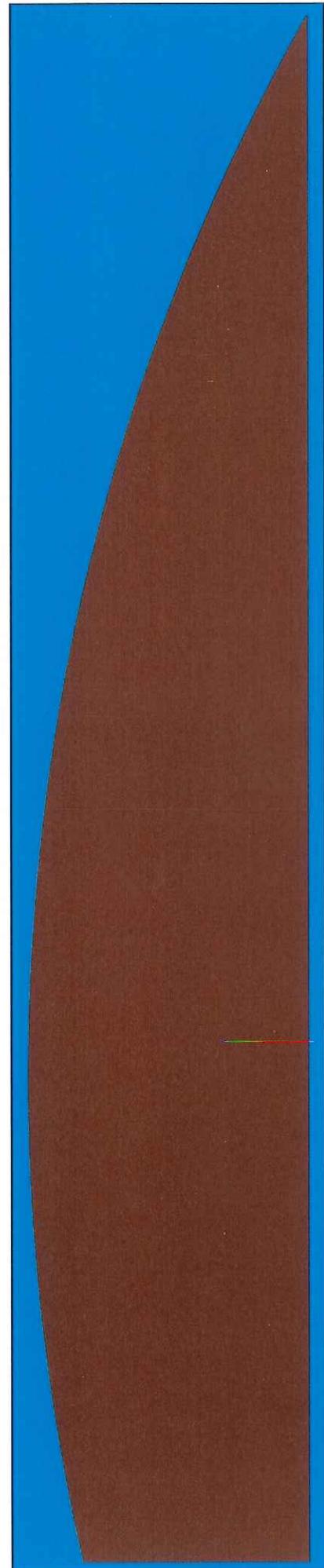


*City of Fountain Valley*

*California*

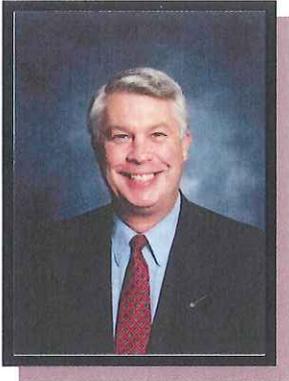
**Comprehensive  
Annual Financial Report  
Fiscal Year Ended  
June 30, 2012**

