
 FUND BALANCE - BEGINNING OF YEAR	 7,289,143	 7,289,143	 7,289,143	 -	 7,010,169
 FUND BALANCE - END OF YEAR	 <u>\$ 3,990,335</u>	 <u>\$ 3,990,335</u>	 <u>\$ 7,471,466</u>	 <u>\$ 3,481,131</u>	 <u>\$ 7,289,143</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2013

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 (GAAP). Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types with the exception of the Abandoned Vehicle Abatement and HOME Grant Special Revenue Funds.

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 summarizes the results using a measurement scale, and
- Estimates the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2013

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 an Overall Condition Index (OCI) ranging from zero for a failed pavement to 100 for a pavement in perfect 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 Arterial and Collector routes, and Residential roadways. Field condition surveys of the pavement surface are conducted using 19 pavement distress types and a seven level measurement scale to develop the OCI for each roadway segment and an overall pavement network rating. The seven levels are: Excellent (86-100), Very Good (71 -85), Good (56-70), Fair (41-55), Poor (26-40), Very Poor (11-25), and Failed (0-10). Field condition surveys are undertaken and OCI ratings are compiled bi-annually for Arterial and Collector roadways. The assessments will be completed over a three-year period for Residential roadways. It is the City’s policy to maintain a weighted average of all roadway segments at an OCI of 65 or better. The following table shows the results of the field condition surveys:

Condition	OCI					Total	
	Range	Arterial	Collector	Residential	Industrial	Sections	Percentage
Excellent	86-100	14.5	7.6	5.8	0.0	27.9	9%
Very Good	71-85	12.6	13.3	25.1	0.8	51.8	28%
Good	56-70	1.4	3.9	47.9	1.3	54.5	46%
Fair	41-55	1.1	1.0	21.4	0.5	24.0	2%
Poor	26-40	0.0	0.0	5.7	0.3	6.0	11%
Very Poor	11-25	0.0	0.0	0.2	0.0	0.2	3%
Failed	0-10	0.0	0.0	0.0	0.0	0.0	1%

The overall condition of the City’s pavement network based on the most recent complete assessment performed in fiscal year 2012 was “Very Good” with a weighted average OCI of 80.8 based on the surface area of each segment.

See independent auditors’ report.

CITY OF FOUNTAIN VALLEY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)

For the year ended June 30, 2013

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 12" - 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>2012-2013</u>
Sidewalks, Curbs and Gutters:	
Budgeted	\$ -
Actual	-
Roadway Classification:	
Arterial and Collectors:	2,988,847
Budgeted	1,185,542
Actual	
Residential Roadway:	
Budgeted	4,047,725
Actual	2,098,638

See independent auditors' report.

SUPPLEMENTARY SCHEDULES

CITY OF FOUNTAIN VALLEY
OTHER GOVERNMENTAL FUNDS

June 30, 2013

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.

CAPITAL PROJECTS FUNDS

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

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

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

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

CITY OF FOUNTAIN VALLEY
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2013
 (with comparative totals as of June 30, 2012)

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
ASSETS					
Cash and investments	\$ 1,153,245	\$ 2,298,987	\$ 87,849	\$ 504,981	\$ 224,223
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	10,900	-	-	8,990	17,629
Loans	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,164,145</u>	<u>\$ 2,298,987</u>	<u>\$ 87,849</u>	<u>\$ 513,971</u>	<u>\$ 241,852</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 10,054	\$ 52,315	\$ -	\$ 230,453	\$ -
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	10,054	52,315	-	230,453	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues	4,431	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>14,485</u>	<u>52,315</u>	<u>-</u>	<u>230,453</u>	<u>-</u>
FUND BALANCES:					
Restricted for:					
Public safety	1,149,660	-	-	-	241,852
Transportation	-	2,246,672	87,849	283,518	-
Housing	-	-	-	-	-
Community development	-	-	-	-	-
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>1,149,660</u>	<u>2,246,672</u>	<u>87,849</u>	<u>283,518</u>	<u>241,852</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,164,145</u>	<u>\$ 2,298,987</u>	<u>\$ 87,849</u>	<u>\$ 513,971</u>	<u>\$ 241,852</u>

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds			Totals	
HOME Grant	Measure M2	Community Development Block Grant	Drainage	Sewer Assessment	Fountain Valley Financing Authority	2013	2012
\$ 204,172	\$ 1,636,927	\$ 6,508	\$ 187,234	\$ 4,265,315	\$ -	\$ 10,569,441	\$ 10,782,849
-	-	-	-	-	1,644,280	1,644,280	1,644,192
-	159,829	61,152	-	273,120	-	531,620	634,666
68,243	-	154,088	-	-	-	222,331	281,926
<u>\$ 272,415</u>	<u>\$ 1,796,756</u>	<u>\$ 221,748</u>	<u>\$ 187,234</u>	<u>\$ 4,538,435</u>	<u>\$ 1,644,280</u>	<u>\$ 12,967,672</u>	<u>\$ 13,343,633</u>
\$ -	\$ -	\$ 10,689	\$ -	\$ 20,735	\$ -	\$ 324,246	\$ 659,416
-	-	-	-	-	-	-	1,769
-	-	-	-	-	2,442	2,442	2,442
-	-	10,689	-	20,735	2,442	326,688	663,627
68,243	-	154,088	-	-	-	226,762	544,774
68,243	-	164,777	-	20,735	2,442	553,450	1,208,401
-	-	-	-	-	-	1,391,512	1,204,947
-	1,796,756	-	-	-	-	4,414,795	4,865,721
204,172	-	-	-	-	-	204,172	181,996
-	-	56,971	-	-	-	56,971	43,843
-	-	-	187,234	4,517,700	1,641,838	6,346,772	5,838,725
204,172	1,796,756	56,971	187,234	4,517,700	1,641,838	12,414,222	12,135,232
<u>\$ 272,415</u>	<u>\$ 1,796,756</u>	<u>\$ 221,748</u>	<u>\$ 187,234</u>	<u>\$ 4,538,435</u>	<u>\$ 1,644,280</u>	<u>\$ 12,967,672</u>	<u>\$ 13,343,633</u>

