

*City of Fountain Valley
California*

*Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2008*

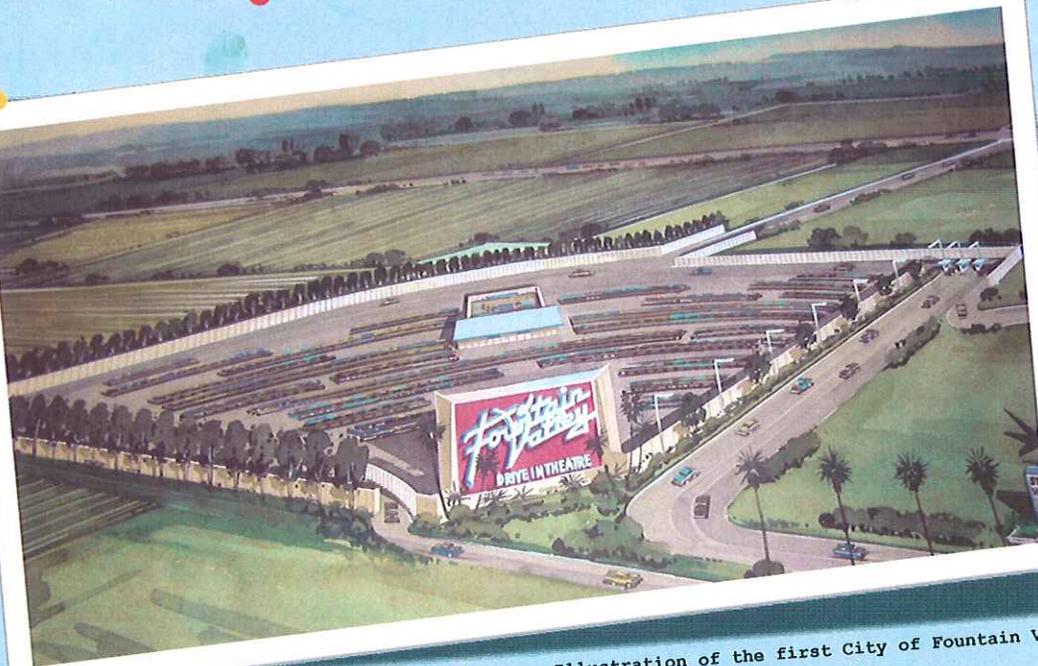


Illustration of the first City of Fountain Valley
Drive-In

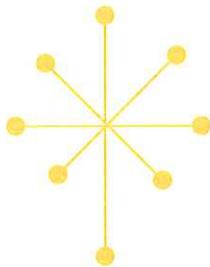
1957—2007

50 Years of Community Excellence



City of Fountain Valley *California*

Comprehensive *Annual Financial Report* *Fiscal Year Ended* *June 30, 2008*



Prepared by the Finance Department

Elizabeth Fox

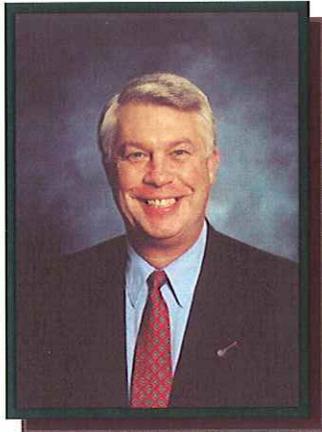
Finance Director/City Treasurer



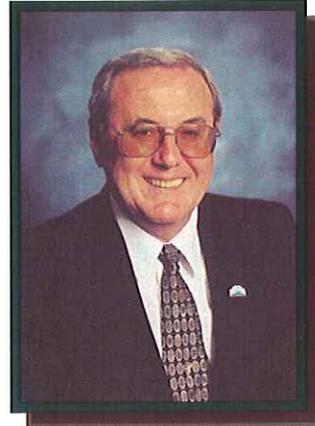


City Council

2007-2008



John Collins
Mayor



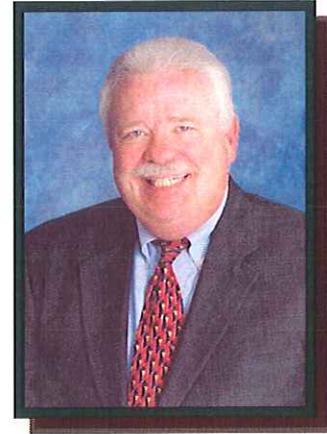
Guy Carrozzo
Mayor Pro Tempore



Cheryl Brothers
Council Member



Larry R. Crandall
Council Member



Gus Ayer
Council Member



CITY OF FOUNTAIN VALLEY
 Comprehensive Annual Financial Report
 Year ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Letter of Transmittal	V
List of Principal Officials	XII
Organizational Chart	XIII
CSMFO Certificate	XIV
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
• Statement of Net Assets	12
• Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
• Balance Sheet	15
• Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
• Statement of Revenues, Expenditures and Changes in Fund Balance	17
• Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund:	
• Statement of Net Assets	19
• Statement of Revenues, Expenses and Changes in Fund Net Assets	20
• Statement of Cash Flows	21

CITY OF FOUNTAIN VALLEY
 Comprehensive Annual Financial Report
 Year ended June 30, 2008

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Fiduciary Funds:	
• Statement of Fiduciary Net Assets	23
Notes to the Basic Financial Statements	24
Required Supplementary Information:	
Notes to the Required Supplementary Information	55
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
• General Fund	59
• Park Improvement Special Revenue Fund	60
Supplementary Schedules:	
Non-Major Governmental Funds:	
• Combining Balance Sheet	63
• Combining Statement of Revenues, Expenditures and Changes In Fund Balances	66
Major Fund Budgetary Comparison Schedules:	
• Industrial Redevelopment Area Debt Service Fund	69
• Industrial Redevelopment Area Capital Projects Fund	70
• Housing Set-Aside Capital Projects Fund	71
Non-Major Fund Budgetary Comparison Schedules:	
• Criminal Activities Special Revenue Fund	72
• Traffic Safety Special Revenue Fund	73
• Traffic Congestion Relief Special Revenue Fund	74
• Gas Tax Special Revenue Fund	75
• Traffic Improvement Special Revenue Fund	76

CITY OF FOUNTAIN VALLEY
 Comprehensive Annual Financial Report
 Year ended June 30, 2008

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
• Pollution Reduction Special Revenue Fund	77
• Solid Waste Special Revenue Fund	78
• HOME Grant Special Revenue Fund	79
• Community Development Block Grant Special Revenue Fund	80
• Fountain Valley Financing Authority Debt Service Fund	81
• City Center Redevelopment Area Debt Service Fund	82
• Drainage Capital Projects Fund	83
• Sewer Assessment Capital Projects Fund	84
• Fountain Valley Financing Authority Capital Projects Fund	85
• City Center Redevelopment Area Capital Projects Fund	86
 Agency Funds:	
Combining Statement of Assets and Liabilities	87
Combining Statement of Changes in Assets and Liabilities	88
 <u>STATISTICAL SECTION:</u>	
• Net Assets by component – Last Six Fiscal Years	89
• Changes in Net Assets – Last Six Fiscal Years	90
• Fund Balances of Governmental Funds – Last Six Fiscal Years	93
• Changes in Fund Balances of Governmental Funds – Last Six Fiscal Years	94
• Assessed Value and Estimated Actual Value of Taxable Property – Last Seven Fiscal Years	96
• Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	98
• Principal Property Tax Payers – Current Year and Nine Years Ago	100

CITY OF FOUNTAIN VALLEY
Comprehensive Annual Financial Report
Year ended June 30, 2008

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
• Property Tax Levies and Collections – Last Nine Fiscal Years	101
• Ratios of Outstanding Debt by Type – Last Seven Fiscal Years	102
• Ratio of General Bonded Debt Outstanding – Last Seven Fiscal Years	104
• Direct and Overlapping Debt	105
• Legal Debt Margin Information – Last Seven Fiscal Years	106
• Pledged-Revenue Coverage – Last Six Fiscal Years	108
• Demographic and Economic Statistics – Last Ten Calendar Years	109
• Principal Employers – Current Year and Nine Years Ago	110
• Full-time Equivalent City Employees by Department – Last Ten Fiscal Years	111
• Operating Indicators by Function – Last Ten Fiscal Years	112
• Capital Asset Statistics by Function – Last Ten Fiscal Years	114



CITY OF FOUNTAIN VALLEY

10200 SLATER AVENUE • FOUNTAIN VALLEY, CA 92708-4736 • (714) 593-4400, FAX: (714) 593-4498

December 30, 2008

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, 2008, 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.

Management's Transmittal Letter

The City of Fountain Valley's financial statements have been audited by Mayer Hoffman McCann P.C. 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, 2008 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, 2008, 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.

Management's Transmittal Letter

GAAP requires that management provide a narrative introduction, overviews, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD& A). This letter of transmittal is designed to complement 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 Agency for Community Development and the City of Fountain Valley Financing Authority have been reported as debt service and capital projects funds, as appropriated.

Governmental Profile

The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 57,925 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, redevelopment; 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 program 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, 2008. 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 fiftieth birthday in 2007. 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 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.

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 for 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 a city that is 98% built out, which limits the type of development projects to infill, expansion or redevelopment. Nevertheless, because of the excellent opportunities afforded the residents it is an extremely desirable place to live, so every opportunity to create new residential infill is maximized and new housing projects are generally sold out during their construction phase.

Residential Development: In July 2007 the City Council approved the construction of fifty-five one and two story detached single family homes ranging in size from 2800 to 4200 sq. ft. each. This was closely followed by a second development of fifty-four detached single family homes in the 3000 to 4200 sq. ft. range and included a one acre neighborhood park. Los Caballeros, an existing condominium complex applied to expand their development, adding 42 units that are currently being completed, with a second phase of 47 units scheduled to be finished by the end of 2008-09.

Commercial Development: Sam's Real Estate Business Trust (Sam's Club) added a self-serve fueling station, a 3,913 sq. ft. Carl's Jr. fast-food restaurant and a 9,000 sq. ft. retail pad to complete the build out and revitalization of an old strip commercial property. J.C. Management obtained consent for a 403 sq. ft. expansion of the old Carl's Jr. site to be occupied by an Arby's fast food restaurant.

Mile Square Park Expansion: Mile Square Park, the focal point of Fountain Valley, began construction on a park expansion project that was planned more than ten years ago when the City began negotiations with Orange County and the Department of the Navy to expand the city's 55 acres of Mile Square to 80 acres. The park expansion will provide extensive amenities for recreation activities for all segments of the population. The construction phase, which encompasses the redevelopment of the entire 80 acres is drawing to completion and the planting of all fields and trees is currently underway with plans for a grand opening scheduled for early December 2008.

Orange Coast Memorial Medical Center: Expansion of an existing hospital site began that involves the construction of a six story, 162,500 sq. ft. patient care pavilion including an ambulatory surgery center, radiation and oncology, cancer center laboratory, rehabilitation center, loading dock and administrative and medical offices with pedestrian walkway to connect to

Management's Transmittal Letter

the second floor of the existing hospital. The plan also includes building a new 5,000 sq. ft. addition to the existing emergency department and provides emergency vehicle parking facilities. The final phase of the development provides for the demolition of all surface parking and the expansion of the existing parking structure to serve the employees and provide patient visitation parking.

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, Mayer, Hoffman McCann, 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 to 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,

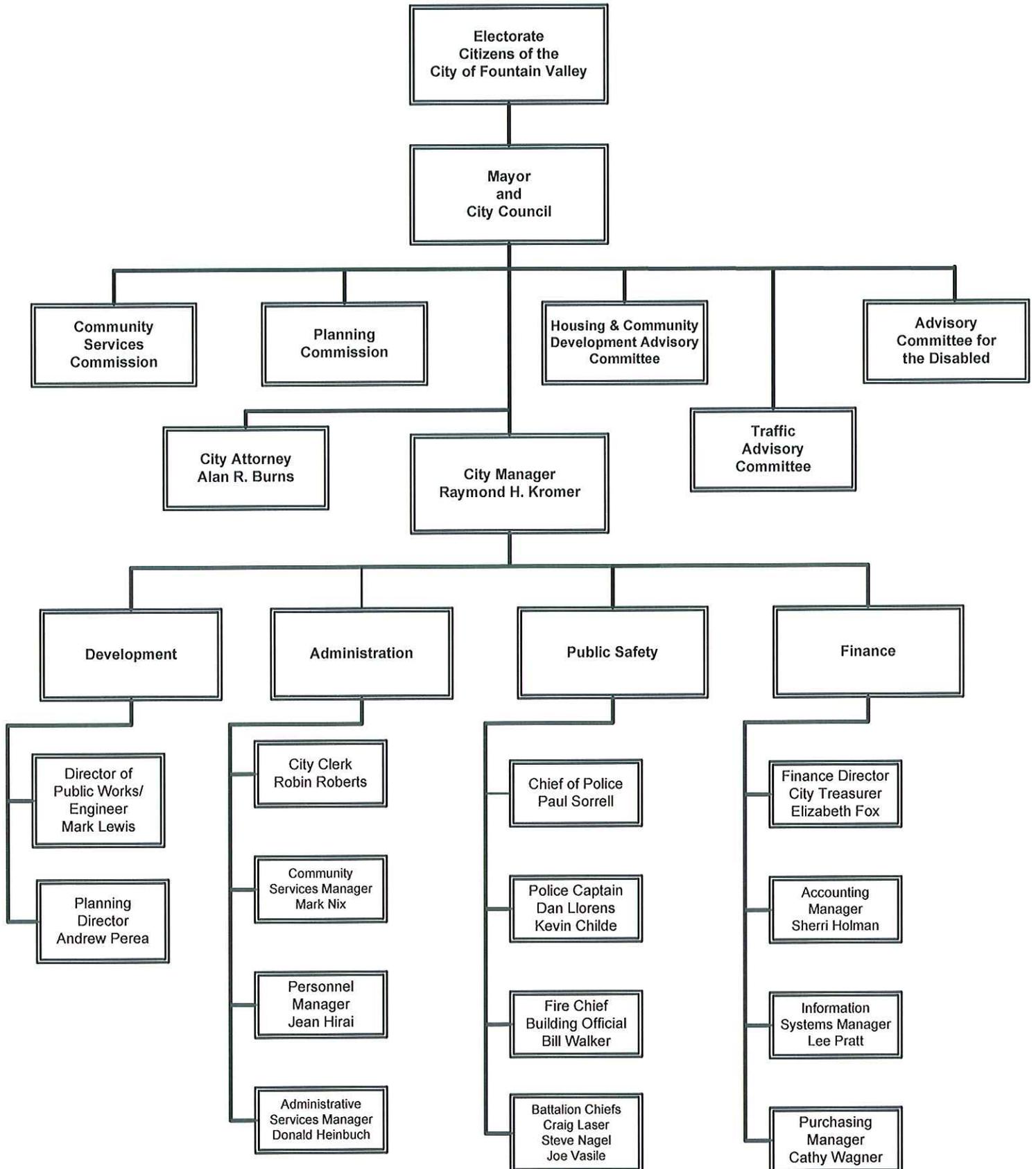
A handwritten signature in blue ink that reads "Elizabeth Fox". The signature is fluid and cursive, with the first letter of each name being significantly larger and more decorative.