**Prepared by the Finance Department  
Sherri Holman  
Finance Director/City Treasurer**

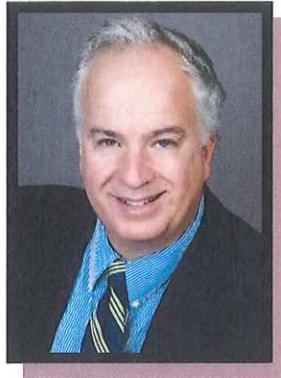


# City Council

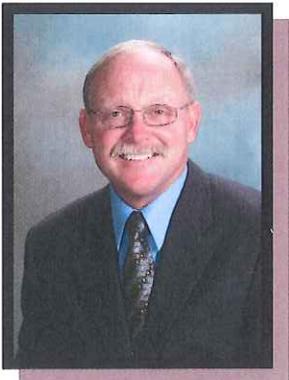
## 2011-2012



John Collins  
Mayor



Mark McCurdy  
Mayor Pro Tempore



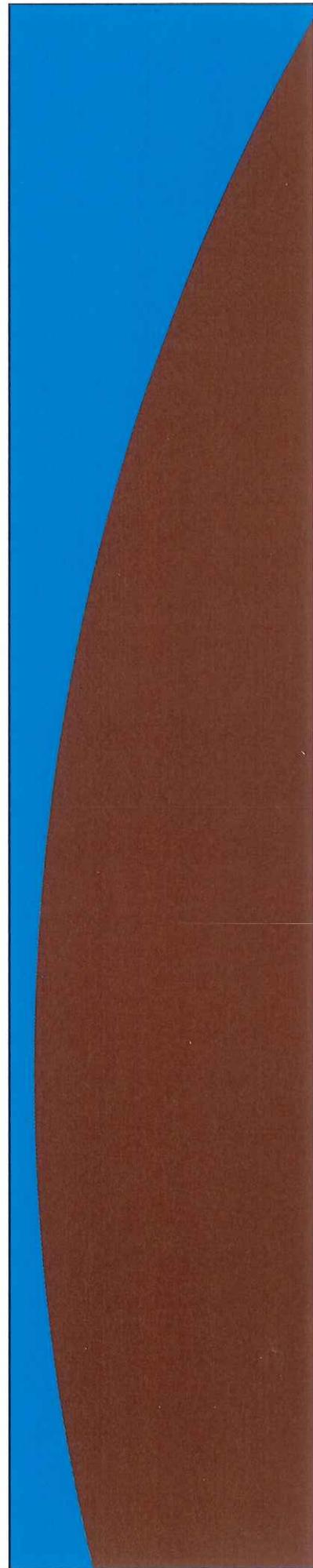
Steve Nagel  
Council Member



Michael Vo  
Council Member



Larry Crandall  
Council Member



CITY OF FOUNTAIN VALLEY  
Comprehensive Annual Financial Report  
Year ended June 30, 2012

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## CITY OF FOUNTAIN VALLEY

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

January 10, 2013

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

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2012, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City of Fountain Valley's financial statements have been audited by 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, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

## ***Reporting Entity***

The reporting entity's (the City of Fountain Valley) financial statements includes all funds of the City as well as its component units. Component units are legally separate entities for which the City is fully accountable. The financial activities of the Fountain Valley Agency for Community Development, the City of Fountain Valley Financing Authority, and the Fountain Valley Housing Authority have been reported as debt service and capital projects funds, as appropriated. Under ABX1 26 that was approved by the legislature on June 28, 2011 all redevelopment agencies were eliminated effective February 1, 2012 therefore activity for the period of July 2011 through January 31, 2012 for the former redevelopment agency is presented in the Governmental Group of Funds and all activity after February 1, 2012 is reported as a Fiduciary Private Purpose Fund.

## ***Governmental Profile***

The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 58,741 and has a land area of 9.75 square miles. It is located in the northern tip of Orange County, California and is bordered by the cities of Santa Ana, Costa Mesa, Huntington Beach, and Westminster. The City is roughly 30 miles southeast of Los Angeles and 90 miles northwest of San Diego. The City has operated under a council-manager form of government since incorporation.

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

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

Commissions and Advisory Committees play an integral role in the governmental structure of Fountain Valley and provide opportunities for citizens to participate in community affairs.

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

### ***Budgetary Control***

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds. Budgetary control for management purposes is maintained as authorized by the Council at the departmental program level within individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. This online real-time system allows each department to ascertain the budget status of a program or project prior to requesting a purchase order and purchase amounts are encumbered as each purchase order is issued to ensure that there are sufficient amounts available in an account prior to the purchase. Purchases that would result in an over-expenditure of the 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, 2012. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's operations.

### ***Economic Outlook & Highlights for the Future***

The City of Fountain Valley is a premier Orange County City that celebrated its fifty-fifth birthday in 2012. It has the reputation of being "A Nice Place to Live", as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambiance is by design and we are mindful of the residential predominance when ascertaining the level of service that will be provided to the community each year.

Recognizing the long range effect that Proposition 13 placed on a predominately residential community in the early eighties, the City began directing its efforts toward creating a viable sales tax base. Faced with the limitations of little remaining developable land, it was understood that it was far too late to consider the construction of a regional commercial mall. However, as it was the emerging era of the big box retailer, Fountain Valley set about becoming the home for big box discount retailers. This strategy has served us well as companies such as Costco,

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

### ***Debt Administration***

The City has always subscribed to a pay as you go philosophy even when it came to large capital projects, sometimes planning ten to fifteen years into the future to accumulate funding for building renovations, or capital improvements. However, with the last State fiscal crises looming on the horizon at the time we completed the design stage for two major projects, the expansion of Mile Square Park Recreation Center and the construction of a Senior/Community Center, a decision was made to explore the possibility of issuing debt as a hedge against losses that we could possibly suffer at the hands of the State Legislature. So, in a very favorable market, with interest rates at an all-time low, the Council voted to issue debt to finance the projects and to pay for the financing with user fees and development fees that had, and would be collected from the new facilities. In July 2003, the Fountain Valley Improvement Authority issued \$13,270,000 Certificates of Participation rated AAA by Standard & Poor's and AAA by Moody's Investor Service.

### ***Housing & Economic Development***

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

#### **Fountain Valley Civic Center**

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

The 88 residential units being developed by the Olson Company are under construction and the

builder has accepted over 25 deposits for sales of the new homes. The development will consist of 61 townhomes and 27 single family homes. It is anticipated that all homes will be completed and sold by the end of 2013.