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
REVENUES:					
Investment income	\$ 6,703	\$ 13,237	\$ 641	\$ 5,612	\$ 2,113
Intergovernmental	431,031	1,638,451	11,555	-	67,325
Charges for services	-	-	-	64,008	-
Miscellaneous	14,100	-	-	130,758	-
TOTAL REVENUES	451,834	1,651,688	12,196	200,378	69,438
EXPENDITURES:					
Current:					
Public safety	234,054	-	-	-	653
Transportation	-	2,248,899	-	1,241,834	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	234,054	2,248,899	-	1,241,834	653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	217,780	(597,211)	12,196	(1,041,456)	68,785
OTHER FINANCING SOURCES (USES):					
Transfers in	-	583,506	-	109,540	-
Transfers out	-	(517,104)	-	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	66,402	-	109,540	(100,000)
NET CHANGE IN FUND BALANCES	217,780	(530,809)	12,196	(931,916)	(31,215)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	931,880	2,777,481	75,653	1,215,434	273,067
FUND BALANCES - END OF YEAR	\$ 1,149,660	\$ 2,246,672	\$ 87,849	\$ 283,518	\$ 241,852

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds				Totals	
HOME Grant	Measure M2	Community Development Block Grant	Drainage	Sewer Assessment	Fountain Valley Financing Authority	2013	2012	
\$ 8,507	\$ 9,801	\$ 6,548	\$ -	\$ 30,787	\$ 88	\$ 84,037	\$ 91,500	
-	989,802	416,377	-	-	-	3,554,541	4,373,760	
-	-	-	34,739	1,985,343	-	2,084,090	1,906,771	
13,669	-	13,669	-	-	-	172,196	32,319	
<u>22,176</u>	<u>999,603</u>	<u>436,594</u>	<u>34,739</u>	<u>2,016,130</u>	<u>88</u>	<u>5,894,864</u>	<u>6,404,350</u>	
-	-	-	-	-	-	234,707	250,281	
-	-	-	-	-	-	3,490,733	5,178,555	
-	-	418,218	-	742,143	-	1,160,361	1,127,106	
-	-	-	-	-	-	-	39,841	
-	-	-	-	738,527	-	738,527	1,575,608	
-	-	418,218	-	1,480,670	-	5,624,328	8,171,391	
<u>22,176</u>	<u>999,603</u>	<u>18,376</u>	<u>34,739</u>	<u>535,460</u>	<u>88</u>	<u>270,536</u>	<u>(1,767,041)</u>	
-	-	-	-	-	-	693,046	1,170,405	
-	-	(5,248)	-	(62,240)	-	(684,592)	(753,172)	
-	-	(5,248)	-	(62,240)	-	8,454	417,233	
<u>22,176</u>	<u>999,603</u>	<u>13,128</u>	<u>34,739</u>	<u>473,220</u>	<u>88</u>	<u>278,990</u>	<u>(1,349,808)</u>	
<u>181,996</u>	<u>797,153</u>	<u>43,843</u>	<u>152,495</u>	<u>4,044,480</u>	<u>1,641,750</u>	<u>12,135,232</u>	<u>13,485,040</u>	
<u>\$ 204,172</u>	<u>\$ 1,796,756</u>	<u>\$ 56,971</u>	<u>\$ 187,234</u>	<u>\$ 4,517,700</u>	<u>\$ 1,641,838</u>	<u>\$ 12,414,222</u>	<u>\$ 12,135,232</u>	

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY FINANCING AUTHORITY DEBT SERVICE FUND - MAJOR FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 60	\$ 60	\$ 47	\$ (13)	\$ 42
Miscellaneous	-	-	194,715	194,715	194,703
TOTAL REVENUES	60	60	194,762	194,702	194,745
EXPENDITURES:					
Debt service:					
Principal	500,000	500,000	500,000	-	485,000
Interest	389,521	389,521	381,711	7,810	396,736
TOTAL EXPENDITURES	889,521	889,521	881,711	7,810	881,736
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(889,461)	(889,461)	(686,949)	202,512	(686,991)
OTHER FINANCING SOURCES (USES):					
Transfers in	889,461	889,461	186,967	(702,494)	201,983
Transfers out	(60)	(60)	-	60	-
TOTAL OTHER FINANCING SOURCES (USES)	889,401	889,401	186,967	(702,434)	201,983
EXTRAORDINARY LOSS:					
Removal of disallowed advance	-	-	(9,275,000)	(9,275,000)	-
NET CHANGE IN FUND BALANCE	(60)	(60)	(9,774,982)	(9,774,922)	(485,008)
FUND BALANCE - BEGINNING OF YEAR	10,664,582	10,664,582	10,664,582	-	11,149,590
FUND BALANCE - END OF YEAR	\$ 10,664,522	\$ 10,664,522	\$ 889,600	\$ (9,774,922)	\$ 10,664,582

See independent auditors' report.

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, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 100	\$ 100	\$ 6,703	\$ 6,603	\$ 4,291
Intergovernmental	198,933	330,242	431,031	100,789	753,078
Miscellaneous	15,000	15,000	14,100	(900)	23,782
TOTAL REVENUES	214,033	345,342	451,834	106,492	781,151
EXPENDITURES:					
Current:					
Public safety	264,819	386,128	234,054	152,074	249,569
TOTAL EXPENDITURES	264,819	386,128	234,054	152,074	249,569
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,786)	(40,786)	217,780	258,566	531,582
OTHER FINANCING SOURCES (USES):					
Transfers in	16,371	16,371	-	(16,371)	-
Transfers out	-	-	-	-	(40,534)
TOTAL OTHER FINANCING SOURCES (USES)	16,371	16,371	-	(16,371)	(40,534)
NET CHANGE IN FUND BALANCE	(34,415)	(24,415)	217,780	242,195	491,048
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	931,880	931,880	931,880	-	440,832
FUND BALANCE - END OF YEAR	\$ 897,465	\$ 907,465	\$ 1,149,660	\$ 242,195	\$ 931,880

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 4,471	\$ 4,471	\$ 13,237	\$ 8,766	\$ 27,364
Intergovernmental	1,558,234	1,558,234	1,638,451	80,217	2,332,430
Miscellaneous	-	-	-	-	1,808
TOTAL REVENUES	<u>1,562,705</u>	<u>1,562,705</u>	<u>1,651,688</u>	<u>88,983</u>	<u>2,361,602</u>
EXPENDITURES:					
Current:					
Transportation	<u>2,089,000</u>	<u>4,527,561</u>	<u>2,248,899</u>	<u>2,278,662</u>	<u>4,169,591</u>
TOTAL EXPENDITURES	<u>2,089,000</u>	<u>4,527,561</u>	<u>2,248,899</u>	<u>2,278,662</u>	<u>4,169,591</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(526,295)</u>	<u>(2,964,856)</u>	<u>(597,211)</u>	<u>2,367,645</u>	<u>(1,807,989)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	591,260	591,260	583,506	(7,754)	789,052
Transfers out	<u>(442,000)</u>	<u>(442,000)</u>	<u>(517,104)</u>	<u>(75,104)</u>	<u>(406,288)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>149,260</u>	<u>149,260</u>	<u>66,402</u>	<u>(82,858)</u>	<u>382,764</u>
NET CHANGE IN FUND BALANCE	<u>(377,035)</u>	<u>(2,815,596)</u>	<u>(530,809)</u>	<u>2,284,787</u>	<u>(1,425,225)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,777,481</u>	<u>2,777,481</u>	<u>2,777,481</u>	<u>-</u>	<u>4,202,706</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,400,446</u>	<u>\$ (38,115)</u>	<u>\$ 2,246,672</u>	<u>\$ 2,284,787</u>	<u>\$ 2,777,481</u>