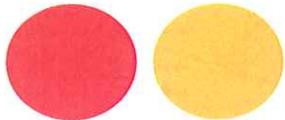
Elizabeth Fox

Finance Director/City Treasurer

City of Fountain Valley

Organizational Chart





City Directory

2007-2008

Mayor

John J. Collins

Council Members

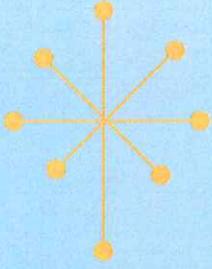
Guy Carrozzo	Mayor Pro Tempore
Gus Ayer	Council Member
Cheryl Brothers	Council Member
Larry R. Crandall	Council Member

City Officials

Raymond H. Kromer	City Manager
Alan R. Burns	City Attorney
Andrew E. Perea	Planning Director
Mark Lewis	Director of Public Works & City Engineer
Paul Sorrell	Chief of Police
Bill Walker	Fire Chief
Elizabeth Fox	Finance Director/City Treasurer
Robert Kellison	Field Services Manager
Mark Lewis	City Engineer
Robin Roberts	City Clerk
Mark Nix	Community Services Manager
Jean Hirai	Personnel Manager
Dan Llorens	Police Captain
Kevin Childe	Police Captain
Craig Laser	Division Chief
Randy Anno	Battalion Chief
Joe Vasile	Battalion Chief
Rory Calhoon	Battalion Chief
Sherri Holman	Accounting Manager
Lee Pratt	Information Systems Manager
Cathy Wagner	Purchasing Manager

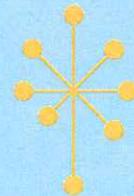


Fifty Years Of Community Excellence



City of Fountain Valley

Financial Section



2007-2008



Fifty Years Of Community Excellence



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Conrad Government Services Division
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City Council
City of Fountain Valley
Fountain Valley, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Fountain Valley. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Fountain Valley for the year ended June 30, 2007 and in our report dated November 30, 2007 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, of the City of Fountain Valley, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City Council
City of Fountain Valley
Fountain Valley, California
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fountain Valley's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCarren P.C.

Irvine, California
February 27, 2009

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, 2008. 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

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$183,437,069 (*net assets*). Of this amount, \$46,058,670 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$11,862,793. The majority of the increase is from governmental activities, while business type activities increased by 1.4 percent.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$118,850,914 a decrease of \$4,120,500 in comparison with the prior year. Approximately 36 percent of this amount, \$43,147,603 is unreserved but considered designated for future commitments and \$35,051,922 is *available for spending* at the government's discretion.

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 assets* presents information on all of the City of Fountain Valley's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and interest and other charges. The business-type activity of the City is comprised of a Water Fund.

The *government-wide financial statements* include not only the City itself (known as the *primary government*), but also the legally separate Fountain Valley Agency for Community Development (Agency) 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 12-14 of this 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-two 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, Industrial Redevelopment Area Debt Service Fund, Industrial Redevelopment Area and Housing Set-Aside Capital Projects Funds. Data from the other eighteen 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, City Center Redevelopment Area Capital Projects Fund and the Median Beautification Capital Projects Fund, as the City did not adopt annual budgets for these funds.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds

An *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Water Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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 Fund, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 19-22 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 23 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 24-54 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 55-58 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. Combining and individual fund statements and schedules can be found on pages 63-88 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 \$183,437,069 at the close of the fiscal year.

Sixty percent of the City's net assets reflect cash and investments and 40 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	132,918	136,402	12,162	11,247	145,080	147,649
Capital assets	87,444	71,836	7,162	7,602	94,605	79,438
Total Assets	220,362	208,238	19,324	18,849	239,685	227,087
Long-term liabilities outstanding	45,231	45,966	884	898	46,115	46,864
Other liabilities	8,475	7,243	1,658	1,405	10,133	8,648
Total Liabilities	53,706	53,209	2,542	2,303	56,248	55,512
Net Assets:						
Invested in capital assets, net of related debt	48,559	39,422	6,351	6,751	54,910	46,173
Restricted	82,468	88,911			82,468	88,911
Unrestricted	35,629	26,696	10,430	9,794	46,058	36,490
Total Net Assets	166,656	155,029	16,781	16,545	183,437	171,574

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

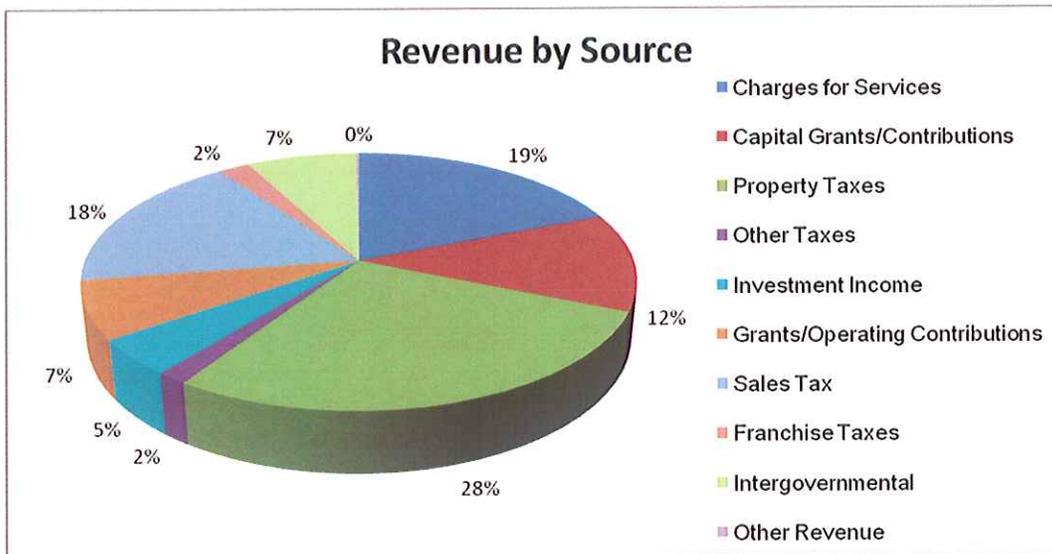
At the end of the 2008 fiscal year, the City of Fountain Valley is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City’s net assets by \$11,627,003 thereby accounting for 98 percent of the total growth in the net assets of the City. Key elements of this increase follow:

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	13,065	13,007	8,660	9,079	21,725	22,086
Operating grants and Contributions	4,967	3,571			4,967	3,571
Capital grants and Contributions	8,430	489			8,430	489
General Revenues:					0	0
Property taxes	19,078	15,828			19,078	15,828
Franchise taxes	1,468	1,449			4,468	1,449
Sales taxes	11,967	11,926			11,967	11,926
Other taxes	1,066	1,098			1,066	1,098
Revenues from other					0	0
Agencies	5,104	4,233			5,104	4,233
Other					0	0
Investment earnings	3,134	5,649	455	431	3,589	6,080
Assessments					0	0
Miscellaneous					0	0
Transfers	(68)	(133)	68	133	0	0
Gain/(Loss) on sale of property	197	702			197	702
Total Revenues	<u>68,408</u>	<u>57,819</u>	<u>9,183</u>	<u>9,643</u>	<u>77,591</u>	<u>67,462</u>
Expenses:						
General government	4,560	4,343			4,560	4,343
Public safety	24,643	22,756			24,643	22,756
Transportation	9,006	6,837			9,006	6,837
Community development	10,457	3,845			10,457	3,845
Culture and leisure	4,670	4,747			4,670	4,747
Interest and fiscal charges	3,445	2,321			3,445	2,321
Amortization expense					0	0
Water			8,947	8,990	8,947	8,990
Total Expenses	<u>56,781</u>	<u>44,848</u>	<u>8,947</u>	<u>8,990</u>	<u>65,728</u>	<u>53,838</u>
 Increase in net assets	11,627	12,972	236	652	11,863	13,624
Net Assets - July 1	<u>155,029</u>	<u>142,057</u>	<u>16,545</u>	<u>15,893</u>	<u>171,574</u>	<u>157,950</u>
 Net Assets - June 30	<u>166,659</u>	<u>155,029</u>	<u>16,781</u>	<u>16,545</u>	<u>183,437</u>	<u>171,574</u>



FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

Governmental Funds

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

As of the end of the 2008 fiscal year, the City of Fountain Valley's governmental funds reported combined ending fund balances of \$118,850,914 a decrease of \$4,120,500 in comparison with the prior year. Approximately 30 percent of the total fund balance constitutes *unreserved and undesignated fund balance*, which 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 unreserved designated fund balance in the general fund, the chief operating fund of the City, was \$43,147,603 and total fund balance was \$43,605,949. This constitutes an increase of \$1,714,087 for the 2008 fiscal year. The key factor for this increase is position vacancies throughout the fiscal year.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$10,429,534. Other factors concerning the finances of the Water Fund have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$94,605 (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, vehicles and equipment, park facilities, roads, highway, and sidewalks/curbs/gutters. The total increase in the City's investment in capital assets for the current fiscal year was 16 percent.

CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	3,885	3,885	123	123	4,008	4,008
Vehicles and Equipment	2043	1,745	30	29	2,073	1,774
Furniture and Fixtures	3	4			3	4
Buildings	8,546	8,867	3,155	3,421	11,701	12,288
Construction in Progress	15,550	411			15,550	411
Improvements other than Structures	565	602	3,853	4,029	4,418	4,631
Infrastructure	56,852	56,322			56,852	56,322
Total	87,444	71,836	7,161	7,602	94,605	79,438

Additional information on the City's capital assets can be found in the notes on pages 42-43 of this report.

Long-Term Debt

At year-end, the City had total long term debt outstanding of \$48,337,537. Additional information on the City of Fountain Valley's debt can be found in notes to the financial statements on pages 45 through 48.

LEASES, TAX ALLOCATION BONDS, AND NOTES

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Leases Payable	1,373	64			1,373	64
Tax Allocation Bonds	12,900	14,235			12,900	14,235
Notes Payable	18,910	18,453			18,910	18,453
Certificate of Participation	11,635	12,075			11,635	12,075
Compensated Absences	2,296	2,412	116	98	2,412	2,510
Claims Payable	297	820			297	820
Loans Payable			810	851	810	851
Total	47,411	48,059	926	949	48,337	49,008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the area is currently 5.3 percent which is an increase from the rate of 4.8 percent last year. This rate compares favorably to the state's average unemployment rate of 7.3 percent and the national average rate of 5.7 percent as of June 30.

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, as it will determine the market rate of return.

Property values in Fountain Valley are projected to increase 0-2 percent, even with the down turn in the housing market the values rose 2.07% last year.

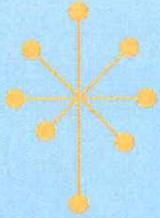
All of these factors were considered in preparing the City's budget for the 2008-2009 fiscal year.

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.

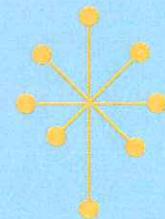


Fifty Years Of Community Excellence

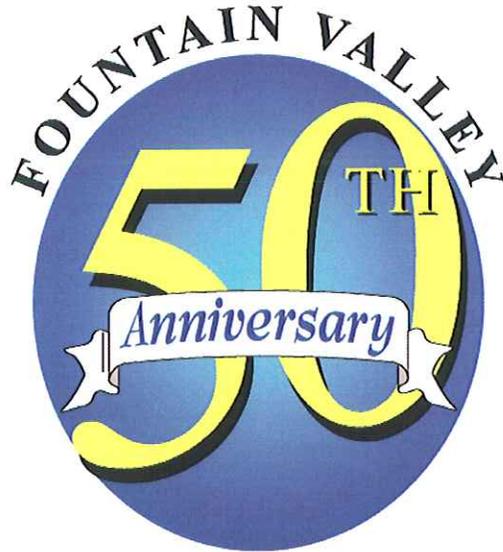


City of Fountain Valley

*Basic Financial
Statements*



2007-2008



Fifty Years Of Community Excellence

CITY OF FOUNTAIN VALLEY
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
Assets:				
Cash and investments (note 2)	\$ 114,721,732	11,663,033	126,384,765	121,592,854
Cash and investment with fiscal agent (note 2)	6,001,907	-	6,001,907	12,408,171
Receivables:				
Accounts	732,059	498,761	1,230,820	1,451,180
Accrued interest	714,124	-	714,124	987,552
Loans (note 14)	7,837,043	-	7,837,043	7,931,585
Internal balances	(47,706)	-	(47,706)	-
Due from other governments	2,877,407	-	2,877,407	2,332,202
Inventories	81,309	-	81,309	80,481
Prepaid expenses	595	-	595	865,369
Capital assets (note 4):				
Capital assets not depreciated	64,334,368	123,076	64,457,444	48,788,519
Other capital assets, net	23,109,968	7,038,733	30,148,701	30,649,061
Total assets	220,362,806	19,323,603	239,686,409	227,086,974
Liabilities:				
Accounts payable	4,949,397	1,576,162	6,525,559	4,951,018
Accrued wages payable	710,060	-	710,060	810,838
Accrued interest payable	636,166	-	636,166	706,315
Deposits payable	-	40,018	40,018	37,330
Noncurrent liabilities (notes 5 to 10):				
Due within one year	2,179,643	41,997	2,221,640	2,142,243
Due in more than one year	45,231,437	884,460	46,115,897	46,864,954
Total liabilities	53,706,703	2,542,637	56,249,340	55,512,698
Net assets:				
Invested in capital assets, net of related debt	48,559,056	6,351,432	54,910,488	46,173,402
Restricted for:				
Low mod housing	21,202,157	-	21,202,157	18,968,885
Public safety	391,723	-	391,723	436,758
Public works	11,217,613	-	11,217,613	17,234,777
Debt service	17,976,797	-	17,976,797	25,947,277
Redevelopment agency projects	31,098,375	-	31,098,375	25,742,360
Community development	581,246	-	581,246	580,351
Unrestricted	35,629,136	10,429,534	46,058,670	36,490,466
Total net assets	\$ 166,656,103	16,780,966	183,437,069	171,574,276

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 4,560,162	2,760,778	2,554,280	-
Public safety	24,642,618	2,931,907	428,522	-
Transportation	9,005,540	1,104,839	1,324,948	928,725
Community development	10,457,159	3,398,343	468,308	7,501,290
Community services	4,669,708	2,869,246	190,752	-
Interest and other charges	3,445,535	-	-	-
Total governmental activities	<u>56,780,722</u>	<u>13,065,113</u>	<u>4,966,810</u>	<u>8,430,015</u>
Business-type activities:				
Water	8,946,570	8,659,952	-	-
Total business-type activities	<u>8,946,570</u>	<u>8,659,952</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,727,292</u>	<u>21,725,065</u>	<u>4,966,810</u>	<u>8,430,015</u>

General revenues:

Property taxes
Sales taxes
Franchise tax
Other taxes

Intergovernmental revenues, unrestricted

Investment income

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2008	2007
754,896	-	754,896	(2,021,672)
(21,282,189)	-	(21,282,189)	(19,944,800)
(5,647,028)	-	(5,647,028)	(3,724,583)
910,782	-	910,782	(210,693)
(1,609,710)	-	(1,609,710)	442,323
(3,445,535)	-	(3,445,535)	(2,320,615)
<u>(30,318,784)</u>	<u>-</u>	<u>(30,318,784)</u>	<u>(27,780,040)</u>
-	(286,618)	(286,618)	88,451
<u>-</u>	<u>(286,618)</u>	<u>(286,618)</u>	<u>88,451</u>
<u>(30,318,784)</u>	<u>(286,618)</u>	<u>(30,605,402)</u>	<u>(27,691,589)</u>
19,077,590	-	19,077,590	15,827,766
11,967,435	-	11,967,435	11,925,716
1,467,613	-	1,467,613	1,449,384
1,065,886	-	1,065,886	1,098,130
5,104,203	-	5,104,203	4,232,595
3,134,116	454,799	3,588,915	6,080,016
196,553	-	196,553	701,933
(67,609)	67,609	-	-
<u>41,945,787</u>	<u>522,408</u>	<u>42,468,195</u>	<u>41,315,540</u>
11,627,003	235,790	11,862,793	13,623,951
<u>155,029,100</u>	<u>16,545,176</u>	<u>171,574,276</u>	<u>157,950,325</u>
<u>\$ 166,656,103</u>	<u>16,780,966</u>	<u>183,437,069</u>	<u>171,574,276</u>