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

### **Hyundai**

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

### **Yakult**

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

### **Demise of Redevelopment**

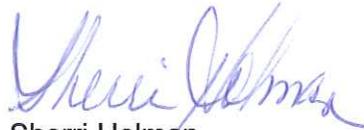
As mentioned earlier in this transmittal on February 1, 2012, the State of California eliminated all redevelopment agencies across the state. The elimination of these agencies removed a very important tool for local communities to attract, sustain and grow economic development. This vital tool provided much of the necessary infrastructure such as water, sewer, and traffic facilities to accommodate new businesses. Another part of redevelopment was the provision of affordable housing. Twenty percent of all tax increment collected was dedicated to affordable housing. Affordable housing programs provided funds to assist low and moderate income homeowners with the means to maintain and improve their homes, thereby preserving neighborhoods throughout the City. The funds also assisted in the development of affordable housing for seniors and other residents of low and moderate income. The loss of this funding source will make it difficult for the City to provide affordable housing to our citizens and economic stimulus for our businesses; steps are being taken by all cities to find an adequate replacement for these funds however; at this time nothing comparable has been found.

## ***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 of the financial operations of the City has allowed the citizens of this community to consistently receive a superior level of service while maintaining a sound financial base from which to operate.

Respectfully submitted,



Sherri Holman

Finance Director/City Treasurer