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

TRAFFIC IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 1,000	\$ 1,000	\$ 5,612	\$ 4,612	\$ 15,060
Intergovernmental	300,000	695,411	-	(695,411)	-
Charges for services	10,000	10,000	64,008	54,008	151,276
Miscellaneous	-	-	130,758	130,758	-
TOTAL REVENUES	311,000	706,411	200,378	(506,033)	166,336
EXPENDITURES:					
Current:					
Transportation	1,190,000	3,023,847	1,241,834	1,782,013	1,008,964
TOTAL EXPENDITURES	1,190,000	3,023,847	1,241,834	1,782,013	1,008,964
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(879,000)	(2,317,436)	(1,041,456)	1,275,980	(842,628)
OTHER FINANCING SOURCES:					
Transfers in	1,966,314	1,966,314	109,540	(1,856,774)	283,446
TOTAL OTHER FINANCING SOURCES	1,966,314	1,966,314	109,540	(1,856,774)	283,446
NET CHANGE IN FUND BALANCE	1,087,314	(351,122)	(931,916)	(580,794)	(559,182)
FUND BALANCE - BEGINNING OF YEAR	1,215,434	1,215,434	1,215,434	-	1,774,616
FUND BALANCE - END OF YEAR	\$ 2,302,748	\$ 864,312	\$ 283,518	\$ (580,794)	\$ 1,215,434

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

POLLUTION REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 1,331	\$ 1,331	\$ 2,113	\$ 782	\$ 2,896
Intergovernmental	65,000	65,000	67,325	2,325	69,522
TOTAL REVENUES	66,331	66,331	69,438	3,107	72,418
EXPENDITURES:					
Current:					
Public safety	3,649	3,649	653	2,996	712
TOTAL EXPENDITURES	3,649	3,649	653	2,996	712
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	62,682	62,682	68,785	6,103	71,706
OTHER FINANCING USES:					
Transfers out	(100,000)	(100,000)	(100,000)	-	(123,828)
TOTAL OTHER FINANCING USES	(100,000)	(100,000)	(100,000)	-	(123,828)
NET CHANGE IN FUND BALANCE	(37,318)	(37,318)	(31,215)	6,103	(52,122)
FUND BALANCE - BEGINNING OF YEAR	273,067	273,067	273,067	-	325,189
FUND BALANCE - END OF YEAR	\$ 235,749	\$ 235,749	\$ 241,852	\$ 6,103	\$ 273,067

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

MEASURE M2 SPECIAL REVENUE FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 10,000	\$ 10,000	\$ 9,801	\$ (199)	\$ 4,329
Intergovernmental	949,869	949,869	989,802	39,933	833,798
TOTAL REVENUES	959,869	959,869	999,603	39,734	838,127
EXPENDITURES:					
Current:					
Community development	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	959,869	959,869	999,603	39,734	838,127
OTHER FINANCING USES:					
Transfers out	(1,911,314)	(1,911,314)	-	1,911,314	(97,907)
TOTAL OTHER FINANCING USES	(1,911,314)	(1,911,314)	-	1,911,314	(97,907)
NET CHANGE IN FUND BALANCE	(951,445)	(951,445)	999,603	1,951,048	740,220
FUND BALANCE - BEGINNING OF YEAR	797,153	797,153	797,153	-	56,933
FUND BALANCE - END OF YEAR	\$ (154,292)	\$ (154,292)	\$ 1,796,756	\$ 1,951,048	\$ 797,153

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ -	\$ -	\$ 6,548	\$ 6,548	\$ 458
Intergovernmental	271,507	271,507	416,377	144,870	362,207
Miscellaneous	-	-	13,669	13,669	6,729
TOTAL REVENUES	271,507	271,507	436,594	165,087	369,394
EXPENDITURES:					
Current:					
Community development	441,507	479,337	418,218	61,119	384,233
TOTAL EXPENDITURES	441,507	479,337	418,218	61,119	384,233
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(170,000)	(207,830)	18,376	226,206	(14,839)
OTHER FINANCING USES:					
Transfers out	-	-	(5,248)	(5,248)	-
TOTAL OTHER FINANCING USES	-	-	(5,248)	(5,248)	-
NET CHANGE IN FUND BALANCE	(170,000)	(207,830)	13,128	220,958	(14,839)
FUND BALANCE - BEGINNING OF YEAR	43,843	43,843	43,843	-	58,682
FUND BALANCE - END OF YEAR	\$ (126,157)	\$ (163,987)	\$ 56,971	\$ 220,958	\$ 43,843

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

DRAINAGE CAPITAL PROJECTS FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 775	\$ 775	\$ -	\$ (775)	\$ -
Charges for services	2,500	2,500	34,739	32,239	-
TOTAL REVENUES	3,275	3,275	34,739	31,464	-
EXPENDITURES:					
Capital outlay	-	-	-	-	97,907
TOTAL EXPENDITURES	-	-	-	-	97,907
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,275	3,275	34,739	31,464	(97,907)
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	-	97,907
TOTAL OTHER FINANCING SOURCES	-	-	-	-	97,907
NET CHANGE IN FUND BALANCE	3,275	3,275	34,739	31,464	-
FUND BALANCE - BEGINNING OF YEAR	152,495	152,495	152,495	-	152,495
FUND BALANCE - END OF YEAR	\$ 155,770	\$ 155,770	\$ 187,234	\$ 31,464	\$ 152,495

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

SEWER ASSESSMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 1,528	\$ 1,528	\$ 30,787	\$ 29,259	\$ 34,771
Charges for services	1,638,500	1,638,500	1,985,343	346,843	1,755,495
TOTAL REVENUES	1,640,028	1,640,028	2,016,130	376,102	1,790,266
EXPENDITURES:					
Current:					
Community development	749,844	749,844	742,143	7,701	742,873
Capital outlay	1,950,000	2,741,694	738,527	2,003,167	1,477,701
TOTAL EXPENDITURES	2,699,844	3,491,538	1,480,670	2,010,868	2,220,574
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,059,816)	(1,851,510)	535,460	2,386,970	(430,308)
OTHER FINANCING USES:					
Transfers out	(145,951)	(145,951)	(62,240)	83,711	(84,615)
TOTAL OTHER FINANCING USES	(145,951)	(145,951)	(62,240)	83,711	(84,615)
NET CHANGE IN FUND BALANCE	(1,205,767)	(1,997,461)	473,220	2,470,681	(514,923)
FUND BALANCE - BEGINNING OF YEAR	4,044,480	4,044,480	4,044,480	-	4,559,403
FUND BALANCE - END OF YEAR	\$ 2,838,713	\$ 2,047,019	\$ 4,517,700	\$ 2,470,681	\$ 4,044,480