CITY OF FOUNTAIN VALLEY
Balance Sheet - Governmental Funds
June 30, 2008

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds		Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	Park Improvement	Industrial Redevelopment Area	Industrial Redevelopment Area	Housing Set-Aside		2008	2007
Assets:								
Cash and investments	\$ 42,393,658	1,548,501	25,437,057	17,074,136	13,716,629	14,551,751	114,721,732	111,005,063
Cash and investments with fiscal agent	-	-	2,255,173	-	-	3,746,734	6,001,907	12,408,171
Receivables:								
Accounts	501,281	-	-	-	-	230,778	732,059	871,903
Accrued interest	311,420	-	-	402,704	-	-	714,124	915,761
Loans (note 14)	-	-	-	-	7,488,030	349,013	7,837,043	7,931,585
Due from other funds (note 3)	1,250	1,046,442	-	-	-	4,860	1,052,552	8,874
Due from other governments	1,930,926	-	15,373	-	3,843	927,265	2,877,407	2,324,115
Advances to other funds	-	-	-	-	-	-	-	949,947
Inventory	81,309	-	-	-	-	-	81,309	80,481
Prepaid expenses	595	-	-	-	-	-	595	865,369
Total assets	\$ 45,220,439	2,594,943	27,707,603	17,476,840	21,208,502	19,810,401	134,018,728	137,361,269
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	\$ 851,422	2,594,122	295,963	325,521	6,345	876,024	4,949,397	3,633,628
Accrued wages payable	710,060	-	-	-	-	-	710,060	810,838
Due to other funds (note 3)	-	-	-	1,099,008	-	1,250	1,100,258	8,874
Deferred revenue	53,008	-	-	-	7,266,306	1,088,785	8,408,099	8,986,568
Advances from other funds	-	-	-	-	-	-	-	949,947
Total liabilities	1,614,490	2,594,122	295,963	1,424,529	7,272,651	1,966,059	15,167,814	14,389,855
Fund balance:								
Reserved for:								
Encumbrances	376,442	4,573,826	-	1,950,311	1,999	6,255,267	13,157,845	1,743,111
Inventory	81,309	-	-	-	-	-	81,309	80,481
Prepaid expenses	595	-	-	-	-	-	595	865,369
Debt service requirements	-	-	27,411,640	-	-	-	27,411,640	24,022,791
Unreserved:								
Designated, reported in General Fund:								
Future capital	12,432,017	-	-	-	-	-	12,432,017	12,248,894
Employee benefits	4,538,428	-	-	-	-	-	4,538,428	5,850,852
Self insurance	3,651,783	-	-	-	-	-	3,651,783	3,270,467
Contingencies	22,525,375	-	-	-	-	-	22,525,375	19,013,646
Undesignated, reported in:								
General fund	-	-	-	-	-	-	-	-
Special revenue funds	-	(4,573,005)	-	-	-	(313,257)	(4,886,262)	5,275,957
Debt service funds	-	-	-	-	-	2,814,230	2,814,230	2,814,283
Capital projects funds	-	-	-	14,102,000	13,933,852	9,088,102	37,123,954	47,785,563
Total fund balance	43,605,949	821	27,411,640	16,052,311	13,935,851	17,844,342	118,850,914	122,971,414
Total liabilities and fund balance	\$ 45,220,439	2,594,943	27,707,603	17,476,840	21,208,502	19,810,401	134,018,728	137,361,269

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2008

	2008	2007
Fund balances of governmental funds	\$ 118,850,914	122,971,414
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.		
Capital assets	110,439,548	94,942,873
Accumulated depreciation	(22,995,212)	(23,107,308)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(45,115,626)	(45,646,501)
Compensated absences	(2,295,454)	(2,411,631)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(636,166)	(706,315)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	8,408,099	8,986,568
Net assets of governmental activities	\$ 166,656,103	155,029,100

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year ended June 30, 2008

	Special Revenue Fund		Debt Service Fund	Capital Projects Funds		Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	Park Improvement	Industrial Redevelopment Area	Industrial Redevelopment Area	Housing Set-Aside		2008	2007
Revenues:								
Taxes	\$ 22,995,058	-	7,086,996	-	1,771,749	215,000	32,068,803	31,253,588
Licenses and permits	1,904,415	-	-	-	-	-	1,904,415	1,710,162
Fines and penalties	513,802	-	-	-	-	405,325	919,127	934,538
Investment income	1,662,707	-	580	2,153,737	810,045	661,347	5,288,416	5,648,819
Rental income	894,371	-	-	-	-	-	894,371	916,066
Intergovernmental	4,567,365	7,261,913	-	-	-	3,565,143	15,394,421	8,038,196
Charges for services	4,150,190	-	-	-	-	4,959,705	9,109,895	7,002,326
Miscellaneous	1,448,914	289,389	-	597,043	1,047,628	735,958	4,118,932	2,024,241
Total revenues	38,136,822	7,551,302	7,087,576	2,750,780	3,629,422	10,542,478	69,698,380	57,527,936
Expenditures:								
Current:								
General government	2,615,173	-	-	1,374,687	447,620	3,234	4,440,714	3,382,349
Public safety	24,477,967	-	-	-	-	421,699	24,899,666	22,445,780
Transportation	5,354,091	-	-	-	-	3,682,837	9,036,928	6,836,619
Community development	1,738,759	-	-	7,974,639	-	732,104	10,445,502	2,544,831
Community services	1,633,940	-	-	-	-	2,829,278	4,463,218	4,481,599
Capital outlay	418,561	15,175,781	-	-	-	179,765	15,774,107	2,574,732
Debt service:								
Principal	107,986	-	1,335,000	-	-	440,399	1,883,385	1,715,000
Interest	-	-	2,176,691	-	-	444,024	2,620,715	2,562,763
Pass-through payments	-	-	644,577	-	-	-	644,577	579,303
Total expenditures	36,346,477	15,175,781	4,156,268	9,349,326	447,620	8,733,340	74,208,812	47,122,976
Excess (deficiency) of revenues over (under) expenditures	1,790,345	(7,624,479)	2,931,308	(6,598,546)	3,181,802	1,809,138	(4,510,432)	10,404,960
Other financing sources (uses):								
Transfers in (note 13)	761,324	6,573,264	-	-	-	2,464,624	9,799,212	2,775,567
Transfers out (note 13)	(837,582)	-	-	-	-	(9,029,239)	(9,866,821)	(2,908,237)
Issuance of long term debt	-	-	457,541	-	-	-	457,541	611,288
Total other financing sources (uses)	(76,258)	6,573,264	457,541	-	-	(6,564,615)	389,932	478,618
Net change in fund balances	1,714,087	(1,051,215)	3,388,849	(6,598,546)	3,181,802	(4,755,477)	(4,120,500)	10,883,578
Fund balances at beginning of year	41,891,862	1,052,036	24,022,791	22,650,857	10,754,049	22,599,819	122,971,414	112,087,836
Fund balances at end of year	\$ 43,605,949	821	27,411,640	16,052,311	13,935,851	17,844,342	118,850,914	122,971,414

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

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

Year ended June 30, 2008

	<u>2008</u>	<u>2007</u>
Net changes in fund balances - total governmental funds	\$ (4,120,500)	10,883,578
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital outlay	16,392,576	1,478,903
Depreciation expense	(783,805)	(1,713,571)
<p>Proceeds from the issuance of notes is reported as other financing sources in governmental funds. The issuance of notes payable increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities.</p>		
	(457,541)	(611,288)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	1,883,385	1,715,000
<p>The statement of net assets includes accrued interest on long term debt.</p>		
	(824,820)	242,148
<p>To record as an expense (reduction of expense) the net change in compensated absences in the statement of activities.</p>		
	116,177	(26,403)
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
	<u>(578,469)</u>	<u>1,003,266</u>
Change in net assets of governmental activities	<u>\$ 11,627,003</u>	<u>12,971,633</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Statement of Net Assets - Proprietary Fund
June 30, 2008

		Water Enterprise	
		2008	2007
	<u>Assets</u>		
Cash and investments		\$ 11,663,033	10,587,791
Accounts receivable		498,761	579,277
Interest receivable		-	71,791
Due from other funds		-	8,087
Capital assets:			
Land		123,076	123,076
Other capital assets, net		7,038,733	7,478,939
Total assets		19,323,603	18,848,961
	<u>Liabilities and Net Assets</u>		
Liabilities:			
Accounts payable		1,576,162	1,317,390
Deposits payable		40,018	37,330
Non-current liabilities:			
Due within one year		41,997	50,578
Due beyond one year		884,460	898,487
Total liabilities		2,542,637	2,303,785
Net assets:			
Invested in capital assets, net of related debt		6,351,432	6,751,060
Unrestricted		10,429,534	9,794,116
Total net assets		\$ 16,780,966	16,545,176

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
Year ended June 30, 2008

	Water Enterprise	
	2008	2007
Operating revenues:		
Charges for services	\$ 8,659,520	8,980,438
Miscellaneous	432	98,499
Total operating revenues	8,659,952	9,078,937
Operating expenses:		
Utility administration	1,138,823	903,619
Pumping and maintenance	690,254	697,939
Water treatment	6,647,487	6,920,287
Depreciation	470,006	468,641
Total operating expenses	8,946,570	8,990,486
Operating income (loss)	(286,618)	88,451
Nonoperating revenues (expenses):		
Investment income	454,799	431,197
Total nonoperating revenues (expenses)	454,799	431,197
Income (loss) before transfers and capital contributions	168,181	519,648
Transfers in (note 13)	132,609	132,670
Transfers out (note 13)	(65,000)	-
Change in net assets	235,790	652,318
Net assets at beginning of year	16,545,176	15,892,858
Net assets at end of year	\$ 16,780,966	16,545,176

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY
Statement of Cash Flows - Proprietary Fund
Year ended June 30, 2008

	Water Enterprise	
	2008	2007
Cash flows from operating activities:		
Cash received from customers	\$ 8,798,949	9,016,058
Cash payments to suppliers for goods and services	(6,452,000)	(6,712,854)
Cash payments to employees for services	(1,747,822)	(1,795,071)
Net cash provided by (used for) operating activities	599,127	508,133
Cash flows from noncapital financing activities:		
Cash paid to other funds	(112,706)	-
Cash received from other funds	132,609	132,670
Net cash provided by (used for) noncapital financing activities	19,903	132,670
Cash flows from capital and related financing activities:		
Cash paid for acquisition and construction of capital assets	(29,800)	(54,588)
Interest paid on debt	-	(31,156)
Principal paid on debt	(40,578)	(39,206)
Net cash provided by (used for) capital and related financing activities	(70,378)	(124,950)
Cash flows from investing activities:		
Interest received on investments	526,590	390,561
Net cash provided by (used for) investing activities	526,590	390,561
Net increase (decrease) in cash and cash equivalents	1,075,242	906,414
Cash and cash equivalents at beginning of year	10,587,791	9,681,377
Cash and cash equivalents at end of year	\$ 11,663,033	10,587,791

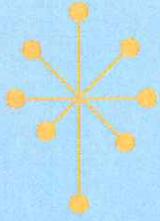
CITY OF FOUNTAIN VALLEY
Statement of Cash Flows - Proprietary Fund
(Continued)

	Water Enterprise	
	2008	2007
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (286,618)	88,451
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	470,006	468,641
(Increase) decrease in accounts receivable	128,222	(30,314)
(Increase) decrease in due from other governments	8,087	-
Increase (decrease) in accounts payable	258,772	19,150
Increase (decrease) in deposits payable	2,688	(32,565)
Increase (decrease) in compensated absences	17,970	(5,230)
Total adjustments	885,745	419,682
Net cash provided by (used for) operating activities	\$ 599,127	508,133

There were no noncash investing and financing activities during the year ended June 30, 2008.

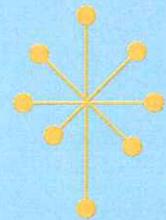
CITY OF FOUNTAIN VALLEY
Statement of Fiduciary Net Assets
June 30, 2008

	Agency Funds	
	2008	2007
<u>Assets</u>		
Cash and investments (note 2)	\$ 1,077,908	988,219
Total assets	1,077,908	988,219
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable	1,077,908	988,219
Total liabilities	\$ 1,077,908	988,219



City of Fountain Valley

*Notes to the Basic
Financial Statements*



2007-2008



Fifty Years Of Community Excellence

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

Year ended June 30, 2008

(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 (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

(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 of Fountain Valley'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 Agency for Community Development (Agency) was established in August, 1975 pursuant to California Community Redevelopment laws. The Agency has established two project areas for the purposes of creating a high-quality industrial area and a high-quality civic center within the City. Complete financial statements for the Agency can be obtained at City of Fountain Valley, Finance Department, 10200 Slater Avenue P.O. Box 8030, Fountain Valley, CA 92728-8030.

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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus

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

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Governmental activities include governmental funds and proprietary internal service funds. Business-type activities include proprietary enterprise funds. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Government-wide Financial Statements, (Continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not 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 expenditures. The issuance of long-term debt is 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 expenditures.

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, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major fund individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

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

Non-current portions of long-term receivables due to 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 net current assets.

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 60 days after the fiscal year end to meet the “available” criteria of revenue recognition. In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds, (Continued)

Therefore recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

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. Other revenue items are considered to be measurable and available when cash is received by the government.

Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The issuance of long-term debt is recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary and Fiduciary Funds

The City's enterprise fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity is included on the balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net assets.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Proprietary and Fiduciary Funds, (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as expenditures. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

(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.

Park Improvement Fund To account for the expansion and renovation of the City's recreation center and other park facilities next to Mile Square Regional Park.

Industrial Redevelopment Debt Service Fund 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 Agency.

Industrial Redevelopment Capital Projects Fund 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 Redevelopment Agency.

Housing Set-Aside Capital Projects Fund This capital projects fund is used to account for the receipt and disbursement of monies used for the construction of major capital facilities for housing which generally require more than one budgetary cycle to complete. This project is funded by fees, assessments, and federal and state grants.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

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

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.

(d) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

(e) Cash and Investments

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

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

(f) Cash Equivalents

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

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Cash Equivalents, (Continued)

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.

(g) Inventories

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

(h) 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 11 Second Installment - April 11

(i) 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 General fund.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(j) Employee Leave Benefits

In accordance with GASB Statement No. 16, 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.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

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

(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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Capital Assets, (Continued)

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

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

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

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

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net assets. The City has elected to use the depreciation approach using the straight-line depreciation method for some of the infrastructure assets and the modified approach for others, in which the City agrees to maintain those assets at a specified level of maintenance. Those assets reported using the depreciation method are traffic signals, sewers, and storm drains. Those assets reported using the modified approach are arterial pavement, local pavement, curbs and gutters and sidewalks.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(l) Post-Retirement Benefits

Employees who retire from the City are eligible to receive health care benefits for themselves and any qualified family members. 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. 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. 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.

The cost of retiree health care insurance benefits is recognized as an expenditure as insurance premiums are paid on a monthly basis. For the fiscal year ended June 30, 2008, those costs totaled \$916,849. As of June 30, 2008, 100 retired employees received post-employment benefits.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

(n) 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 Agency's prior year financial statements, from which the selected financial data was derived.

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$126,384,765
Cash and investments with fiscal agent	6,001,907
Fiduciary funds:	
Cash and investments	<u>1,077,908</u>
Total cash and investments	<u>\$133,464,580</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 8,675
Deposits with financial institutions	12,811,702
Investments	<u>120,644,203</u>
Total cash and investments	<u>\$133,464,580</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. 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	Yes	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 (LAIF)	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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agent 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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Obligations	None
U.S. Agency Securities	None
Banker's Acceptances	30 days
Commercial Paper	180 days
Money Market Mutual Funds	None
Investment Contracts	None
Local Agency Bonds	None
Corporate Notes	None
Medium Term Notes	None
Repurchase Agreements	None
Financial Futures / Option Contracts	None
California Arbitrage Management Pool	None
Negotiable Certificate of Deposits	None
Local Agency Investment Fund (LAIF)	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 flow and liquidity needed for operations.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(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 investments held by bond trustee) 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.

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Local Agency Investment Fund	\$ 63,803,262	63,803,262	-	-	-
Corporate notes	5,899,800	-	-	5,899,800	-
Federal agency securities	40,498,715	1,993,120	2,989,680	35,515,915	-
Money market funds	4,440,120	4,440,120	-	-	-
Held by Fiscal agent:					
Local Agency Investment Fund	1,967,000	1,967,000	-	-	-
Federal agency securities	288,173	288,173	-	-	-
Investment agreements	889,615	-	-	-	889,615
Money market funds	<u>2,857,518</u>	<u>2,857,518</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$120,644,203</u>	<u>75,349,193</u>	<u>2,989,680</u>	<u>41,415,715</u>	<u>889,615</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 63,803,262	N/A	-	-	63,803,262
Corporate notes	5,899,800	A	-	5,899,800	-
Federal agency securities	40,498,715	N/A	40,498,715	-	-
Money market funds	4,440,120	A	4,440,120	-	-
Held by Fiscal agent:					
Local Agency Investment Fund	1,967,000	N/A	-	-	1,967,000
Federal agency securities	288,173	N/A	288,173	-	-
Investment agreements	889,615	N/A	-	-	889,615
Money market funds	<u>2,857,518</u>	AAA	<u>2,857,518</u>	-	-
Total	<u>\$120,644,203</u>		<u>48,084,526</u>	<u>5,899,800</u>	<u>66,659,877</u>

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 24,999,145

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

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 reporting government.