# City Directory

## Mayor

John Collins

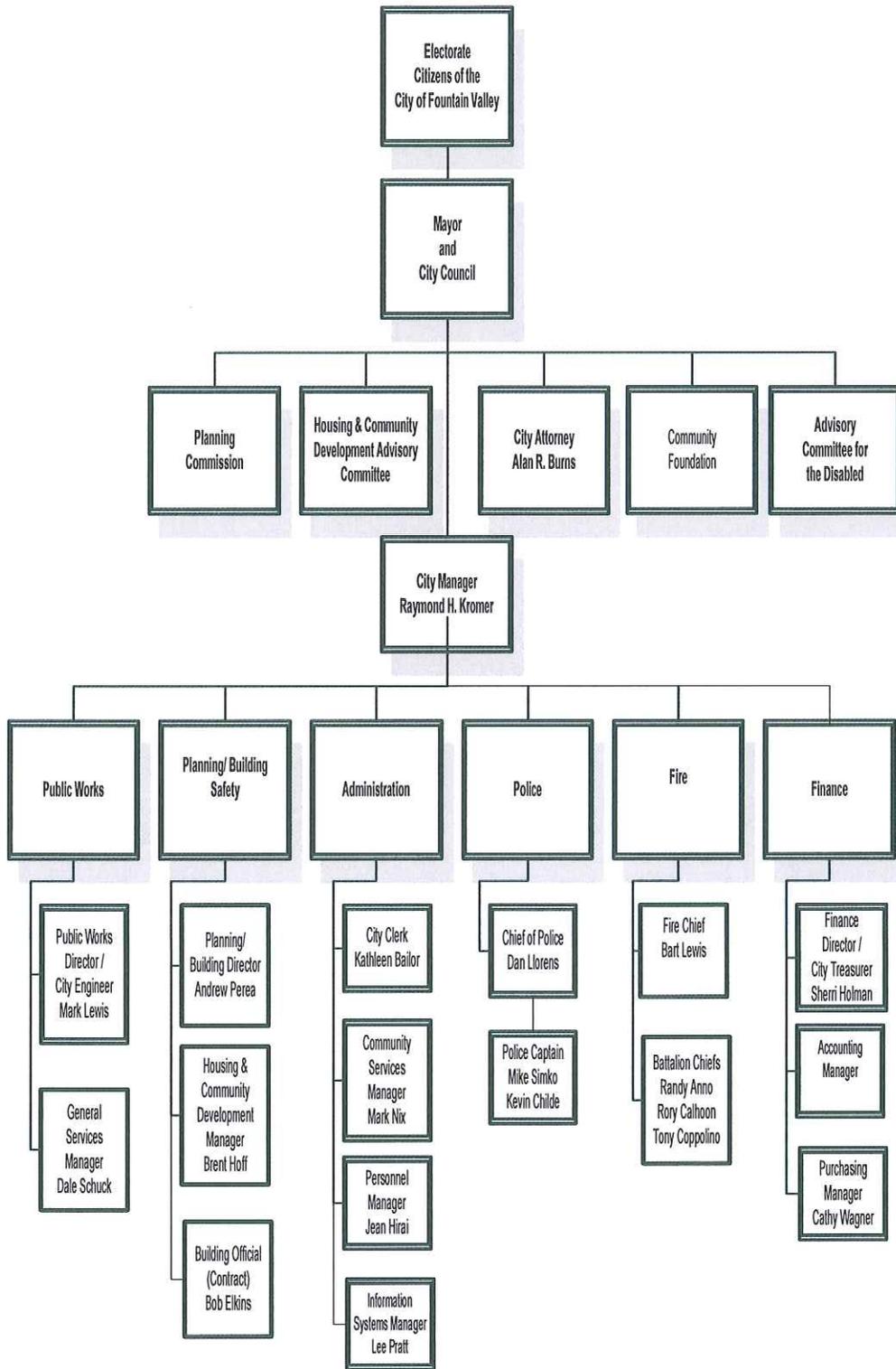
## Council Members

Mark McCurdy	<b>Mayor Pro Tempore</b>
Steve Nagel	<b>Council Member</b>
Michael Vo	<b>Council Member</b>
Larry Crandall	<b>Council Member</b>

## City Officials

Raymond H. Kromer	<b>City Manager</b>
Alan R. Burns	<b>City Attorney</b>
Andrew E. Perea	<b>Planning Director</b>
Mark Lewis	<b>Director of Public Works and City Engineer</b>
Dan Llorens	<b>Chief of Police</b>
Bart Lewis	<b>Fire Chief</b>
Sherri Holman	<b>Finance Director/City Treasurer</b>
Dale Schuck	<b>General Service Manager</b>
Kathleen Bailor	<b>City Clerk/ Part-Time</b>
Mark Nix	<b>Community Services Manager</b>
Jean Hirai	<b>Personnel Manager</b>
Mike Simko	<b>Police Captain</b>
Kevin Childe	<b>Police Captain</b>
Randy Anno	<b>Battalion Chief</b>
Tony Coppelino	<b>Battalion Chief</b>
Rory Calhoon	<b>Battalion Chief</b>
Lee Pratt	<b>Information Systems Manager</b>
Cathy Wagner	<b>Purchasing Manager</b>

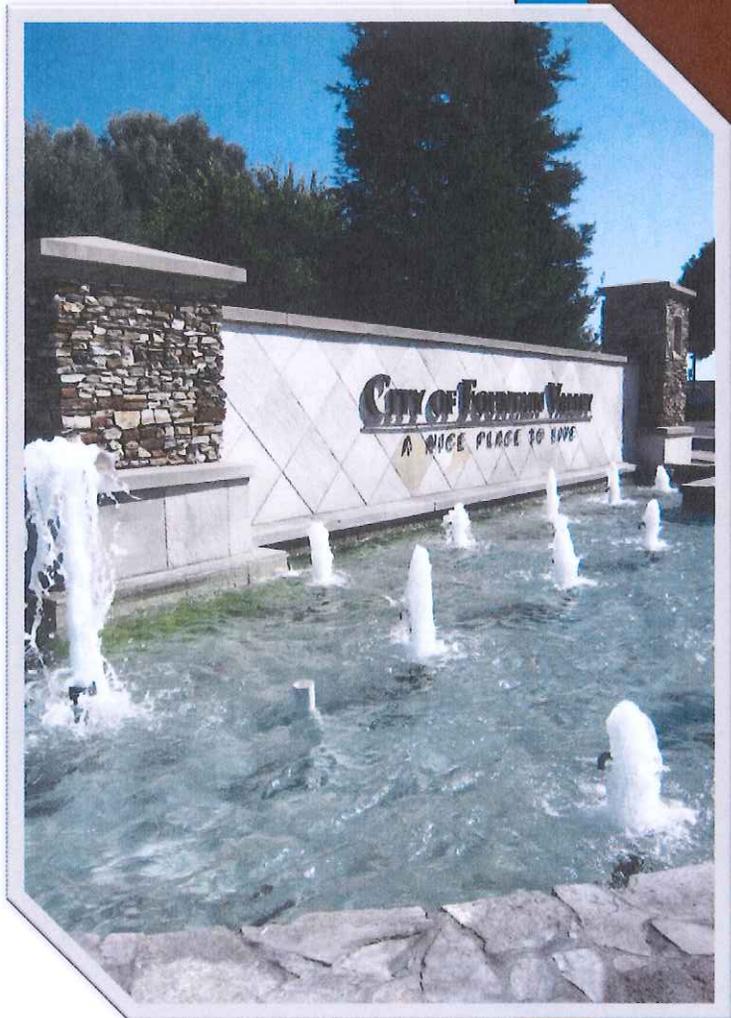
# Organization of the City

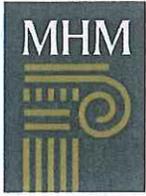


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*City of Fountain Valley*

# *Financial Section*





**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Irvine, California 92612  
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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, 2012, 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, 2011 and in our report dated February 3, 2012 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and budgetary comparison information on pages 3-13 and 63-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements and schedules and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2013 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 McCann P.C.*