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

FOUNTAIN VALLEY FINANCING AUTHORITY CAPITAL PROJECTS FUND

For the year ended June 30, 2013
(with comparative actual amounts for the year ended June 30, 2012)

	2013			Variance with Final Budget Positive (Negative)	2012
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES:					
Investment income	\$ 80	\$ 80	\$ 88	\$ 8	\$ 76
TOTAL REVENUES	80	80	88	8	76
EXPENDITURES:					
Current:					
General government	1,400	1,400	-	1,400	-
TOTAL EXPENDITURES	1,400	1,400	-	1,400	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,320)	(1,320)	88	1,408	76
FUND BALANCE - BEGINNING OF YEAR	1,641,750	1,641,750	1,641,750	-	1,641,674
FUND BALANCE - END OF YEAR	\$ 1,640,430	\$ 1,640,430	\$ 1,641,838	\$ 1,408	\$ 1,641,750

See independent auditors' report.

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AGENCY FUNDS

CITY OF FOUNTAIN VALLEY

FIDUCIARY FUNDS

June 30, 2013

PRIVATE PURPOSE TRUST FUNDS

Low and Moderate Income Housing - This fund is used to account for the 20% set-a-side of tax increment received by the former housing to address low to moderate housing needs of the community.

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 Redevelopment 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

Recreation Contract Program - This fund is used to account for the activities related to contract class program run by the City's Recreation Division.

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 NET POSITION
PRIVATE-PURPOSE TRUST FUNDS

June 30, 2013
(with comparative totals as of June 30, 2012)

	Successor Agency Funds				Totals	
	Low and Moderate Income Housing	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust Fund	2013	2012
ASSETS:						
Cash and investments	\$ -	\$ 1,879,596	\$ 9,344,732	\$ -	\$ 11,224,328	\$ 49,763,917
Cash and investments with fiscal agents	-	2,078,655	-	-	2,078,655	2,115,554
Accrued interest receivable	-	-	5,343	-	5,343	48,398
Advances to Housing Authority	-	-	-	-	-	3,175,000
TOTAL ASSETS	-	3,958,251	9,350,075	-	13,308,326	55,102,869
LIABILITIES:						
Accounts payable	-	-	181,339	-	181,339	364,820
Advances payable:						
Housing Authority	-	3,364,450	-	-	3,364,450	3,364,450
Financing Authority	-	-	-	-	-	9,775,000
Accrued interest payable	-	124,750	-	-	124,750	291,471
Long-term liabilities:						
Due within one year	-	1,715,000	-	-	1,715,000	1,640,000
Due in more than one year	-	3,630,000	-	-	3,630,000	5,345,000
TOTAL LIABILITIES	-	8,834,200	181,339	-	9,015,539	20,780,741
NET POSITION:						
Held in trust for Successor Agency	\$ -	\$ (4,875,949)	\$ 9,168,736	\$ -	\$ 4,292,787	\$ 34,322,128

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

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

For the year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Successor Agency Funds				Totals	
	Low and Moderate Income Housing	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust Fund	2013	2012
ADDITIONS:						
Taxes	\$ -	\$ -	\$ -	\$ 3,084,804	\$ 3,084,804	\$ 2,863,665
Investment income (loss)	5,162	6,437	48,731	-	60,330	(56,932)
TOTAL ADDITIONS	5,162	6,437	48,731	3,084,804	3,145,134	2,806,733
DEDUCTIONS:						
Administrative	-	-	245,975	-	245,975	305,152
Community development	-	-	478,007	-	478,007	546,132
Interest	-	351,295	-	-	351,295	30,371
Pass-through payments	-	-	-	-	-	643,686
Payment to the County	12,514,377	34,023,198	1,057,165	-	47,594,740	-
TOTAL DEDUCTIONS	12,514,377	34,374,493	1,781,147	-	48,670,017	1,525,341
INCOME (LOSS), BEFORE TRANSFERS AND EXTRAORDINARY ITEM	(12,509,215)	(34,368,056)	(1,732,416)	3,084,804	(45,524,883)	1,281,392
TRANSFERS AND EXTRAORDINARY ITEM:						
Transfers from other trust funds	-	2,001,400	1,083,404	-	3,084,804	2,863,665
Transfers to other trust funds	-	-	-	(3,084,804)	(3,084,804)	(2,863,665)
Transfers to City for enforceable obligations	-	-	-	-	-	(196,511)
Extraordinary gain	-	-	-	-	-	33,237,247
Payment from city for disallowed expenses	-	-	6,220,542	-	6,220,542	-
Payment from city to remove disallowed advance	-	9,275,000	-	-	9,275,000	-
TOTAL TRANSFERS AND EXTRAORDINARY ITEM	-	11,276,400	7,303,946	(3,084,804)	15,495,542	33,040,736
CHANGES IN NET POSITION	(12,509,215)	(23,091,656)	5,571,530	-	(30,029,341)	34,322,128
NET POSITION - BEGINNING OF YEAR	12,509,215	18,215,707	3,597,206	-	34,322,128	-
NET POSITION - END OF YEAR	\$ -	\$ (4,875,949)	\$ 9,168,736	\$ -	\$ 4,292,787	\$ 34,322,128

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2013
(With comparative totals as of June 30, 2012)

	Agency Funds			Totals	
	Recreation Contract Program	Special Deposit and Receipt	Developer Agreements	2013	2012
ASSETS:					
Cash and investments	\$ -	\$ 864,071	\$ 103,431	\$ 967,502	\$ 886,757
LIABILITIES:					
Deposits payable	\$ -	\$ 864,071	\$ 103,431	\$ 967,502	\$ 886,757

See independent auditors' report.