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.

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 1,250
Non-major governmental Funds	Industrial Redevelopment Area Capital Project Fund	4,860
Water Enterprise Fund	Industrial Redevelopment Area Capital Project Fund	47,706
Park Improvement Special Revenue Fund	Industrial Redevelopment Area Capital Project Fund	<u>1,046,442</u>
Total		<u>\$1,100,258</u>

Interfund balances are the result of short-term borrowings to cover negative cash balances and operating shortages at June 30, 2008.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Governmental activities:				
Buildings	\$15,005,154	-	-	15,005,154
Improvements	752,560	-	-	752,560
Vehicles and equipment	6,027,649	723,651	(895,901)	5,855,399
Furniture and fixtures	6,572	-	-	6,572
Infrastructure	<u>24,485,495</u>	<u>-</u>	<u>-</u>	<u>24,485,495</u>
Subtotal	<u>46,277,430</u>	<u>723,651</u>	<u>(895,901)</u>	<u>46,105,180</u>
Less accumulated depreciation:				
Buildings	(6,138,288)	(320,656)	-	(6,458,944)
Improvements	(150,512)	(37,628)	-	(188,140)
Vehicles and equipment	(4,283,294)	(424,972)	895,901	(3,812,365)
Furniture and fixtures	(2,739)	(548)	-	(3,287)
Infrastructure	<u>(12,020,626)</u>	<u>(511,850)</u>	<u>-</u>	<u>(12,532,476)</u>
Total accumulated depreciation	<u>(22,595,459)</u>	<u>(1,295,654)</u>	<u>895,901</u>	<u>(22,995,212)</u>
Net depreciable assets	<u>23,681,971</u>	<u>(572,003)</u>	<u>-</u>	<u>23,109,968</u>
Capital assets not depreciated:				
Infrastructure	44,369,366	529,876	-	44,899,242
Land	3,885,105	-	-	3,885,105
Construction in progress	<u>410,972</u>	<u>15,668,925</u>	<u>(529,876)</u>	<u>15,550,021</u>
	<u>48,665,443</u>	<u>16,198,801</u>	<u>(529,876)</u>	<u>64,334,368</u>
Capital assets, net	<u>\$72,347,414</u>	<u>15,626,798</u>	<u>(529,876)</u>	<u>87,444,336</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets, (Continued)

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

General government	\$ 96,584
Transportation	2,156
Public safety	241,839
Community development	759,018
Community services	<u>196,057</u>
	<u>\$1,295,654</u>

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Business-type activities:				
Buildings	\$ 8,241,482	-	-	8,241,482
Improvements other than buildings	10,476,802	24,208	-	10,501,010
Machinery and equipment	<u>36,873</u>	<u>5,592</u>	<u>-</u>	<u>42,465</u>
Total cost of depreciable assets	<u>18,755,157</u>	<u>29,800</u>	<u>-</u>	<u>18,784,957</u>
Less accumulated depreciation:				
Buildings	(4,820,523)	(265,519)	-	(5,086,042)
Improvements other than buildings	(6,447,618)	(200,240)	-	(6,647,858)
Machinery and equipment	<u>(8,077)</u>	<u>(4,247)</u>	<u>-</u>	<u>(12,324)</u>
Total accumulated depreciation	<u>(11,276,218)</u>	<u>(470,006)</u>	<u>-</u>	<u>(11,746,224)</u>
Net depreciable assets	7,478,939	(440,206)	-	7,038,733
Capital assets not depreciated:				
Land	<u>123,076</u>	<u>-</u>	<u>-</u>	<u>123,076</u>
Capital assets, net	<u>\$ 7,602,015</u>	<u>(440,206)</u>	<u>-</u>	<u>7,161,809</u>

Depreciation expense in the amount of \$470,006 was charged to the water fund.

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 (including unamortized discounts and refunding costs) are as follows:

Governmental activities:	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Compensated absences payable	\$ 2,411,631	62,354	(178,531)	2,295,454	169,931	2,125,523
Claims and judgments	819,899	218,069	(740,906)	297,062	-	297,062
Capital lease obligations	63,797	1,417,407	(107,986)	1,373,218	174,712	1,198,506
Notes payable	18,452,805	457,541	-	18,910,346	-	18,910,346
1998 Tax Allocation Bonds	14,235,000	-	(1,335,000)	12,900,000	1,390,000	11,510,000
2003 Certificates of Participation	<u>12,075,000</u>	<u>-</u>	<u>(440,000)</u>	<u>11,635,000</u>	<u>445,000</u>	<u>11,190,000</u>
Total governmental long-term liabilities	<u>\$48,058,132</u>	<u>2,155,371</u>	<u>(2,802,423)</u>	<u>47,411,080</u>	<u>2,179,643</u>	<u>45,231,437</u>

Governmental compensated absences are generally liquidated by the general fund.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2008 are as follows:

Business-type activities:	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Compensated absences payable	\$ 98,110	17,970	-	116,080	-	116,080
Notes payable	<u>850,955</u>	<u>-</u>	<u>(40,578)</u>	<u>810,377</u>	<u>41,997</u>	<u>768,380</u>
Business-type long-term liabilities	<u>\$949,065</u>	<u>17,970</u>	<u>(40,578)</u>	<u>926,457</u>	<u>41,997</u>	<u>884,460</u>

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

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(6) Notes Payable

Governmental activities:

The Industrial Project Area has an outstanding note payable to Price Company in the amount of \$18,910,346 bearing interest at the prime rate charged by Bank of America NT. The interest rate is adjusted annually on the anniversary date of the note year to the prime rate of interest per annum charged by Bank of America. The note will be repaid from property tax increment revenues. The payments are due quarterly beginning the third month after the first anniversary date of the opening of the store in November 1989. The term of this note is twenty-one years or until accrued interest and principal are paid in full, whichever occurs first.

Business-type activities:

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, 2008 the amount outstanding on the loan is \$810,377. During the construction phase of the project the City will make annual interest payments at an interest rate of 3.5% on the advanced funds. 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, 2008 are as follows:

Year Ending June 30,	Loans Payable OCWD	
	Principal	Interest
2009	\$ 41,997	28,363
2010	43,467	26,893
2011	44,989	25,372
2012	46,564	23,797
2013	48,194	22,168
2014	49,880	20,481
2015	51,626	18,735
2016	53,433	16,928
2017	55,303	15,058
2018	57,239	13,122
2019	59,242	11,119
2020	61,316	9,045
2021	63,462	6,899
2022	65,683	4,678
2023	<u>67,982</u>	<u>2,379</u>
Total	<u>\$810,377</u>	<u>245,037</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(7) Obligations Under Capital Leases

The City of Fountain Valley has entered into various capital lease agreements for copying equipment and fire trucks. The future minimum lease payments are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2009	\$ 243,450
2010	243,450
2011	243,450
2012	238,575
2013	231,750
2014	231,750
2015	114,935
2016	<u>114,935</u>
Subtotal	<u>1,662,295</u>
Less: amount representing interest	<u>(289,077)</u>
Total	<u>\$1,373,218</u>

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(8) Bonds Payable

Governmental activities:

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 \$2,030,000 and as of June 30, 2008 the reserve was fully funded. The amount of bonds outstanding at June 30, 2008 is \$12,900,000.

Annual requirements to amortize outstanding bonds as of June 30, 2008 are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,390,000	575,713
2010	1,445,000	518,773
2011	1,510,000	457,310
2012	1,570,000	392,380
2013	1,640,000	323,300
2014	1,715,000	249,500
2015	1,775,000	170,610
2016	<u>1,855,000</u>	<u>87,185</u>
Total	<u>\$12,900,000</u>	<u>2,774,771</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(9) Certificates of Participation

2003 Multiple Capital Facilities

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, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 445,000	434,618
2010	460,000	423,861
2011	470,000	411,061
2012	485,000	396,736
2013	500,000	381,711
2014	515,000	363,661
2015	535,000	344,400
2016	550,000	325,814
2017	570,000	305,929
2018	590,000	284,606
2019	615,000	260,859
2020	640,000	235,375
2021	665,000	209,275
2022	690,000	182,175
2023	720,000	153,975
2024	750,000	124,575
2025	775,000	92,137
2026	810,000	56,475
2027	850,000	19,125
Totals	<u>\$11,635,000</u>	<u>5,006,368</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(10) Claims and Judgments

Self-Insurance:

At June 30, 2008, the City was self-insured for workers' compensation, employee long-term disability insurance and general liability. Additionally, the City has purchased coverage for individual claims in excess of \$500,000 for workers' compensation. The long-term disability self-insurance pays a maximum of \$1,500 per month, two months after the employee ceases working, and the City's self-insurance retention is limited to the first four months of disability, at which time the excess carrier handles the claim. The City's general and auto liability self-insurance retention is \$20,000, 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, earthquake 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 (Authority). The Authority is composed of 91 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the 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 coverage. The Authority's pool 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 9-member Executive Committee.

Self-Insurance Programs of the Authority:

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,001 are pooled based on a member's share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers Compensation The City is self-insured for the first \$500,000 of each claim. Costs in excess of \$500,000 are covered by a separate excess workers compensation insurance policy.

CITY OF FOUNTAIN VALLEY
Notes to the Basic Financial Statements
(Continued)

(10) Claims and Judgments, (Continued)

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from the prior year.

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2007 and 2008 are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2006-07	\$862,095	216,849	(259,045)	819,899
2007-08	819,899	218,069	(740,906)	297,062

(11) Defined Benefit Pension Plan (PERS)

The City of Fountain Valley contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple employer public employee defined benefit pension plan for safety employees. PERS provides retirement, 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. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(11) Defined Benefit Pension Plan (PERS), (Continued)

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>Miscellaneous Plan - Individual</u>	<u>Safety Plan - Pool</u>
Valuation Date	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation Date	17 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The City of Fountain Valley has an individual plan for miscellaneous employees. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll for the miscellaneous plan.

The safety employees of the City are included in the CalPERS risk pool which was created for groups of fewer than 100 active members.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(11) Defined Benefit Pension Plan (PERS), (Continued)

Required Supplementary Information – Miscellaneous Plan

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/05	46,286,528	41,751,085	4,535,443	90.2%	7,249,830	62.6%
6/30/06	50,915,406	45,022,811	5,892,595	93.5%	7,733,076	76.2%
6/30/07	55,231,746	48,865,530	6,366,216	102.3%	7,590,140	83.9%

Annual Pension Cost (Miscellaneous)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	10.397%	\$ 967,235	100%	-
6/30/07	13.225%	1,066,946	100%	-
6/30/08	12.970%	1,063,732	100%	-

Annual Pension Cost (Safety)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	27.947%	\$2,323,198	100%	-
6/30/07	22.951%	2,145,579	100%	-
6/30/08	24.208%	2,123,215	100%	-

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(12) Defined Contribution Pension Plan (PARS)

As of January 1, 1992, the City of Fountain Valley implemented a defined contribution pension Plan (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, 2008, the City's payroll covered by the plan was \$508,347 and the City made employer contributions of \$19,063 (3.75% of current covered payroll).

(13) Transfers In/Transfers Out

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Non-Major Governmental Funds	\$ 761,324
Park Development Fund	Non-Major Governmental Funds	6,573,264 (a)
Water Utility Fund	Non-Major Governmental Funds	132,609
Non-Major Governmental Funds	General Fund	837,582
Non-Major Governmental Funds	Water Utility Fund	65,000
Non-Major Governmental Funds	Non-Major Governmental Funds	<u>1,562,042 (b)</u>
	Total	<u>\$9,931,821</u>

(a) Transfer from the Fountain Valley Financing Authority Fund (COP funds) for Mile Square Park improvements.

(b) \$1,516,273 of the \$1,562,042 are transfers from the Traffic Congestion Relief and Sewer Funds for capital improvement expenditures made by the Gas Tax Fund.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(14) Loans Receivable

The City has outstanding rehabilitation and first time home buyer loans totaling \$2,009,054 to qualified applicants. Loans receivable of \$1,660,041 is recorded in the Housing Set-Aside Capital Projects Fund; \$252,375 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$96,638 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 Department of Housing and Urban Development has claim to any funds remaining when the CDBG and HOME grant programs are terminated, an offsetting amount has been recorded as deferred 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 until payments are received in the fund financial statements. At June 30, 2008, the outstanding balance is \$221,918.

On October 1, 2002, the Agency 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 Agency has agreed to loan Fountain Valley Housing Partners, L.P. \$5,606,071. As of June 30, 2008, \$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 Agency has deferred recognition of revenues until payment has been received. The amount outstanding at June 30, 2008 is \$5,606,071.

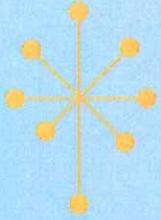
(15) Budgetary Compliance

Funds where expenditures exceeded appropriations:

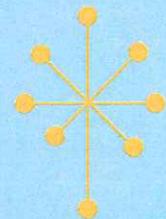
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Industrial Redevelopment Area Debt Service Fund	\$3,164,113	4,156,268	(992,155)
Fountain Valley Financing Authority Debt Service Fund	884,204	884,423	(219)
Fountain Valley Financing Authority Capital Projects Fund	2,600	3,234	(634)

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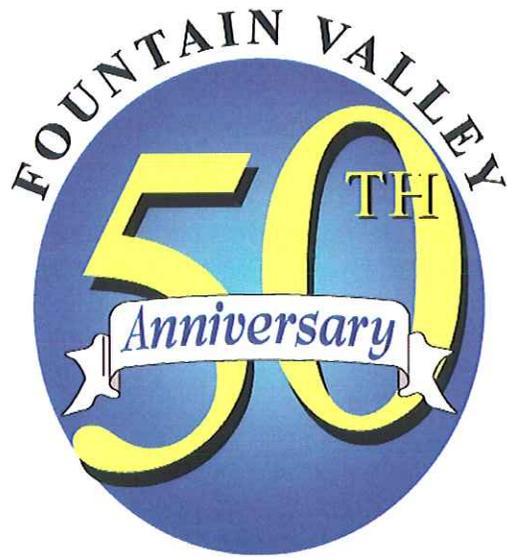
City of Fountain Valley



*Required
Supplementary
Information*



2007-2008



Fifty Years Of Community Excellence

CITY OF FOUNTAIN VALLEY

Notes to the Required Supplementary Information

Year ended June 30, 2008

(1) Budgets and Budgetary Data

The adopted budget of the City consists of a resolution specifying the total appropriation for each departmental activity, (e.g., Police Administration, Street Maintenance, etc.).

Total appropriations for each fund may only be increased or decreased by the City Council by passage of a resolution amending 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 and 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 budget resolution.

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 a resolution to continue the appropriation 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.

(2) Disclosures for Streets, Sidewalks, Curbs and Gutters

The City elected to use the modified approach in reporting their 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 manages 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.

CITY OF FOUNTAIN VALLEY

Notes to the Required Supplementary Information

(Continued)

(2) Disclosures for Streets, Sidewalks, Curbs and Gutters, (Continued)

Second, the government documents 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 to comply with GASB 34 requirements. It is the City’s policy to maintain a weighted average of all roadway segments at an OCI of 65 or better.

<u>Condition</u>	<u>OCI Range</u>	<u>Arterial</u>	<u>Collector</u>	<u>Residential</u>	<u>Industrial</u>	<u>Total Sections</u>	<u>Percentage</u>
Excellent	86-100	14.5	7.6	5.8	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	21.4	0.5	24	2%
Poor	26-40	0	0	5.7	0.3	6	11%
Very Poor	11-25	0	0	0.2	0	0.2	3%
Failed	0-10	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 2008 was “Very Good” with a weighted average OCI of 72.3 based on the surface area of each segment.