CITY OF FOUNTAIN VALLEY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
RECREATION CONTRACT PROGRAM FUND				
ASSETS:				
Cash and investments	\$ 280	\$ 325	\$ (605)	\$ -
LIABILITIES:				
Deposits payable	\$ 280	\$ 496	\$ (776)	\$ -
SPECIAL DEPOSIT AND RECEIPT FUND				
ASSETS:				
Cash and investments	\$ 829,896	\$ 1,188,131	\$(1,153,956)	\$ 864,071
LIABILITIES:				
Deposits payable	\$ 829,896	\$ 2,403,200	\$(2,369,025)	\$ 864,071
REIMBURSEMENT AGREEMENT FUND				
ASSETS:				
Cash and investments	\$ 56,580	\$ 104,005	\$ (57,154)	\$ 103,431
LIABILITIES:				
Deposits payable	\$ 56,580	\$ 142,645	\$ (95,794)	\$ 103,431
ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 886,756	\$ 1,292,461	\$(1,211,715)	\$ 967,502
LIABILITIES:				
Deposits payable	\$ 886,756	\$ 2,546,341	\$(2,465,595)	\$ 967,502

See independent auditors' report.

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**STATISTICAL SECTION
(UNAUDITED)**

CITY OF FOUNTAIN VALLEY

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2013

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

Contents:	<u>Pages</u>
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	106
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	116
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	122
Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	129
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	131

CITY OF FOUNTAIN VALLEY

NET POSITION BY COMPONENT

Last Eight Fiscal Years
(accrual bases of accounting)

	Fiscal Year Ended June 30, 2013			
	2006	2007	2008	2009
Governmental activities:				
Net Investment in Capital Assets	\$ 43,252,159	\$ 39,422,342	\$ 48,559,056	\$ 52,818,364
Restricted	19,962,740	88,910,408	82,467,911	50,821,452
Unrestricted	80,165,804	26,696,350	35,629,136	63,661,029
Total governmental activities net position	\$ 143,380,703	\$ 155,029,100	\$ 166,656,103	\$ 167,300,845
Business-type activities				
Net Investment in Capital Assets	\$ 7,125,907	\$ 6,751,060	\$ 6,351,432	\$ 9,308,318
Restricted	-	-	-	-
Unrestricted	8,766,951	9,794,116	10,429,534	8,679,178
Total business-type activity net position	\$ 15,892,858	\$ 16,545,176	\$ 16,780,966	\$ 17,987,496
Primary government:				
Net Investment in Capital Assets	\$ 50,378,066	\$ 46,173,402	\$ 54,910,488	\$ 62,126,682
Restricted	19,962,740	88,910,408	82,467,911	50,821,452
Unrestricted	88,932,755	36,490,466	46,058,670	72,340,207
Total primary government net position	\$ 159,273,561	\$ 171,574,276	\$ 183,437,069	\$ 185,288,341

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

Fiscal Year Ended June 30, 2013

2010	2011	2012	2013
\$ 74,207,233	\$ 92,919,149	\$ 103,091,982	\$ 99,259,832
55,038,160	52,990,041	14,475,232	14,428,516
56,156,029	60,549,852	55,985,076	50,261,193
<u>\$ 185,401,422</u>	<u>\$ 206,459,042</u>	<u>\$ 173,552,290</u>	<u>\$ 163,949,541</u>
\$ 10,479,014	\$ 10,945,907	\$ 11,746,210	\$ 11,799,936
-	-	-	-
6,170,774	4,531,257	6,049,769	5,828,113
<u>\$ 16,649,788</u>	<u>\$ 15,477,164</u>	<u>\$ 17,795,979</u>	<u>\$ 17,628,049</u>
\$ 84,686,247	\$ 103,865,056	\$ 114,838,192	\$ 111,059,768
55,038,160	52,990,041	14,475,232	14,428,516
62,326,803	65,081,109	62,034,845	56,089,306
<u>\$ 202,051,210</u>	<u>\$ 221,936,206</u>	<u>\$ 191,348,269</u>	<u>\$ 181,577,590</u>

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

Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ended June 30, 2013			
	2006	2007	2008	2009
Expenses:				
Governmental activities:				
General government	\$ 7,316,887	\$ 4,342,847	\$ 4,560,162	\$ 4,708,164
Public safety	20,923,978	22,755,905	24,642,618	26,816,254
Transportation	6,405,142	6,836,619	9,005,540	12,923,795
Community development	3,508,622	3,844,623	10,457,159	3,730,625
Community services	5,553,845	4,746,987	4,669,708	4,818,069
Capital projects				
Interest and other charges	2,383,339	2,320,615	3,445,535	3,152,506
Total governmental activities expenses	<u>46,091,813</u>	<u>44,847,596</u>	<u>56,780,722</u>	<u>56,149,413</u>
Business-type activity:				
Water	8,859,328	8,990,486	8,946,570	7,530,478
Solid Waste	*	*	*	*
Total business-type activity expenses	<u>8,859,328</u>	<u>8,990,486</u>	<u>8,946,570</u>	<u>7,530,478</u>
Total primary government expenses	<u>54,951,141</u>	<u>53,838,082</u>	<u>65,727,292</u>	<u>63,679,891</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	-	1,433,042	2,760,778	1,841,010
Public safety	5,926,408	2,525,676	2,931,907	2,619,078
Transportation	-	1,291,911	1,104,839	-
Community development	2,358,636	2,764,799	3,398,343	2,386,267
Community services	-	4,991,386	2,869,246	4,158,532
Interest and other activities	304,285	-	-	-
Operating grants and contributions	1,327,846	3,571,376	4,966,810	5,356,881
Capital grants and contributions	1,555,614	489,366	8,430,015	3,847,667
Total governmental activities program revenues	<u>11,472,789</u>	<u>17,067,556</u>	<u>26,461,938</u>	<u>20,209,435</u>
Business-type activities:				
Charges for services:				
Water	8,332,738	9,078,937	8,659,952	8,830,145
Solid Waste	*	*	*	*
Total business-type activities program revenues	<u>8,332,738</u>	<u>9,078,937</u>	<u>8,659,952</u>	<u>8,830,145</u>
Total primary government program revenues	<u>19,805,527</u>	<u>26,146,493</u>	<u>35,121,890</u>	<u>29,039,580</u>
Net revenues (expenses):				
Governmental activities	(34,619,024)	(27,780,040)	(30,318,784)	(35,939,978)
Business-type activities	(526,590)	88,451	(286,618)	1,299,667
Total net revenues (expenses)	<u>(35,145,614)</u>	<u>(27,691,589)</u>	<u>(30,605,402)</u>	<u>(34,640,311)</u>

* Solid Waste Funds previously reported in governmental activities

Fiscal Year Ended June 30, 2013

2010	2011	2012	2013
\$ 4,389,509	\$ 2,288,544	\$ 3,623,812	\$ 3,268,718
25,294,734	26,634,914	26,039,750	25,959,047
10,842,575	9,535,081	10,486,308	8,085,945
3,638,224	4,546,691	4,709,958	5,675,610
4,789,810	2,198,738	2,520,280	2,433,094
			401,606
<u>1,446,472</u>	<u>1,058,808</u>	<u>631,851</u>	<u>389,544</u>
<u>50,401,324</u>	<u>46,262,776</u>	<u>48,011,959</u>	<u>46,213,564</u>
10,752,153	9,464,335	9,640,203	11,961,160
<u>2,985,275</u>	<u>2,859,051</u>	<u>2,912,260</u>	<u>2,923,270</u>
<u>13,737,428</u>	<u>12,323,386</u>	<u>12,552,463</u>	<u>14,884,430</u>
<u>64,138,752</u>	<u>58,586,162</u>	<u>60,564,422</u>	<u>61,097,994</u>
1,986,574	1,799,114	1,542,780	1,313,296
2,261,734	2,145,255	2,402,968	2,551,306
-	-	-	-
2,696,944	2,764,100	3,452,877	4,200,182
3,085,631	1,416,509	1,349,743	2,865,863
-	-	-	-
4,500,691	20,306,778	4,808,433	3,763,161
<u>2,478,423</u>	<u>380,511</u>	<u>703,155</u>	<u>255,300</u>
<u>17,009,997</u>	<u>28,812,267</u>	<u>14,259,956</u>	<u>14,949,108</u>
8,634,443	10,550,050	11,434,206	12,030,680
<u>3,001,822</u>	<u>3,007,925</u>	<u>3,221,070</u>	<u>3,175,972</u>
<u>11,636,265</u>	<u>13,557,975</u>	<u>14,655,276</u>	<u>15,206,652</u>
<u>28,646,262</u>	<u>42,370,242</u>	<u>28,915,232</u>	<u>30,155,760</u>
(33,391,327)	(17,450,509)	(33,752,003)	(31,264,456)
<u>(2,101,163)</u>	<u>1,234,589</u>	<u>2,102,813</u>	<u>322,222</u>
<u>(35,492,490)</u>	<u>(16,215,920)</u>	<u>(31,649,190)</u>	<u>(30,942,234)</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN NET POSITION
GENERAL REVENUESLast Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30, 2013			
	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)
Miscel.				
Extraordinary Gain (Loss)				
Total business-type activities	<u>432,405</u>	<u>563,867</u>	<u>522,408</u>	<u>(93,137)</u>
Total primary government	<u>40,166,348</u>	<u>41,315,540</u>	<u>42,468,195</u>	<u>37,975,835</u>
Changes in net position:				
Governmental activities	5,114,919	12,971,633	11,627,003	2,128,994
Business-type activities	(94,185)	652,318	235,790	1,206,530
Total primary government	<u>\$ 5,020,734</u>	<u>\$ 13,623,951</u>	<u>\$ 11,862,793</u>	<u>\$ 3,335,524</u>

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

Fiscal Year Ended June 30, 2013

2010	2011	2012	2013
\$ 13,753,615	\$ 16,259,507	\$ 14,247,327	\$ 16,071,106
1,660,650	1,710,195	1,775,922	1,712,754
9,179,402	10,328,426	10,948,760	11,407,422
616,375	732,375	744,079	2,632,282
4,623,154	4,792,704	4,468,380	4,587,172
-	-	-	-
2,003,963	1,222,953	552,828	(65,914)
-	-	-	-
-	2,489,616	824,382	72,940
-	577	3,612	2,404
208,667	971,776	550,830	225,313
-	-	(33,237,247)	(14,983,772)
<u>32,045,826</u>	<u>38,508,129</u>	<u>878,873</u>	<u>21,661,707</u>
120,820	82,403	54,604	50,416
318,176	(2,489,616)	(824,382)	(72,940)
-	-	-	44,142
-	-	-	(511,770)
<u>438,996</u>	<u>(2,407,213)</u>	<u>(769,778)</u>	<u>(490,152)</u>
<u>32,484,822</u>	<u>36,100,916</u>	<u>109,095</u>	<u>21,171,555</u>
(1,345,501)	21,057,620	(32,873,130)	(9,602,749)
(1,662,167)	(1,172,624)	1,333,035	(167,930)
<u>\$ (3,007,668)</u>	<u>\$ 19,884,996</u>	<u>\$ (31,540,095)</u>	<u>\$ (9,770,679)</u>

CITY OF FOUNTAIN VALLEY
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30, 2013			
	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	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Fiscal Year Ended June 30, 2013

2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,360,972	\$ 2,271,395	\$ 1,831,432	\$ 1,846,323
38,233,080	40,563,646	38,916,288	40,745,212
<u>\$ 40,594,052</u>	<u>\$ 42,835,041</u>	<u>\$ 40,747,720</u>	<u>\$ 42,591,535</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
7,152,709	7,243,162	5,838,725	6,346,772
<u>\$ 74,427,208</u>	<u>\$ 71,471,549</u>	<u>\$ 30,316,957</u>	<u>\$ 20,775,288</u>

CITY OF FOUNTAIN VALLEY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30, 2013			
	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
Payments to escrow agents	-	-	-	-
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
Proceeds of debt	-	-	-	-
Total other financing sources (uses)	<u>(132,601)</u>	<u>478,618</u>	<u>389,932</u>	<u>(857,872)</u>
Net change in fund balances, before extraordinary item	3,445,579	10,883,578	(4,120,500)	(1,102,610)
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	<u>\$ 3,445,579</u>	<u>\$ 10,883,578</u>	<u>\$ (4,120,500)</u>	<u>\$ (1,102,610)</u>
Debt service as a percentage of noncapital expenditures	9.4%	10.9%	8.8%	9.4%

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

Fiscal Year Ended June 30, 2013

2010	2011	2012	2013
\$ 29,746,135	\$ 30,796,616	\$ 27,551,121	\$ 30,142,198
1,510,769	1,597,034	1,661,600	2,260,643
810,868	915,314	771,860	799,794
1,377,236	1,488,521	1,445,466	1,151,228
1,879,310	1,219,533	800,796	(15,506)
9,167,306	8,798,365	9,301,515	8,066,501
4,923,766	5,213,090	6,047,713	6,552,896
1,219,229	2,623,945	1,792,391	3,197,853
<u>50,634,619</u>	<u>52,652,418</u>	<u>49,372,462</u>	<u>52,155,607</u>
3,893,528	4,431,120	3,174,656	2,919,814
23,478,042	28,612,844	24,797,114	25,071,510
9,081,940	9,011,091	9,853,602	8,084,134
4,107,181	4,658,578	3,885,966	4,449,856
1,736,105	2,014,282	2,249,853	2,123,704
772,615	1,047,498	4,147,242	1,194,478
2,114,535	2,205,258	2,285,397	717,422
1,761,157	1,103,263	798,958	381,711
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>(846,577)</u>	<u>(2,319,517)</u>	<u>(1,820,326)</u>	<u>7,212,978</u>
3,818,818	16,787,826	2,040,038	1,402,365
(4,003,456)	(16,003,210)	(2,944,656)	(1,329,425)
112,882	-	-	-
-	-	-	-
<u>(71,756)</u>	<u>784,616</u>	<u>(904,618)</u>	<u>72,940</u>
(918,333)	(1,534,901)	(2,724,944)	7,285,918
-	-	(40,483,347)	(14,983,772)
<u>\$ (918,333)</u>	<u>\$ (1,534,901)</u>	<u>\$ (43,208,291)</u>	<u>\$ (7,697,854)</u>
16.6%	9.6%	6.4%	2.5%