CITY OF FOUNTAIN VALLEY

Notes to the Required Supplementary Information

(Continued)

(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 an 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.

CITY OF FOUNTAIN VALLEY

Notes to the Required Supplementary Information

(Continued)

(2) Disclosures for Streets, Sidewalks, Curbs and Gutters, (Continued)

Comparison of Needed-to-Actual Maintenance/Preservation

FY 2007-2008

Sidewalks, Curbs and Gutters

Budgeted	\$ 856,590
Actual	666,712

Roadway Classification

Arterial and Collectors	
Budgeted	6,311,322
Actual	1,521,243
Residential Roadway	
Budgeted	1,585,000
Actual	1,249,659

CITY OF FOUNTAIN VALLEY
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year ended June 30, 2008

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Taxes	\$ 22,626,000	22,841,000	22,995,058	154,058	22,045,275
Licenses and permits	1,323,200	1,398,200	1,904,415	506,215	1,710,162
Fines and penalties	521,000	521,000	513,802	(7,198)	544,997
Investment income	1,433,000	1,433,000	1,662,707	229,707	1,818,568
Rental income	754,950	754,950	894,371	139,421	916,066
Intergovernmental	4,170,000	4,449,796	4,567,365	117,569	4,262,080
Charges for services	4,952,111	5,158,706	4,150,190	(1,008,516)	2,505,513
Miscellaneous	237,700	286,735	1,448,914	1,162,179	1,151,470
Total revenues	<u>36,017,961</u>	<u>36,843,387</u>	<u>38,136,822</u>	<u>1,293,435</u>	<u>34,954,131</u>
Expenditures:					
Current:					
General government	3,268,949	3,394,956	2,615,173	779,783	2,687,013
Public safety	23,480,326	24,160,961	24,477,967	(317,006)	22,133,261
Transportation	6,399,209	6,544,209	5,354,091	1,190,118	5,156,519
Community development	1,722,643	1,815,814	1,738,759	77,055	1,590,839
Community services	1,564,952	1,747,931	1,633,940	113,991	1,651,191
Capital outlay	409,627	967,119	418,561	548,558	1,016,509
Debt service:					
Principal	-	-	107,986	(107,986)	-
Interest	-	-	-	-	63,034
Total expenditures	<u>36,845,706</u>	<u>38,630,990</u>	<u>36,346,477</u>	<u>2,284,513</u>	<u>34,298,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(827,745)</u>	<u>(1,787,603)</u>	<u>1,790,345</u>	<u>3,577,948</u>	<u>655,765</u>
Other financing sources (uses):					
Transfers in	846,819	1,065,026	761,324	(303,702)	1,164,548
Transfers out	(619,023)	(1,045,189)	(837,582)	207,607	(864,492)
Issuance of long term debt	-	-	-	-	63,034
Total other financing sources (uses)	<u>227,796</u>	<u>19,837</u>	<u>(76,258)</u>	<u>(96,095)</u>	<u>363,090</u>
Net change in fund balances	<u>(599,949)</u>	<u>(1,767,766)</u>	<u>1,714,087</u>	<u>3,481,853</u>	<u>1,018,855</u>
Fund balances at beginning of year	<u>41,891,862</u>	<u>41,891,862</u>	<u>41,891,862</u>	<u>-</u>	<u>40,873,007</u>
Fund balances at end of year	<u>\$ 41,291,913</u>	<u>40,124,096</u>	<u>43,605,949</u>	<u>3,481,853</u>	<u>41,891,862</u>

CITY OF FOUNTAIN VALLEY
Park Improvement Special Revenue Fund

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

Year ended June 30, 2008

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 10,293,598	10,089,525	7,261,913	(2,827,612)	563,033
Miscellaneous	<u>678,545</u>	<u>678,545</u>	<u>289,389</u>	<u>(389,156)</u>	<u>360,000</u>
Total revenues	<u>10,972,143</u>	<u>10,768,070</u>	<u>7,551,302</u>	<u>(3,216,768)</u>	<u>923,033</u>
Expenditures:					
Current:					
Community development	-	-	-	-	330,149
Capital outlay	<u>19,953,368</u>	<u>19,749,607</u>	<u>15,175,781</u>	<u>4,573,826</u>	<u>-</u>
Total expenditures	<u>19,953,368</u>	<u>19,749,607</u>	<u>15,175,781</u>	<u>4,573,826</u>	<u>330,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,981,225)</u>	<u>(8,981,537)</u>	<u>(7,624,479)</u>	<u>1,357,058</u>	<u>592,884</u>
Other financing sources (uses):					
Transfers in	<u>7,749,230</u>	<u>7,749,230</u>	<u>6,573,264</u>	<u>(1,175,966)</u>	<u>126,620</u>
Total other financing sources (uses)	<u>7,749,230</u>	<u>7,749,230</u>	<u>6,573,264</u>	<u>(1,175,966)</u>	<u>126,620</u>
Net change in fund balances	(1,231,995)	(1,232,307)	(1,051,215)	181,092	719,504
Fund balances at beginning of year	<u>1,052,036</u>	<u>1,052,036</u>	<u>1,052,036</u>	<u>-</u>	<u>332,532</u>
Fund balances at end of year	<u>\$ (179,959)</u>	<u>\$ (180,271)</u>	<u>821</u>	<u>181,092</u>	<u>1,052,036</u>

NON-MAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City of Fountain Valley has the following Non-Major Special Revenue Funds:

Criminal Activities - To account for the 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.

Traffic Safety - To account for receipts and expenditures of traffic safety fines.

Traffic Congestion Relief - To account for the preservation, maintenance and rehabilitation of the local street and road system.

Gas Tax - 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.

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

Pollution Reduction - 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.

Solid Waste - To account for fees and services for trash disposal.

Home Grant - To account for Federal HOME Grant funds.

Community Development Block Grant - To account for federal Housing and Community Development Block Grant funds.

NON-MAJOR DEBT SERVICE FUNDS

Fountain Valley Financing Authority - To account for the repayment of principal and interest on the indebtedness of the authority.

City Center Redevelopment Area - To account for tax increment revenue and related interest income generated from the City Center Project Area. The tax increment revenues are used for repayment of principal and interest on the indebtedness of the Agency.

NON-MAJOR CAPITAL PROJECTS FUNDS

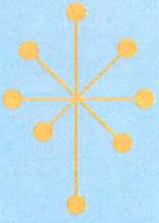
Local Drainage - To account for the implementation of goals and objectives of the master drainage plan and to mitigate water runoff impacts of new development in the drainage area.

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

Fountain Valley Financing Authority - To account for the construction of certain improvements associated with the issuance of the 2003 Certificates of Participation.

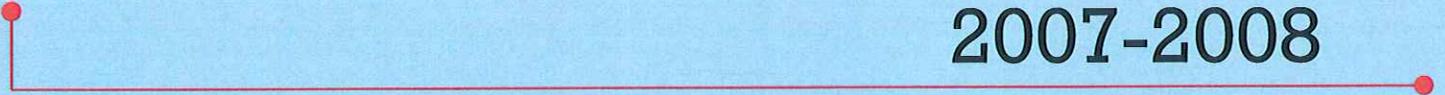
City Center Redevelopment Area - To account for the construction of all capital projects located in the City Center and financed by the Redevelopment Agency.

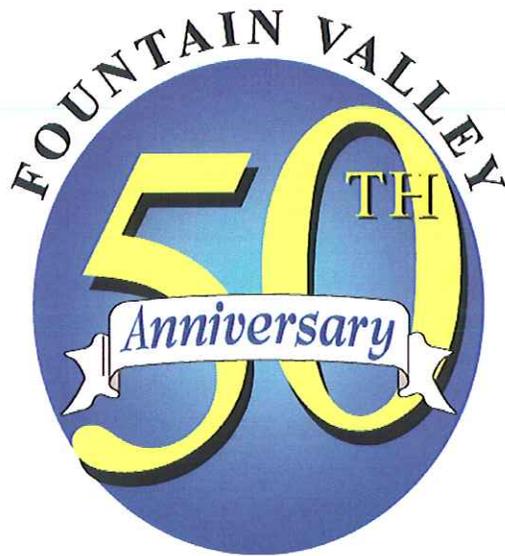
City of Fountain Valley



*Supplemental
Schedules*

2007-2008





Fifty Years Of Community Excellence

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CITY OF FOUNTAIN VALLEY
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2008

	Special Revenue Funds				
	Criminal Activities	Traffic Safety	Traffic Congestion Relief	Gas Tax	Traffic Improvement
<u>Assets</u>					
Cash and investments	\$ 36,620	-	11,052	2,684,608	1,909,780
Restricted assets:					
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	4,860
Due from other governments	4,732	32,674	-	-	796,947
	<u>4,732</u>	<u>32,674</u>	<u>-</u>	<u>-</u>	<u>796,947</u>
Total assets	\$ <u>41,352</u>	<u>32,674</u>	<u>11,052</u>	<u>2,684,608</u>	<u>2,711,587</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 10,752	32,674	-	134,248	432,844
Due to other funds	-	-	-	-	-
Deferred revenue	3,912	-	-	-	655,692
Advances from other funds	-	-	-	-	-
	<u>14,664</u>	<u>32,674</u>	<u>-</u>	<u>134,248</u>	<u>1,088,536</u>
Total liabilities					
Fund balances:					
Reserved for:					
Encumbrances	22,052	-	-	344,692	4,552,130
Debt service	-	-	-	-	-
Unreserved:					
Reported in:					
Special fund purposes	4,636	-	11,052	2,205,668	(2,929,079)
Capital projects	-	-	-	-	-
	<u>26,688</u>	<u>-</u>	<u>11,052</u>	<u>2,550,360</u>	<u>1,623,051</u>
Total fund balances					
Total liabilities and fund balances	\$ <u>41,352</u>	<u>32,674</u>	<u>11,052</u>	<u>2,684,608</u>	<u>2,711,587</u>

Special Revenue Funds				Debt Service Funds	
Pollution Reduction	Solid Waste	Home Grant	Community Development Block Grant	Fountain Valley Financing Authority	City Center Redevelopment Area
343,523	319,835	169,470	3,718	-	1,924,486
-	-	-	-	889,744	-
-	158,856	-	-	-	-
-	-	96,638	252,375	-	-
-	-	-	-	-	-
17,600	-	-	75,312	-	-
<u>361,123</u>	<u>478,691</u>	<u>266,108</u>	<u>331,405</u>	<u>889,744</u>	<u>1,924,486</u>
-	236,290	-	16,267	-	-
-	-	-	-	-	-
-	-	171,195	257,986	-	-
-	-	-	-	-	-
-	<u>236,290</u>	<u>171,195</u>	<u>274,253</u>	-	-
13,873	-	-	-	-	-
-	-	-	-	889,744	1,924,486
-	242,401	94,913	57,152	-	-
347,250	-	-	-	-	-
<u>361,123</u>	<u>242,401</u>	<u>94,913</u>	<u>57,152</u>	<u>889,744</u>	<u>1,924,486</u>
<u>361,123</u>	<u>478,691</u>	<u>266,108</u>	<u>331,405</u>	<u>889,744</u>	<u>1,924,486</u>

(Continued)

CITY OF FOUNTAIN VALLEY
Nonmajor Governmental Funds

Combining Balance Sheet

(Continued)

	Capital Projects Funds				Totals	
	Drainage	Sewer Assessment	Fountain Valley Financing Authority	City Center Redevelopment Area	2008	2007
<u>Assets</u>						
Cash and investments	242,930	3,218,994	-	3,686,735	14,551,751	13,213,649
Restricted assets:						
Cash and investments with fiscal agent	-	-	2,856,990	-	3,746,734	10,027,291
Receivables:						
Accounts	-	71,922	-	-	230,778	400,499
Notes	-	-	-	-	349,013	349,013
Due from other funds	-	-	-	-	4,860	7,649
Due from other governments	-	-	-	-	927,265	319,645
Total assets	<u>242,930</u>	<u>3,290,916</u>	<u>2,856,990</u>	<u>3,686,735</u>	<u>19,810,401</u>	<u>24,317,746</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	-	12,949	-	-	876,024	440,480
Due to other funds	-	-	1,250	-	1,250	1,225
Deferred revenue	-	-	-	-	1,088,785	680,990
Advances from other funds	-	-	-	-	-	595,232
Total liabilities	-	12,949	1,250	-	1,966,059	1,717,927
Fund balances:						
Reserved for:						
Encumbrances	-	146,554	1,175,966	-	6,255,267	1,179,464
Debt service	-	-	-	-	2,814,230	2,814,283
Unreserved:						
Reported in:						
Special fund purposes	-	-	-	-	(313,257)	4,223,921
Capital projects	242,930	3,131,413	1,679,774	3,686,735	9,088,102	14,382,151
Total fund balances	<u>242,930</u>	<u>3,277,967</u>	<u>2,855,740</u>	<u>3,686,735</u>	<u>17,844,342</u>	<u>22,599,819</u>
Total liabilities and fund balances	<u>242,930</u>	<u>3,290,916</u>	<u>2,856,990</u>	<u>3,686,735</u>	<u>19,810,401</u>	<u>24,317,746</u>

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CITY OF FOUNTAIN VALLEY
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2008

	Special Revenue Funds				
	Criminal Activities	Traffic Safety	Traffic Congestion Relief	Gas Tax	Traffic Improvement
Revenues:					
Taxes	\$ -	-	215,000	-	-
Fines and penalties	-	405,325	-	-	-
Investment income	711	-	21,195	67,261	99,728
Intergovernmental	270,300	-	928,725	1,099,038	880,411
Charges for services	-	-	-	-	330,100
Miscellaneous	20,486	-	-	120,238	1
Total revenues	<u>291,497</u>	<u>405,325</u>	<u>1,164,920</u>	<u>1,286,537</u>	<u>1,310,240</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	293,862	-	-	-	-
Transportation	-	-	-	1,754,046	1,928,791
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>293,862</u>	<u>-</u>	<u>-</u>	<u>1,754,046</u>	<u>1,928,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,365)</u>	<u>405,325</u>	<u>1,164,920</u>	<u>(467,509)</u>	<u>(618,551)</u>
Other financing sources (uses):					
Transfers in	-	-	-	1,581,273	-
Transfers out	-	(405,325)	(1,476,273)	(355,999)	-
Total other financing sources (uses)	<u>-</u>	<u>(405,325)</u>	<u>(1,476,273)</u>	<u>1,225,274</u>	<u>-</u>
Net change in fund balances	<u>(2,365)</u>	<u>-</u>	<u>(311,353)</u>	<u>757,765</u>	<u>(618,551)</u>
Fund balances at beginning of year	<u>29,053</u>	<u>-</u>	<u>322,405</u>	<u>1,792,595</u>	<u>2,241,602</u>
Fund balances at end of year	<u>\$ 26,688</u>	<u>-</u>	<u>11,052</u>	<u>2,550,360</u>	<u>1,623,051</u>

Special Revenue Funds				Debt Service Funds	
Pollution Reduction	Solid Waste	Home Grant	Community Development Block Grant	Fountain Valley Financing Authority	City Center Redevelopment Area
-	-	-	-	-	-
-	-	-	-	-	-
16,248	-	-	698	46,788	-
68,864	-	-	317,805	-	-
-	3,029,115	-	-	-	-
1	-	-	-	-	-
<u>85,113</u>	<u>3,029,115</u>	<u>-</u>	<u>318,503</u>	<u>46,788</u>	<u>-</u>
-	-	-	-	-	-
127,837	-	-	-	-	-
-	-	-	-	-	-
-	-	-	318,474	-	-
-	2,829,278	-	-	-	-
-	-	-	-	-	-
-	-	-	-	440,399	-
-	-	-	-	444,024	-
<u>127,837</u>	<u>2,829,278</u>	<u>-</u>	<u>318,474</u>	<u>884,423</u>	<u>-</u>
<u>(42,724)</u>	<u>199,837</u>	<u>-</u>	<u>29</u>	<u>(837,635)</u>	<u>-</u>
-	-	-	-	883,351	-
-	(132,609)	-	-	(45,769)	-
-	(132,609)	-	-	837,582	-
(42,724)	67,228	-	29	(53)	-
<u>403,847</u>	<u>175,173</u>	<u>94,913</u>	<u>57,123</u>	<u>889,797</u>	<u>1,924,486</u>
<u>361,123</u>	<u>242,401</u>	<u>94,913</u>	<u>57,152</u>	<u>889,744</u>	<u>1,924,486</u>