CITY OF FOUNTAIN VALLEY

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Eight 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

Notes:

Amounts are shown net of exemptions

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

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

source: Orange County Assessor's Office

City of Fountain Valley Successor Agency to the Redevelopment Agency

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

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,			
	2004	2005	2006	2007
City Direct Rate:				
City basic rate	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:				
Fountain Valley El Tax Override - 1970 SSBA	0.06691	0.06371	0.06588	0.00592
Huntington Beach High School 2004 - Bond 2004A	N/A	0.02999	0.02388	0.02197
Coast Community College	0.00051	0.01383	0.01545	0.01599
Metro Water District of Orange County	0.00610	0.01371	0.00520	0.00470
Huntington Beach High School 2004 - Bond 2005	N/A	0.00580	0.00151	0.00008
Huntington Beach High School 2004 - Bond 2007	N/A	N/A	N/A	N/A
Total Direct Rate	<u>1.07352</u>	<u>1.12704</u>	<u>1.11192</u>	<u>1.04866</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,

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
N/A	N/A	N/A	N/A	N/A	N/A
0.02366	0.02522	0.02605	0.02617	0.02726	0.02605
0.01472	0.01673	0.17500	0.01754	0.01881	0.01750
0.00430	0.00430	0.00370	0.00370	0.00350	0.00370
0.00232	0.00260	0.00265	0.00266	0.00275	0.00265
<u>0.00024</u>	<u>0.00159</u>	<u>0.00144</u>	<u>0.00143</u>	<u>0.00142</u>	<u>0.00144</u>
<u><u>1.04524</u></u>	<u><u>1.05044</u></u>	<u><u>1.20884</u></u>	<u><u>1.05150</u></u>	<u><u>1.05374</u></u>	<u><u>1.05134</u></u>

CITY OF FOUNTAIN VALLEY
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Orange Coast Memorial Medical Center	\$ 117,709,877	1.64%	N/A	N/A
Fountain Valley Reg Hosp & Med Ctr	74,230,319	1.04%	\$ 116,289,024	2.37%
Fountain Valley City Center LLC	62,566,800	0.87%	N/A	N/A
JKS-CMFV LLC	59,408,506	0.83%	N/A	N/A
Healthcare Realty FV Reg	56,269,890	0.79%	N/A	N/A
Fountain Valley Senior Housing LLC	38,333,185	0.54%	\$ 33,243,974	0.68%
Hyundai Motor America	29,592,595	0.41%	\$ 26,344,042	0.54%
17665 Newhope Manufacturing	28,744,776	0.40%	N/A	N/A
Chandler Real Properties	23,830,248	0.33%	\$ 13,984,073	0.29%
Costco Wholesale Corp.	23,793,819	0.33%	N/A	N/A
FV Showroom Partners I LLC	16,042,192	0.22%	N/A	N/A
Fountain Valley Reg Hospital	15,103,122	0.21%	N/A	N/A
JKS-SF LLC	14,838,897	0.21%	\$ 65,253,023	1.33%
18349 Euclid Street LLC	14,142,869	0.20%	N/A	N/A
	<u>\$ 574,607,095</u>	<u>8.02%</u>	<u>\$ 255,114,136</u>	<u>5.21%</u>

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

CITY OF FOUNTAIN VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS

Last Eight Fiscal Years

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

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 Eight 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

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

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

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

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

CITY OF FOUNTAIN VALLEY
RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Eight Fiscal Years

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

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

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

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

CITY OF FOUNTAIN VALLEY
DIRECT AND OVERLAPPING DEBT
June 30, 2013

2012-2013 City Assessed Valuation:
Total Assessed Valuation

\$ 7,164,372,762

	Percentage Applicable (1)	Total Debt June 30, 2013	City's Share of Debt June 30, 2013
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	0.341%	\$ 165,085,000	\$ 562,940
Coast Community College District	6.813%	648,598,698	44,189,029
Rancho Santiago Community College District	0.330%	293,246,944	967,715
Garden Grove Unified School District	11.475%	127,000,160	14,573,268
Huntington Beach Union High School District	11.858%	210,579,998	24,970,576
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$ 1,444,510,800</u>	<u>\$ 85,263,528</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.675%	190,546,000	3,191,646
Orange County Pension Obligations	1.675%	306,287,244	5,130,311
Orange County Board of Education Certificates of Participation	1.675%	15,770,000	264,148
Municipal Water District of Orange County Water Facilities Corporation	2.007%	10,035,000	201,402
Huntington Beach Union High School District Certificates of Participation	11.858%	60,101,090	7,126,787
Fountain Valley School District Certificates of Participation	72.999%	8,695,000	6,347,263
Ocean View School District Certificates of Participation	1.003%	5,570,000	55,867
City of Fountain Valley Certificates of Participation	100.000%	9,275,000	9,275,000
		<u>\$ 606,279,334</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			31,592,424
Less: MWDOC Water Facilities Corporation (100% self-supporting)			201,402
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 31,391,022</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$5,345,000	5,345,000
TOTAL DIRECT DEBT			<u>\$ 9,275,000</u>
TOTAL GROSS COMBINED TOTAL DEBT			\$ 112,925,952
TOTAL NET COMBINED TOTAL DEBT			\$ 112,724,550
GROSS COMBINED TOTAL DEBT (2)			\$ 122,200,952
NET COMBINED TOTAL DEBT			\$ 121,999,550

(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 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.19%
Total Direct Debt (\$9,275,000).....	0.13%
Gross Combined Total Debt.....	1.71%
Net Combined Total Debt.....	1.70%

Ratios to Redevelopment Incremental Valuation (\$1,028,227,728):

Total Overlapping Tax Increment Debt.....	0.52%
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Source: California Municipal Statistics, Inc. (July 31, 2013)

CITY OF FOUNTAIN VALLEY
LEGAL DEBT MARGIN INFORMATION

Last Eight Fiscal Years

	Fiscal Year Ended June 30, 2013			
	2006	2007	2008	2009
Assessed valuation	\$ 5,607,231,443	\$ 6,072,186,227	\$ 6,594,781,370	\$ 6,670,904,645
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,401,807,861	1,518,046,557	1,648,695,343	1,667,726,161
Debt limit percentage	15%	15%	15%	15%
Debt limit	210,271,179	227,706,984	247,304,301	250,158,924
Total net debt applicable to limitation: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 210,271,179</u>	<u>\$ 227,706,984</u>	<u>\$ 247,304,301</u>	<u>\$ 250,158,924</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