(Continued)

CITY OF FOUNTAIN VALLEY
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued)

	Capital Projects Funds				Totals	
	Drainage	Sewer Assessment	Fountain Valley Financing Authority	City Center Redevelopment Area	2008	2007
Revenues:						
Taxes	-	-	-	-	215,000	869,101
Fines and penalties	-	-	-	-	405,325	389,541
Investment income	-	112,749	295,969	-	661,347	701,295
Intergovernmental	-	-	-	-	3,565,143	3,213,083
Charges for services	44,126	1,556,364	-	-	4,959,705	4,496,813
Miscellaneous	-	-	-	595,232	735,958	323,350
Total revenues	<u>44,126</u>	<u>1,669,113</u>	<u>295,969</u>	<u>595,232</u>	<u>10,542,478</u>	<u>9,993,183</u>
Expenditures:						
Current:						
General government	-	-	3,234	-	3,234	3,131
Public safety	-	-	-	-	421,699	312,519
Transportation	-	-	-	-	3,682,837	1,680,100
Community development	-	413,630	-	-	732,104	623,843
Community services	-	-	-	-	2,829,278	2,830,408
Capital outlay	-	179,765	-	-	179,765	106,687
Debt service:						
Principal	-	-	-	-	440,399	430,000
Interest	-	-	-	-	444,024	452,724
Total expenditures	<u>-</u>	<u>593,395</u>	<u>3,234</u>	<u>-</u>	<u>8,733,340</u>	<u>6,439,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,126</u>	<u>1,075,718</u>	<u>292,735</u>	<u>595,232</u>	<u>1,809,138</u>	<u>3,553,771</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	2,464,624	1,484,399
Transfers out	-	(40,000)	(6,573,264)	-	(9,029,239)	(2,043,745)
Total other financing sources (uses)	<u>-</u>	<u>(40,000)</u>	<u>(6,573,264)</u>	<u>-</u>	<u>(6,564,615)</u>	<u>(559,346)</u>
Net change in fund balances	<u>44,126</u>	<u>1,035,718</u>	<u>(6,280,529)</u>	<u>595,232</u>	<u>(4,755,477)</u>	<u>2,994,425</u>
Fund balances at beginning of year	<u>198,804</u>	<u>2,242,249</u>	<u>9,136,269</u>	<u>3,091,503</u>	<u>22,599,819</u>	<u>19,605,394</u>
Fund balances at end of year	<u>242,930</u>	<u>3,277,967</u>	<u>2,855,740</u>	<u>3,686,735</u>	<u>17,844,342</u>	<u>22,599,819</u>

CITY OF FOUNTAIN VALLEY
Industrial Redevelopment Area Debt Service Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 6,607,920	7,086,996	479,076	6,241,917
Investment income	-	580	580	429,351
	6,607,920	7,087,576	479,656	6,671,268
Total revenues				
Expenditures:				
Debt service:				
Principal	1,335,000	1,335,000	-	1,285,000
Interest	1,279,113	2,176,691	(897,578)	2,047,005
Pass-through payments	550,000	644,577	(94,577)	579,303
	3,164,113	4,156,268	(992,155)	3,911,308
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	3,443,807	2,931,308	(512,499)	2,759,960
Other financing sources (uses):				
Issuance of long term debt	-	457,541	457,541	548,254
	-	457,541	457,541	548,254
Total other financing sources (uses)				
Net change in fund balances	3,443,807	3,388,849	(54,958)	3,308,214
Fund balances at beginning of year	24,022,791	24,022,791	-	20,714,577
Fund balances at end of year	\$ 27,466,598	27,411,640	(54,958)	24,022,791

CITY OF FOUNTAIN VALLEY
Industrial Redevelopment Area Capital Projects Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 900,000	2,153,737	1,253,737	2,356,423
Miscellaneous income	-	597,043	597,043	-
Total revenues	900,000	2,750,780	1,253,737	2,356,423
Expenditures:				
Current:				
General government	1,922,958	1,374,687	548,271	436,612
Community development	13,554,433	7,974,639	5,579,794	-
Capital outlay	-	-	-	1,451,536
Total expenditures	15,477,391	9,349,326	6,128,065	1,888,148
Net change in fund balances	(14,577,391)	(6,598,546)	7,381,802	468,275
Fund balances at beginning of year	22,650,857	22,650,857	-	22,182,582
Fund balances at end of year	\$ 8,073,466	16,052,311	7,381,802	22,650,857

CITY OF FOUNTAIN VALLEY
Housing Set-Aside Capital Projects Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 2,033,269	1,771,749	(261,520)	2,097,295
Investment income	5,000	810,045	805,045	343,182
Miscellaneous	<u>27,000</u>	<u>1,047,628</u>	<u>1,020,628</u>	<u>189,421</u>
Total revenues	<u>2,065,269</u>	<u>3,629,422</u>	<u>1,564,153</u>	<u>2,629,898</u>
Expenditures:				
Current:				
General government	<u>2,765,989</u>	<u>447,620</u>	<u>2,318,369</u>	<u>255,593</u>
Total expenditures	<u>2,765,989</u>	<u>447,620</u>	<u>2,318,369</u>	<u>255,593</u>
Net change in fund balances	(700,720)	3,181,802	3,882,522	2,374,305
Fund balances at beginning of year	<u>10,754,049</u>	<u>10,754,049</u>	-	<u>8,379,744</u>
Fund balances at end of year	<u>\$ 10,053,329</u>	<u>13,935,851</u>	<u>3,882,522</u>	<u>10,754,049</u>

CITY OF FOUNTAIN VALLEY
Criminal Activities Special Revenue Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 100	711	611	869
Intergovernmental	282,282	270,300	(11,982)	230,402
Miscellaneous	25,000	20,486	(4,514)	39,303
Total revenues	307,382	291,497	(15,885)	270,574
Expenditures:				
Current:				
Public safety	307,382	293,862	13,520	266,096
Total expenditures	307,382	293,862	13,520	266,096
Net change in fund balances	-	(2,365)	(2,365)	4,478
Fund balances at beginning of year	29,053	29,053	-	24,575
Fund balances at end of year	\$ 29,053	26,688	(2,365)	29,053

CITY OF FOUNTAIN VALLEY
Traffic Safety Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Fines and penalties	\$ 315,000	405,325	90,325	389,541
Total revenues	<u>315,000</u>	<u>405,325</u>	<u>90,325</u>	<u>389,541</u>
Other financing sources (uses):				
Transfers out	<u>(315,000)</u>	<u>(405,325)</u>	<u>(90,325)</u>	<u>(389,541)</u>
Total other financing sources (uses)	<u>(315,000)</u>	<u>(405,325)</u>	<u>(90,325)</u>	<u>(389,541)</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF FOUNTAIN VALLEY
Traffic Congestion Relief Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ -	215,000	215,000	215,000
Investment income	2,000	21,195	19,195	24,166
Intergovernmental	<u>547,148</u>	<u>928,725</u>	<u>381,577</u>	<u>489,366</u>
Total revenues	<u>549,148</u>	<u>1,164,920</u>	<u>615,772</u>	<u>728,532</u>
Other financing sources (uses):				
Transfers out	<u>(638,010)</u>	<u>(1,476,273)</u>	<u>(838,263)</u>	<u>(602,122)</u>
Total other financing sources (uses)	<u>(638,010)</u>	<u>(1,476,273)</u>	<u>(838,263)</u>	<u>(602,122)</u>
Net change in fund balances	(88,862)	(311,353)	(222,491)	126,410
Fund balances at beginning of year	<u>322,405</u>	<u>322,405</u>	<u>-</u>	<u>195,995</u>
Fund balances at end of year	<u>\$ 233,543</u>	<u>11,052</u>	<u>(222,491)</u>	<u>322,405</u>

CITY OF FOUNTAIN VALLEY
Gas Tax Special Revenue Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 34,000	67,261	33,261	48,552
Intergovernmental	1,020,000	1,099,038	79,038	1,040,775
Miscellaneous	160,013	120,238	(39,775)	35,020
Total revenues	1,214,013	1,286,537	72,524	1,124,347
Expenditures:				
Current:				
Transportation	2,504,050	1,754,046	750,004	687,609
Total expenditures	2,504,050	1,754,046	750,004	687,609
Excess (deficiency) of revenues over (under) expenditures	(1,290,037)	(467,509)	822,528	436,738
Other financing sources (uses):				
Transfers in	743,010	1,581,273	838,263	602,122
Transfers out	(450,000)	(355,999)	94,001	(473,167)
Total other financing sources (uses)	293,010	1,225,274	932,264	128,955
Net change in fund balances	(997,027)	757,765	1,754,792	565,693
Fund balances at beginning of year	1,792,595	1,792,595	-	1,226,902
Fund balances at end of year	\$ 795,568	2,550,360	1,754,792	1,792,595

CITY OF FOUNTAIN VALLEY
Traffic Improvement Special Revenue Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 39,000	99,728	60,728	66,416
Intergovernmental	3,966,932	880,411	(3,086,521)	1,152,737
Charges for services	1,049,831	330,100	(719,731)	151,406
Miscellaneous	594,500	1	(594,499)	242,732
Total revenues	5,650,263	1,310,240	(4,340,023)	1,613,291
Expenditures:				
Current:				
Transportation	7,870,452	1,928,791	5,941,661	992,491
Total expenditures	7,870,452	1,928,791	5,941,661	992,491
Net change in fund balances	(2,220,189)	(618,551)	1,601,638	620,800
Fund balances at beginning of year	2,241,602	2,241,602	-	1,620,802
Fund balances at end of year	\$ 21,413	1,623,051	1,601,638	2,241,602

CITY OF FOUNTAIN VALLEY
Pollution Reduction Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,500	16,248	14,748	14,170
Intergovernmental	67,110	68,864	1,754	68,776
Miscellaneous	<u>-</u>	<u>1</u>	<u>1</u>	<u>6,295</u>
Total revenues	<u>68,610</u>	<u>85,113</u>	<u>16,503</u>	<u>89,241</u>
Expenditures:				
Current:				
Public safety	<u>413,335</u>	<u>127,837</u>	<u>285,498</u>	<u>46,423</u>
Total expenditures	<u>413,335</u>	<u>127,837</u>	<u>285,498</u>	<u>46,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(344,725)</u>	<u>(42,724)</u>	<u>302,001</u>	<u>42,818</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,013)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,013)</u>
Net change in fund balances	(344,725)	(42,724)	(268,995)	(12,195)
Fund balances at beginning of year	<u>403,847</u>	<u>403,847</u>	<u>-</u>	<u>416,042</u>
Fund balances at end of year	<u>\$ 59,122</u>	<u>361,123</u>	<u>(268,995)</u>	<u>403,847</u>

CITY OF FOUNTAIN VALLEY
Solid Waste Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 3,000,000	3,029,115	29,115	2,965,774
Total revenues	<u>3,000,000</u>	<u>3,029,115</u>	<u>29,115</u>	<u>2,965,774</u>
Expenditures:				
Current:				
Community services	2,869,000	2,829,278	39,722	2,830,408
Total expenditures	<u>2,869,000</u>	<u>2,829,278</u>	<u>39,722</u>	<u>2,830,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>131,000</u>	<u>199,837</u>	<u>68,837</u>	<u>135,366</u>
Other financing sources (uses):				
Transfers out	<u>(131,000)</u>	<u>(132,609)</u>	<u>(1,609)</u>	<u>(132,671)</u>
Total other financing sources (uses)	<u>(131,000)</u>	<u>(132,609)</u>	<u>(1,609)</u>	<u>(132,671)</u>
Net change in fund balances	-	67,228	67,228	2,695
Fund balances at beginning of year	<u>175,173</u>	<u>175,173</u>	<u>-</u>	<u>172,478</u>
Fund balances at end of year	<u>\$ 175,173</u>	<u>242,401</u>	<u>67,228</u>	<u>175,173</u>

CITY OF FOUNTAIN VALLEY
HOME Grant Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	<u>94,913</u>	<u>94,913</u>	<u>-</u>	<u>94,913</u>
Fund balances at end of year	<u><u>\$ 94,913</u></u>	<u><u>94,913</u></u>	<u><u>-</u></u>	<u><u>94,913</u></u>

CITY OF FOUNTAIN VALLEY
Community Development Block Grant Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	698	698	203
Intergovernmental	<u>371,520</u>	<u>317,805</u>	<u>(53,715)</u>	<u>231,027</u>
Total revenues	<u>371,520</u>	<u>318,503</u>	<u>(53,017)</u>	<u>231,230</u>
Expenditures:				
Current:				
Community development	<u>421,520</u>	<u>318,474</u>	<u>103,046</u>	<u>231,231</u>
Total expenditures	<u>421,520</u>	<u>318,474</u>	<u>103,046</u>	<u>231,231</u>
Net change in fund balances	(50,000)	29	50,029	(1)
Fund balances at beginning of year	<u>57,123</u>	<u>57,123</u>	-	<u>57,124</u>
Fund balances at end of year	<u><u>\$ 7,123</u></u>	<u><u>57,152</u></u>	<u><u>50,029</u></u>	<u><u>57,123</u></u>

CITY OF FOUNTAIN VALLEY
Fountain Valley Financing Authority Debt Service Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 32,000	46,788	14,788	45,828
Total revenues	<u>32,000</u>	<u>46,788</u>	<u>14,788</u>	<u>45,828</u>
Expenditures:				
Debt service:				
Principal	440,000	440,399	(399)	430,000
Interest	<u>444,204</u>	<u>444,024</u>	<u>180</u>	<u>452,724</u>
Total expenditures	<u>884,204</u>	<u>884,423</u>	<u>(219)</u>	<u>882,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(852,204)</u>	<u>(837,635)</u>	<u>14,569</u>	<u>(836,896)</u>
Other financing sources (uses):				
Transfers in	884,204	883,351	(853)	882,277
Transfers out	<u>(32,000)</u>	<u>(45,769)</u>	<u>(13,769)</u>	<u>(45,376)</u>
Total other financing sources (uses)	<u>852,204</u>	<u>837,582</u>	<u>(14,622)</u>	<u>836,901</u>
Net change in fund balances	-	(53)	(53)	5
Fund balances at beginning of year	<u>889,797</u>	<u>889,797</u>	<u>-</u>	<u>889,792</u>
Fund balances at end of year	<u>\$ 889,797</u>	<u>889,744</u>	<u>(53)</u>	<u>889,797</u>

CITY OF FOUNTAIN VALLEY
City Center Redevelopment Area Debt Service Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ -	-	-	654,101
Net change in fund balances	-	-	-	654,101
Fund balances at beginning of year	<u>1,924,486</u>	<u>1,924,486</u>	<u>-</u>	<u>1,270,385</u>
Fund balances at end of year	<u>\$ 1,924,486</u>	<u>1,924,486</u>	<u>-</u>	<u>1,924,486</u>

CITY OF FOUNTAIN VALLEY
Drainage Capital Projects Fund

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

Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 62,000	44,126	(17,874)	59,491
Total revenues	<u>62,000</u>	<u>44,126</u>	<u>(17,874)</u>	<u>59,491</u>
Expenditures:				
Current:				
Capital outlay	-	-	-	16,140
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,140</u>
Net change in fund balances	62,000	44,126	(17,874)	43,351
Fund balances at beginning of year	<u>198,804</u>	<u>198,804</u>	<u>-</u>	<u>155,453</u>
Fund balances at end of year	<u>\$ 260,804</u>	<u>242,930</u>	<u>(17,874)</u>	<u>198,804</u>

CITY OF FOUNTAIN VALLEY
Sewer Assessment Capital Projects Fund

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

Year ended June 30, 2008

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 47,000	112,749	65,749	66,313
Charges for services	1,224,220	1,556,364	332,144	1,320,142
Total revenues	1,271,220	1,669,113	397,893	1,386,455
Expenditures:				
Current:				
Community development	418,515	413,630	4,885	392,612
Capital outlay	1,571,674	179,765	1,391,909	90,547
Total expenditures	1,990,189	593,395	1,396,794	483,159
Excess (deficiency) of revenues over (under) expenditures	(718,969)	1,075,718	1,794,687	903,296
Other financing sources (uses):				
Transfers out	(40,000)	(40,000)	-	-
Total other financing sources (uses)	(40,000)	(40,000)	-	-
Net change in fund balances	(758,969)	1,035,718	1,794,687	903,296
Fund balances at beginning of year	2,242,249	2,242,249	-	1,338,953
Fund balances at end of year	\$ 1,483,280	3,277,967	1,794,687	2,242,249