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

Fiscal Year Ended June 30, 2013

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

CITY OF FOUNTAIN VALLEY
 PLEDGED-REVENUE COVERAGE

Last Eight Fiscal Years

Fiscal Year Ended June 30,	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
2006	\$ 6,065,995	\$ 1,235,000	\$ 728,678	3.09	
2007	6,241,917	1,285,000	680,513	3.18	
2008	7,086,966	1,335,000	629,113	3.61	
2009	7,170,290	1,390,000	575,713	3.65	
2010	7,477,137	1,445,000	518,773	3.81	
2011	7,484,250	1,510,000	457,310	3.80	
2012	4,245,463	1,570,000	392,380	2.16	
2013	1,963,300	1,640,000	323,300	1.00	

Notes:

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

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

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

CITY OF FOUNTAIN VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2004	56,468	\$ 124,854	\$ 41,868	3.50%
2005	57,149	133,032	44,453	3.10%
2006	57,405	14,700	45,638	3.00%
2007	57,475	147,800	45,969	4.80%
2008	57,925	154,800	48,523	7.70%
2009	58,309	161,700	49,298	11.90%
2010	58,741	145,100	44,789	12.10%
2011 *	55,313	159,000	50,372	11.80%
2012	56,153	168,800	51,770	9.60%
2013	56,464	172,400	53,320	9.20%

Sources:

(1) California State Department of Finance/2012 U.S. Bureau of Labor Statistics: City of F.V, (estimates: last updated 6/27/13)

(2) California Department of Transportation - Division of Planning (data shown is forecasted for Orange County: last updated 10/2013)

(3) State of California Employment Development Department/U.S. Bureau of Labor Statistics (last updated 10/21/2013)

* 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	2013		2004	
	Number of Employees	Percent of Total Employment (1)	Number of Employees	Percent of Total Employment (2)
Fountain Valley Regional Hospital	1,627	8.26%	1744	N/A
Orange Coast Memorial Medical Center	934	4.74%	880	N/A
Kingston Technology Corporation	774	3.93%	738	N/A
Memorial Health Services	554	2.81%	N/A	N/A
Surefire, LLC	417	2.12%	350	N/A
*Hyundai Motor America	-	0.00%	406	N/A
Costco Wholesale, # 411	276	1.40%	399	N/A
Ceridian Tax Service, Inc.	275	1.40%	513	N/A
Sam's Club #6615	264	1.34%	N/A	N/A
Manor Care of Fountain Valley	204	1.04%	N/A	N/A
D-Link Systems, Inc.	190	0.96%	281	N/A
*Hyundai Capital America	-	0.00%	N/A	N/A

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

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

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

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

Department	Fiscal Year Ended June 30, 2013									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Administration	4.0	4.0	3.0	3.0	3.0	3.0	2.0	2.0	3.0	3.0
City Clerk	4.0	4.0	3.0	3.0	3.0	3.0	1.0	1.0	1.0	1.0
Finance	14.0	14.0	14.0	15.0	15.0	12.0	11.0	11.0	10.6	10.6
Information services	*	*	*	*	*	3.0	3.0	3.0	3.0	3.0
Personnel	4.0	4.0	4.0	4.0	4.0	4.0	3.5	3.5	3.5	3.5
Planning/Building	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0
Public works	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0
Field services	50.0	50.0	48.0	48.0	45.0	45.0	32.0	31.5	32.0	31.0
Fire	50.0	50.0	47.0	47.0	47.0	47.0	43.0	43.0	43.0	43.0
Police	92.0	92.0	90.0	89.0	89.0	89.0	78.0	78.0	78.0	79.0
Community services	6.0	6.0	6.0	6.0	6.0	6.0	4.0	5.0	5.0	6.0
Utilities (water and sew	14.0	14.0	17.0	17.0	21.0	21.0	21.0	22.0	22.0	22.0
Total	<u>257.0</u>	<u>257.0</u>	<u>251.0</u>	<u>251.0</u>	<u>252.0</u>	<u>252.0</u>	<u>215.5</u>	<u>217.0</u>	<u>218.1</u>	<u>219.1</u>

Source: City of Fountain Valley; Personnel Dept: Authorized List for Full-Time Employees, June 2013

* 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, 2013			
	2004	2005	2006	2007
Police:				
Arrests	1,780	1,736	1,764	2,380
Parking citations issued	10,336	11,230	10,134	12,532
Fire:				
Number of emergency calls	4,152	4,142	4,064	4,247
Inspections	11,487	13,700	14,000	16,033
Public works:				
Street resurfacing (miles)	24	20	20	22
Parks and recreation:				
Number of recreation classes	856	629	738	752
Number of facility rentals	184	151	289	172
Water:				
New connections	N/A	1,306	1,046	1,119
Average daily consumption (thousands of gallons)	N/A	12,209	12,230	10,340

Source: City of Fountain Valley

Fiscal Year Ended June 30, 2013

2008	2009	2010	2011	2012	2013
2,230	2,134	2,037	1,779	1,563	1,649
11,534	10,550	9,562	8,143	8,138	7,209
4,661	5,042	4,260	4,260	4,366	4,557
12,890	11,582	13,346	16,126	7,902	7,885
26	14	11	11	14	11
1,098	-	1,140	1,169	1,143	1,257
184	-	453	1,760	1,642	1,108
1,027	1,080	1,512	1,228	1,291	1,407
10,064	8,866	8,222	7,995	8,110	7,775

CITY OF FOUNTAIN VALLEY

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30, 2013			
	2004	2005	2006	2007
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	2	2	2	2
Public works:				
Street (miles)	141.30	141.30	141.30	141.30
Streetlights**	N/A	N/A	N/A	N/A
Traffic signals	49	49	53	52
Parks and recreation:				
Parks	19	19	19	19
Community centers	2	2	2	2
Water:				
Water mains (miles)	183.80	183.80	183.80	184.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000

**Streetlights are owned by So. Cal Edison

Fiscal Year Ended June 30, 2013

2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
2	2	2	2	2	2
141.30	141.30	141.30	141.30	141.30	165.00
N/A	N/A	N/A	N/A	N/A	N/A
52	53	53	53	53	53
19	20	20	20	20	20
2	2	2	2	2	2
184.00	185.00	185.00	187.00	187.00	202.00
18,000,000	18,000,000	18,000,000	15,000,000	12,500,000	13,500,000

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