CITY OF FOUNTAIN VALLEY
Fountain Valley Financing Authority Capital Projects Fund

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

Year ended June 30, 2008

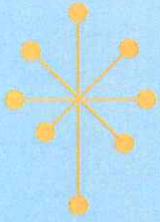
	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 98,000	295,969	197,969	434,778
Total revenues	<u>98,000</u>	<u>295,969</u>	<u>197,969</u>	<u>434,778</u>
Expenditures:				
Current:				
General government	2,600	3,234	(634)	3,131
Total expenditures	<u>2,600</u>	<u>3,234</u>	<u>(634)</u>	<u>3,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,400</u>	<u>292,735</u>	<u>197,335</u>	<u>431,647</u>
Other financing sources (uses):				
Transfers out	<u>(7,749,230)</u>	<u>(6,573,264)</u>	<u>1,175,966</u>	<u>(345,855)</u>
Total other financing sources (uses)	<u>(7,749,230)</u>	<u>(6,573,264)</u>	<u>1,175,966</u>	<u>(345,855)</u>
Net change in fund balances	(7,653,830)	(6,280,529)	1,373,301	85,792
Fund balances at beginning of year	<u>9,136,269</u>	<u>9,136,269</u>	<u>-</u>	<u>9,050,477</u>
Fund balances at end of year	<u>\$ 1,482,439</u>	<u>2,855,740</u>	<u>1,373,301</u>	<u>9,136,269</u>

CITY OF FOUNTAIN VALLEY
City Center Redevelopment Area Capital Projects Fund

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

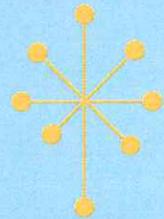
Year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Miscellaneous revenue	\$ -	595,232	595,232	-
Total revenues	<u>-</u>	<u>595,232</u>	<u>595,232</u>	<u>-</u>
Net change in fund balances	-	595,232	595,232	-
Fund balances at beginning of year	<u>3,091,503</u>	<u>3,091,503</u>	<u>-</u>	<u>3,091,503</u>
Fund balances at end of year	<u>\$ 3,091,503</u>	<u>3,686,735</u>	<u>595,232</u>	<u>3,091,503</u>

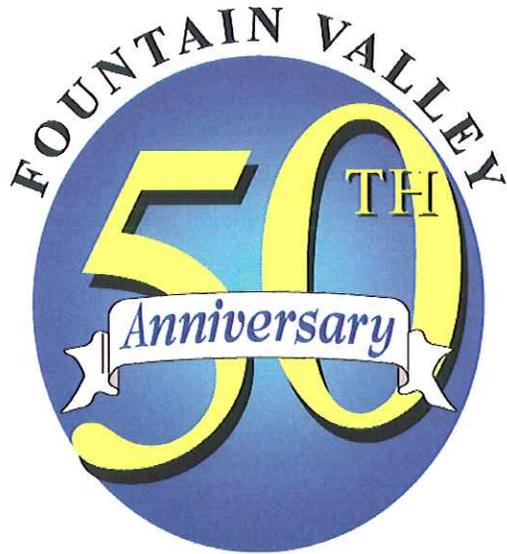


City of Fountain Valley

Agency Funds



2007-2008



Fifty Years Of Community Excellence

CITY OF FOUNTAIN VALLEY
Agency Fund

Combining Statement of Assets and Liabilities

Year ended June 30, 2008

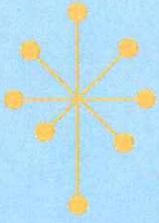
	Agency Funds			Totals	
	Recreation Contract Program	Special Deposit and Receipt	Developer Agreements	2008	2007
<u>Assets</u>					
Cash and investments	\$ <u>126,980</u>	<u>870,781</u>	<u>80,147</u>	<u>1,077,908</u>	<u>988,219</u>
<u>Liabilities</u>					
Deposits payable	\$ <u>126,980</u>	<u>870,781</u>	<u>80,147</u>	<u>1,077,908</u>	<u>988,219</u>

CITY OF FOUNTAIN VALLEY
Agency Fund

Combining Statement of Changes in Assets and Liabilities

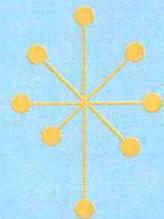
Year ended June 30, 2008

	<u>Balance at</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</u>
<u>RECREATION CONTRACT PROGRAM FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 72,295	54,685	-	126,980
<u>Liabilities</u>				
Deposits payable	\$ 72,295	54,685	-	126,980
<u>SPECIAL DEPOSIT AND RECEIPT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 838,046	32,735	-	870,781
<u>Liabilities</u>				
Deposits payable	\$ 838,046	32,735	-	870,781
<u>REIMBURSEMENT AGREEMENT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 77,878	2,269	-	80,147
<u>Liabilities</u>				
Deposits payable	\$ 77,878	2,269	-	80,147
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 988,219	89,689	-	1,077,908
<u>Liabilities</u>				
Deposits payable	\$ 988,219	89,689	-	1,077,908



City of Fountain Valley

Statistical Section



2007-2008



Fifty Years Of Community Excellence

CITY OF FOUNTAIN VALLEY
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	*2007	2008
Expenses:				
Governmental activities:				
General government	\$ 6,473,399	\$ 7,316,887	\$ 4,342,847	\$ 4,560,162
Public safety	19,100,664	20,923,978	22,755,905	24,642,618
Transportation	7,494,152	6,405,142	6,836,619	9,005,540
Community development	2,999,652	3,508,622	3,844,623	10,457,159
Community Services	4,907,562	5,553,845	4,746,987	4,669,708
Interest and other charges	2,765,541	2,383,339	2,320,615	3,445,535
Total governmental activities expenses	<u>43,740,970</u>	<u>46,091,813</u>	<u>44,847,596</u>	<u>56,780,722</u>
Business-type activities:				
Water	<u>8,170,303</u>	<u>8,859,328</u>	<u>8,990,486</u>	<u>8,946,570</u>
Total primary government expenses	<u>51,911,273</u>	<u>54,951,141</u>	<u>53,838,082</u>	<u>65,727,292</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government			1,433,042	2,760,778
Public safety	5,260,495	5,926,408	2,525,676	2,931,907
Transportation	-	-	1,291,911	1,104,839
Community development	1,987,629	2,358,636	2,764,799	3,398,343
Community services	-	-	4,991,386	2,869,246
Other activities	273,397	304,285	-	-
Operating grants & contributions	2,707,224	1,327,846	3,571,376	4,966,810
Capital grants and contributions	<u>1,214,932</u>	<u>1,555,614</u>	<u>489,366</u>	<u>8,430,015</u>
Total governmental activities program revenues	<u>11,443,677</u>	<u>11,472,789</u>	<u>17,067,556</u>	<u>26,461,938</u>
Business-type activities:				
Charges for services:				
Water	7,985,576	8,332,738	9,078,937	8,659,952
Total primary government program revenues	<u>19,429,253</u>	<u>19,805,527</u>	<u>26,146,493</u>	<u>35,121,890</u>
Net revenues (expenses):				
Governmental activities	(32,297,293)	(34,619,024)	(27,780,040)	(30,318,784)
Business-type activities	<u>(184,727)</u>	<u>(526,590)</u>	<u>88,451</u>	<u>(286,618)</u>
Total net revenues (expenses)	<u>\$ (32,482,020)</u>	<u>\$ (35,145,614)</u>	<u>\$ (27,691,589)</u>	<u>\$ (30,605,402)</u>

(Continued)

CITY OF FOUNTAIN VALLEY
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	*2007	2008
General revenues				
and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 14,269,491	\$ 15,090,054	\$ 15,827,766	\$ 19,077,590
Franchise taxes	1,266,573	1,349,173	1,449,384	1,467,613
Sales tax	10,847,674	11,517,398	11,925,716	11,967,435
Other taxes	1,168,804	1,274,410	1,098,130	1,065,886
Revenue from				
other governmental agencies	5,216,273	4,316,227	4,232,595	5,104,203
Other revenue	3,723,171	1,891,451	-	-
Investment income	3,701,881	4,770,235	5,648,819	3,134,116
Assessments	42,528	143,422	-	-
Transfers	(132,417)	(132,601)	(132,670)	(67,609)
Gain/(Loss) on sale of property	(113,891)	(485,826)	701,933	196,553
Total governmental activities	<u>39,990,087</u>	<u>39,733,943</u>	<u>40,751,673</u>	<u>41,945,787</u>
Business-type activities:				
Investment income	200,907	299,804	431,197	454,799
Transfers	132,417	132,601	132,670	67,609
Total business-type activities	<u>333,324</u>	<u>432,405</u>	<u>563,867</u>	<u>522,408</u>
Total primary government	<u>40,323,411</u>	<u>40,166,348</u>	<u>41,315,540</u>	<u>42,468,195</u>
Changes in net assets				
Governmental activities	7,692,794	5,114,919	12,971,633	11,627,003
Business-type activities	148,597	(94,185)	652,318	235,790
Total primary government	<u>\$ 7,841,391</u>	<u>\$ 5,020,734</u>	<u>\$ 13,623,951</u>	<u>\$ 11,862,793</u>

The City of Fountain Valley implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

* 2007 data reflects a changes in classifications for revenue, expenditures and fund balances.

CITY OF FOUNTAIN VALLEY

Net Assets by Component

Last Four Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 39,798,450	\$ 43,252,159	\$ 39,422,342	\$ 48,559,056
Restricted	19,424,889	19,962,740	88,910,408	82,467,911
Unrestricted	79,042,445	80,165,804	26,696,350	35,629,136
Total governmental activities net assets	<u>\$ 138,265,784</u>	<u>\$ 143,380,703</u>	<u>\$ 155,029,100</u>	<u>\$ 166,656,103</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 7,529,327	\$ 7,125,907	\$ 6,751,060	\$ 6,351,432
Restricted			-	-
Unrestricted	8,457,716	8,766,951	9,794,116	10,429,534
Total business-type activities net assets	<u>\$ 15,987,043</u>	<u>\$ 15,892,858</u>	<u>\$ 16,545,176</u>	<u>\$ 16,780,966</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 47,327,777	\$ 50,378,066	\$ 46,173,402	\$ 54,910,488
Restricted	19,424,889	19,962,740	88,910,408	82,467,911
Unrestricted	87,500,161	88,932,755	36,490,466	46,058,670
Total primary government net assets	<u>\$ 154,252,827</u>	<u>\$ 159,273,561</u>	<u>\$ 171,574,276</u>	<u>\$ 183,437,069</u>

*The City of Fountain Valley implemented GASB 34 for the fiscal year ended June 30, 2003.
Information prior to the implementation of GASB 34 is not available.*

CITY OF FOUNTAIN VALLEY
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	*2007	2008
Expenses:				
Governmental activities:				
General government	\$ 6,473,399	\$ 7,316,887	\$ 4,342,847	\$ 4,560,162
Public safety	19,100,664	20,923,978	22,755,905	24,642,618
Transportation	7,494,152	6,405,142	6,836,619	9,005,540
Community development	2,999,652	3,508,622	3,844,623	10,457,159
Community Services	4,907,562	5,553,845	4,746,987	4,669,708
Interest and other charges	2,765,541	2,383,339	2,320,615	3,445,535
Total governmental activities expenses	<u>43,740,970</u>	<u>46,091,813</u>	<u>44,847,596</u>	<u>56,780,722</u>
Business-type activities:				
Water	<u>8,170,303</u>	<u>8,859,328</u>	<u>8,990,486</u>	<u>8,946,570</u>
Total primary government expenses	<u>51,911,273</u>	<u>54,951,141</u>	<u>53,838,082</u>	<u>65,727,292</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government			1,433,042	2,760,778
Public safety	5,260,495	5,926,408	2,525,676	2,931,907
Transportation	-	-	1,291,911	1,104,839
Community development	1,987,629	2,358,636	2,764,799	3,398,343
Community services	-	-	4,991,386	2,869,246
Other activities	273,397	304,285	-	-
Operating grants & contributions	2,707,224	1,327,846	3,571,376	4,966,810
Capital grants and contributions	<u>1,214,932</u>	<u>1,555,614</u>	<u>489,366</u>	<u>8,430,015</u>
Total governmental activities program revenues	<u>11,443,677</u>	<u>11,472,789</u>	<u>17,067,556</u>	<u>26,461,938</u>
Business-type activities:				
Charges for services:				
Water	7,985,576	8,332,738	9,078,937	8,659,952
Total primary government program revenues	<u>19,429,253</u>	<u>19,805,527</u>	<u>26,146,493</u>	<u>35,121,890</u>
Net revenues (expenses):				
Governmental activities	(32,297,293)	(34,619,024)	(27,780,040)	(30,318,784)
Business-type activities	(184,727)	(526,590)	88,451	(286,618)
Total net revenues (expenses)	<u>\$ (32,482,020)</u>	<u>\$ (35,145,614)</u>	<u>\$ (27,691,589)</u>	<u>\$ (30,605,402)</u>

(Continued)

CITY OF FOUNTAIN VALLEY
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	*2007	2008
General revenues				
and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 14,269,491	\$ 15,090,054	\$ 15,827,766	\$ 19,077,590
Franchise taxes	1,266,573	1,349,173	1,449,384	1,467,613
Sales tax	10,847,674	11,517,398	11,925,716	11,967,435
Other taxes	1,168,804	1,274,410	1,098,130	1,065,886
Revenue from				
other governmental agencies	5,216,273	4,316,227	4,232,595	5,104,203
Other revenue	3,723,171	1,891,451	-	-
Investment income	3,701,881	4,770,235	5,648,819	3,134,116
Assessments	42,528	143,422	-	-
Transfers	(132,417)	(132,601)	(132,670)	(67,609)
Gain/(Loss) on sale of property	(113,891)	(485,826)	701,933	196,553
Total governmental activities	<u>39,990,087</u>	<u>39,733,943</u>	<u>40,751,673</u>	<u>41,945,787</u>
Business-type activities:				
Investment income	200,907	299,804	431,197	454,799
Transfers	132,417	132,601	132,670	67,609
Total business-type activities	<u>333,324</u>	<u>432,405</u>	<u>563,867</u>	<u>522,408</u>
Total primary government	<u>40,323,411</u>	<u>40,166,348</u>	<u>41,315,540</u>	<u>42,468,195</u>
Changes in net assets				
Governmental activities	7,692,794	5,114,919	12,971,633	11,627,003
Business-type activities	148,597	(94,185)	652,318	235,790
Total primary government	<u>\$ 7,841,391</u>	<u>\$ 5,020,734</u>	<u>\$ 13,623,951</u>	<u>\$ 11,862,793</u>

The City of Fountain Valley implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

* 2007 data reflects a changes in classifications for revenue, expenditures and fund balances.

CITY OF FOUNTAIN VALLEY
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General fund:				
Reserved	\$ 81,727	\$ 605,117	\$ 1,508,003	\$ 458,346
Unreserved	39,420,223	40,267,890	40,383,858	43,147,603
Total General fund	<u>\$ 39,501,950</u>	<u>\$ 40,873,007</u>	<u>\$ 41,891,861</u>	<u>\$ 43,605,949</u>
All other governmental funds:				
Reserved	\$ 33,587,366	\$ 38,367,528	\$ 25,203,749	\$ 40,193,043
Unreserved:				
Special revenue funds	1,819,919	3,032,273	5,275,957	(4,886,262)
Debt service funds	2,160,134	2,160,176	2,814,283	2,814,230
Capital projects funds	32,896,124	28,978,088	47,785,563	37,123,954
Total all other governmental funds	<u>\$ 70,463,543</u>	<u>\$ 72,538,065</u>	<u>\$ 81,079,552</u>	<u>\$ 75,244,965</u>

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

CITY OF FOUNTAIN VALLEY

Changes in Fund Balances of Governmental Funds

Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Taxes	\$ 27,590,872	\$ 29,977,510	\$ 31,253,588	\$ 32,068,803
Licenses and permits	1,214,689	1,445,694	1,710,162	1,904,415
Fines and forfeitures	778,822	871,895	934,538	919,127
Revenue from use of money and property	3,201,739	4,592,912	916,066	894,371
Investment Income	(78,403)	(188,890)	5,648,819	5,288,416
Intergovernmental	8,379,824	7,563,236	8,038,196	15,394,421
Charges for services	6,516,030	5,962,499	7,002,326	9,109,895
Miscellaneous	1,618,671	2,467,174	2,024,241	4,118,932
Total revenues	<u>49,222,244</u>	<u>52,692,030</u>	<u>57,527,936</u>	<u>69,698,380</u>
Expenditures				
Current:				
General government	5,761,917	5,900,370	3,382,349	4,440,714
Public safety	18,996,012	20,698,380	22,445,780	24,899,666
Transportation	4,349,757	6,405,142	6,836,619	9,036,928
Community development	2,665,596	2,613,673	2,544,831	10,445,502
Community Services	5,060,968	5,360,791	4,481,599	4,463,218
Capital Outlay	6,951,167	3,882,308	2,574,732	15,774,107
Debt service:				
Principal retirement	1,379,052	1,854,880	1,715,000	1,883,385
Interest and fiscal charges	2,140,176	1,887,647	2,562,763	2,620,715
Pass-through payments	371,212	510,659	579,303	644,577
Payments to escrow agents	347,570	-	-	-
Total expenditures	<u>48,023,427</u>	<u>49,113,850</u>	<u>47,122,976</u>	<u>74,208,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,198,817</u>	<u>3,578,180</u>	<u>10,404,960</u>	<u>(4,510,432)</u>
Other financing sources (uses):				
Transfers in	6,281,103	2,400,930	2,775,567	9,799,212
Transfers out	(6,413,520)	(2,533,531)	(2,908,237)	(9,866,821)
Issuance of leases			611,288	457,541
Proceeds of debt				
Total other financing sources (uses)	<u>(132,417)</u>	<u>(132,601)</u>	<u>478,618</u>	<u>389,932</u>
Net change in fund balances	<u>\$ 1,066,400</u>	<u>\$ 3,445,579</u>	<u>\$ 10,883,578</u>	<u>\$ (4,120,500)</u>
Debt service as a percentage of noncapital expenditures	8.9%	9.6%	11.4%	7.4%

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

CITY OF FOUNTAIN VALLEY
 Assessed and Estimated Actual Values of Taxable Property
 Last Five Fiscal Years

Fiscal Year Ended June 30	City		Taxable Assessed Value ¹
	Secured	Unsecured	
2004	4,585,631,361	313,851,200	4,899,482,561
2005	4,962,790,924	284,737,280	5,247,528,204
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

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

¹ Amounts are shown net of exemptions.

NOTE:

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 re-assessed 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.

Source: Orange County Assessor's Office

Continued

CITY OF FOUNTAIN VALLEY
 Assessed and Estimated Actual Values of Taxable Property
 Last Five Fiscal Years

Redevelopment Agency				
Fiscal Year Ended June 30	Secured	Unsecured	Taxable Assessed Value ¹	Total Direct Tax Rate
2004	567,528,686	207,666,993	775,195,679	1.000%
2005	606,513,648	165,788,156	772,301,804	1.000%
2006	631,721,712	151,356,552	783,078,264	1.000%
2007	\$ 667,800,630	\$ 167,311,063	\$ 835,111,693	1.000%
2008	\$ 749,222,135	\$ 156,285,338	\$ 905,507,473	1.000%

CITY OF FOUNTAIN VALLEY
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Ten Fiscal Years

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
City Direct Rates:					
City basic rate	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:					
Fountain Valley El Tax Overfide - 1970 SSBA	0.06490	0.06450	0.06570	0.06570	0.06570
Huntington Beach High Sch 2004 Bond #2004A					
Coast Community College					
Metro Water District	0.00890	0.00890	0.00770	0.00770	0.00770
Orange County					
Huntington Beach High Sch 2004 Bond #2005	N/A	N/A	N/A	N/A	N/A
Huntington Beach High Sch 2004 Bond # 2007	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Direct Rate	<u>1.07380</u>	<u>1.07340</u>	<u>1.07340</u>	<u>1.07340</u>	<u>1.07340</u>

NOTE:

In 1978, California voters 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.

Continued

Source: Orange County Assessor's Office

CITY OF FOUNTAIN VALLEY
 Direct and Overlapping Property Tax Rates
 (Rate per \$100 of assessed value)
 Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:					
City basic rate	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:					
Fountain Valley El Tax Overfide -					
1970 SSBA	0.06691	0.06371	0.06588	0.00592	N/A
Huntington Beach High Sch 2004		0.02999	0.02388	0.02197	0.02366
Bond #2004A					
Coast Community College	0.00051	0.01383	0.01545	0.01599	0.01472
Metro Water District	0.00610	0.01371	0.00520	0.00470	0.00430
Orange County					
Huntington Beach High Sch 2004					
Bond # 2005	N/A	0.00580	0.00151	0.00008	0.00232
Huntington Beach High Sch 2004					
Bond # 2007	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>0.00024</u>
Total Direct Rate	<u><u>1.07352</u></u>	<u><u>1.12704</u></u>	<u><u>1.11192</u></u>	<u><u>1.04866</u></u>	<u><u>1.04524</u></u>

CITY OF FOUNTAIN VALLEY
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Orange Coast Memorial	\$ 83,298,709	1.26%	\$ 62,409,551	1.94%
Fountain Valley City Center LLC	77,942,688	1.18%		N/A
Shea Center Crystal Springs	38,565,540	0.58%		N/A
Fountain Valley Regional Hospital	38,129,366	0.58%	128,983,927	4.02%
US Millennium Limited Partnership	35,949,186	0.55%		N/A
Kawaguchi Enterprises Limited Partnesl	30,715,222	0.47%		N/A
Shea Center Corte Bella LLC	29,674,016	0.45%		N/A
BRE Properties	27,721,939	0.42%		N/A
KB Home Coastal Inc.	25,193,955	0.38%		N/A
Valentine M. Callens Trust	24,474,117	0.37%		N/A
Carmel Village Partners Limited Ptr.	22,596,411	0.34%		N/A
Gluckstein Fountainvalley Plaza	20,244,489	0.31%		N/A
SP Fountain Valley LLC	19,569,038	0.30%		N/A
ASN Multifamily Limited Ptr.	19,559,551	0.30%		N/A
	<u>\$ 493,634,227</u>	<u>7.49%</u>	<u>\$ 191,393,478</u>	<u>5.96%</u>

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

Source: Orange County Assessor's Office

CITY OF FOUNTAIN VALLEY
Property Tax Levies and Collections
Last Seven 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
2002	5,231,901	5,328,352	101.84%	74,954	5,403,306	103.28%
2003	5,435,974	5,409,312	99.51%	70,446	5,479,757	100.81%
2004	5,871,963	5,814,093	99.01%	60,418	5,874,511	100.04%
2005	6,523,530	6,467,157	99.14%	68,976	6,536,133	100.19%
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%	87,073	7,588,139	99.88%
2008	8,449,522	8,353,866	98.87%	184,848	8,538,714	101.06%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Source: Orange County Auditor Controller's Office

CITY OF FOUNTAIN VALLEY
Ratios of Outstanding Debt by Type
Last Five Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	Leases Payable	Tax Allocation Bonds	Note Payable	Certificates of Participation ¹	
2004	1,205,635	17,945,000	16,788,410	\$ 13,270,000	49,209,045
2005	1,051,985	16,755,000	17,369,995	12,925,000	48,101,980
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

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

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.

* Data not readily available.

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

CITY OF FOUNTAIN VALLEY
Ratios of Outstanding Debt by Type
Last Five Fiscal Years

Fiscal Year Ended June 30	Business-type Activities Loans Payable	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
2004	964,639	50,173,684	43%	892
2005	928,040	49,030,020	39%	868
2006	890,160	47,611,604	*	833
2007	850,955	45,677,557	*	796
2008	810,377	45,628,941	*	794

CITY OF FOUNTAIN VALLEY
Ratio of General Bonded Debt Outstanding
Last Five Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds	Percent of Assessed Value ¹	Per Capita
2004	17,945,000	0.37%	319
2005	16,755,000	0.32%	297
2006	15,520,000	0.28%	272
2007	14,235,000	0.23%	248
2008	11,635,000	0.18%	202

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

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

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

CITY OF FOUNTAIN VALLEY
Direct and Overlapping Bonded Debt and Debt Ratios

June 30, 2008

200-2008 City Assessed Valuation	\$	6,594,781,370
Redevelopment Agency Incremental Valuation		1,017,704,934
Adjusted Total Assessed Valuation	\$	5,577,076,436

	% Applicable (1)	Total Debt Debt 6/30/08	City's Share of Debt 06/30/2008
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Orange County Teeter Plan Obligations	1.517%	\$ 123,725,000	\$ 1,876,908
Metropolitan Water District	0.315%	327,215,000	1,030,727
Coast Community College District	6.404%	347,758,867	22,270,478
Rancho Santiago Community College District	0.367%	321,779,339	1,180,930
Huntington Beach Union High School District	12.215%	232,274,998	28,372,391
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		1,352,753,204	54,731,435

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Orange County General Fund Obligations	1.517%	532,326,000	8,075,385
Orange County Pension Obligations	1.517%	72,729,867	1,103,312
Orange County Board of Education Certificates of Participation	1.517%	19,590,000	297,180
Municipal Water District of Orange County Water Facilities Corporation	1.800%	19,295,000	347,310
Orange County Sanitation District Certificates of Participation	2.142%	104,240,000	2,232,821
Huntington Beach Union High School District Certificates of Participation	12.215%	52,051,000	6,358,041
Fountain Valley School District Certificates of Participation	70.399%	13,740,000	9,672,823
Ocean View School District Certificates of Participation	1.072%	8,190,000	87,797
City of Fountain Valley Certificates of Participation	100.000%	11,635,000	11,635,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			39,809,669
Less: MWDOC Water Facilities Corporation (100% self-supporting)			347,310
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 39,462,359
GROSS COMBINED TOTAL DEBT			\$ 94,541,104 ²
NET COMBINED TOTAL DEBT			\$ 94,193,794

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Ratios to 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....0.83%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$11,635,000).....0.21%

Gross Combined Total Debt.....1.70%

Net Combined Total Debt.....1.69%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0
YV: (\$425)

CITY OF FOUNTAIN VALLEY
 Legal Debt Margin Information
 Last Five Fiscal Years

	2007	2008
Assessed valuation	\$ 6,072,186,227	\$ 6,594,781,370
Debt limit percentage	15%	15%
Debt limit	910,827,934	989,217,206
Total net debt applicable to limit: General obligation bonds		
Legal debt margin	\$ 910,827,934	\$ 989,217,206
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%

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

Source: City Finance Department
 Orange County Tax Assessor's Office

CITY OF FOUNTAIN VALLEY

Pledged-Revenue Coverage

Last Four Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds			Coverage
	Tax Increment	Debt Service		
		Principal	Interest	
2005	5,760,653	1,190,000	773,898	2.93
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

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

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

CITY OF FOUNTAIN VALLEY
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1999	56,174	96288	34194	2.7%
2000	56,919	106004	37103	2.9%
2001	55,276	109010	37645	3.2%
2002	55,736	111205	37981	4.1%
2003	56,268	116238	39268	3.9%
2004	56,468	124854	41868	3.5%
2005	57,149	133032	44453	3.1%
2006	57,405	140700	45638	3.0%
2007	57,475	147800	45969	4.8%
2008	57,925	155300	46824	7.7%

Sources:

- (1) State Department of Finance/ 2008 U.S Bureau of Labor Statistics: City of F.V.
- (2) California Dept. of Transportation-Division of Planning (data shown is forecasted for Orange County)
- (3) State of California Employment Development Department/U.S. Bureau of Labor Statistics

CITY OF FOUNTAIN VALLEY
Principal Employers
Current Year and Nine Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Fountain Valley Regional Hospital	1,558	6.16%	1,416	N/A
Orange Coast Memorial Medical Center	1,077	4.26%	634	N/A
Kingston Technology Corporation	924	3.65%	514	N/A
Surefire LLC	555	2.19%	-	N/A
Memorial Health Services	553	2.19%	-	N/A
Ceridian Tax Services Inc.	474	1.87%	-	N/A
Hyundai Motor America	443	1.75%	459	N/A
Costco Wholesale #411	381	1.51%	-	N/A
Fry's Electronics Inc.	349	1.38%	-	N/A
Hyundai Motor Finance	309	1.22%	-	N/A
Sam's Club #6615	259	1.02%	-	N/A
D-Link Systems, Inc.	240	0.95%	-	N/A

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: City of Fountain Valley

CITY OF FOUNTAIN VALLEY

Full-time City Employees
by Department

Last Ten Fiscal Years

Full-Time Employees as of June 30, 2008										
<u>Department</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Administration	4	4	4	4	4	4	4	3	3	3
City Clerk	4	4	4	4	4	4	4	3	3	3
Finance	13	13	13	13	14	14	14	14	15	15
Personnel	4	4	4	4	4	4	4	4	4	4
Planning	9	9	9	9	9	9	9	9	9	9
Public Works	10	10	10	10	10	10	10	10	10	10
Field Services	47	47	47	49	50	50	50	48	48	45
Fire/Building	46	46	47	47	47	50	50	47	47	47
Police	91	91	91	92	92	92	92	90	89	89
Community Services	8	8	8	6	6	6	6	6	6	6
Utilities (Water & Sewer)	14	14	14	14	14	14	14	17	17	21
Total	<u>250</u>	<u>250</u>	<u>251</u>	<u>252</u>	<u>254</u>	<u>257</u>	<u>257</u>	<u>251</u>	<u>251</u>	<u>252</u>

Source: City of Fountain Valley: Finance Department

CITY OF FOUNTAIN VALLEY

Operating Indicators
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2000	2001	2002	2003	2004
Police:					
Arrests	1,751	1,554	1,801	1,884	1,780
Parking citations issued	N/A	N/A	N/A	10,633	10,336
Fire:					
Number of emergency calls	6,407	7,055	7,453	7,298	4,152
Inspections	10,270	9,150	9,000	9,746	11,487
Public works:					
Street resurfacing (miles)	20	17	22	20	24
Parks and recreation:					
Number of recreation classes	865	828	742	742	856
Number of facility rentals	N/A	N/A	N/A	N/A	184
Water:					
New connections	N/A	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	N/A	N/A	N/A	N/A	N/A

Source: City of Fountain Valley

CITY OF FOUNTAIN VALLEY

Operating Indicators
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Police:				
Arrests	1,736	1,764	2,380	2,230
Parking citations issued	11,230	10,134	12,532	11,534
Fire:				
Number of emergency calls	4,142	4,064	4,247	4,661
Inspections	13,700	14,000	16,033	12,890
Public works:				
Street resurfacing (miles)	20	20	22	26
Parks and recreation:				
Number of recreation classes	629	738	752	1,098
Number of facility rentals	151	289	172	184
Water:				
New connections	1,306	1,046	1,119	1,027
Average daily consumption (thousands of gallons)	12,209	12,230	10,340	10,064

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics
by Function

Last Ten Fiscal Years

	Fiscal Year				
	1999	2000	2001	2002	2003
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.00	141.00	141.00	141.00	141.00
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	43	43	45	45	47
Parks and recreation:					
Parks	19	19	19	19	19
Community centers	2	2	2	2	2
Water:					
Water mains (miles)	180.00	180.00	180.00	183.80	183.80
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

**Streetlights are owned by So Cal Edison

Source: City of Fountain Valley

Continued

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.30	141.30	141.30	141.30	141.30
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	49	49	53	52	52
Parks and recreation:					
Parks	19	19	19	19	19
Community centers	2	2	2	2	2
Water:					
Water mains (miles)	183.80	183.80	183.80	184.00	184.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

**Streetlights are owned by So Cal Edison

Source: City of Fountain Valley

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