Irvine, California  
January 14, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fountain Valley (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fountain Valley for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

During the course of the 2011-2012 fiscal year the legislature introduced and subsequently approved Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. Immediately after passage of the bill the League of California Cities (League) and the California Redevelopment Association (CRA) joined together and filed suit against the State to stop AB1X 26. On December 29, 2011 the California Supreme Court sided with the State and AB1X 26 became law and all redevelopment agencies were dissolved as February 1, 2012. The City of Fountain Valley elected to become the Successor Agency to the former redevelopment agency, thereby agreeing to hold the assets of the former agency until they are distributed to other units of state and local government. Now that the agency has been dissolved and its assets transferred to the successor agency this year's financial statements reflects the loss of \$33,237,247 for the assets that were transferred from the City to the successor agency, these funds are now reported as Private Purpose Trust Funds and are reflected in the financial statement on page 27 and are no longer considered assets of the City. Throughout the document you will see this decrease in assets reflected. It is important to point out that if this abnormality was removed the City's assets for all remaining Funds increased by \$1.8 Million; the majority of this increase is in the City's Water Utility Fund. More information regarding the dissolution of the agency can be found on pages 58 through 62.

The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$190,545,081 (*net assets*). Of this amount, \$62,061,343 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$31,391,125, this is directly attributable to the dissolution of the former redevelopment agency. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70,951,955 a decrease of \$43,354,635 from the prior year, of this amount \$39.8 Million is due to the loss of redevelopment funds. Approximately 54.6 percent of this amount, \$38,784,368 is available for spending at the government's discretion under GASB 54.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Fountain Valley's finances, in a manner similar to a private-sector business. The *statement of net 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 water and solid waste funds.

The *government-wide financial statements* include not only the City itself (known as the *primary government*), but also the legally separate Fountain Valley Housing Authority and the Fountain Valley Financing Authority that function as integral parts of the primary government and have been included in these financial statements. The government-wide financial statements can be found on pages 14-16 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, Housing Authority, Financing Authority, Industrial Redevelopment Area Debt Service Fund, Industrial Redevelopment Area and Housing Set-Aside Capital Projects Funds. Data from the remaining Non-major Governmental Funds are combined into a single, aggregated presentation.

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

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

The basic governmental fund financial statements can be found on pages 17-22 of this report.

### **Proprietary Funds**

A *Proprietary or 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 and solid waste funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste funds, the water fund is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 23-26 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 27-28 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 29-62 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 63-69 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to required supplementary information. Descriptions of the non-major governmental funds along with the combining and individual fund statements and schedules can be found on pages 70-92 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 \$190,545,081 at the close of the fiscal year. 41 percent of the City's net assets reflect cash, investments, accounts receivable and prepaid expenses and 59 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

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	86,139	127,050	6,371	6,689	92,510	133,739
Capital assets	110,247	108,128	13,222	11,626	123,469	119,754
<b>Total Assets</b>	<b>196,386</b>	<b>235,178</b>	<b>19,593</b>	<b>18,315</b>	<b>215,979</b>	<b>253,493</b>
Long-term liabilities						
outstanding	13,607	21,533	650	701	14,257	22,234
Other liabilities	9,523	7,186	1,653	2,137	11,176	9,323
<b>Total Liabilities</b>	<b>23,130</b>	<b>28,719</b>	<b>2,303</b>	<b>2,838</b>	<b>25,433</b>	<b>31,557</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	102,337	92,919	12,542	10,946	114,879	103,865
Restricted	13,605	52,990			13,605	52,990
Unrestricted	57,314	60,550	4,748	4,531	62,062	65,081
<b>Total Net Assets</b>	<b>173,256</b>	<b>206,459</b>	<b>17,290</b>	<b>15,477</b>	<b>190,546</b>	<b>221,936</b>

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 2012, 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.

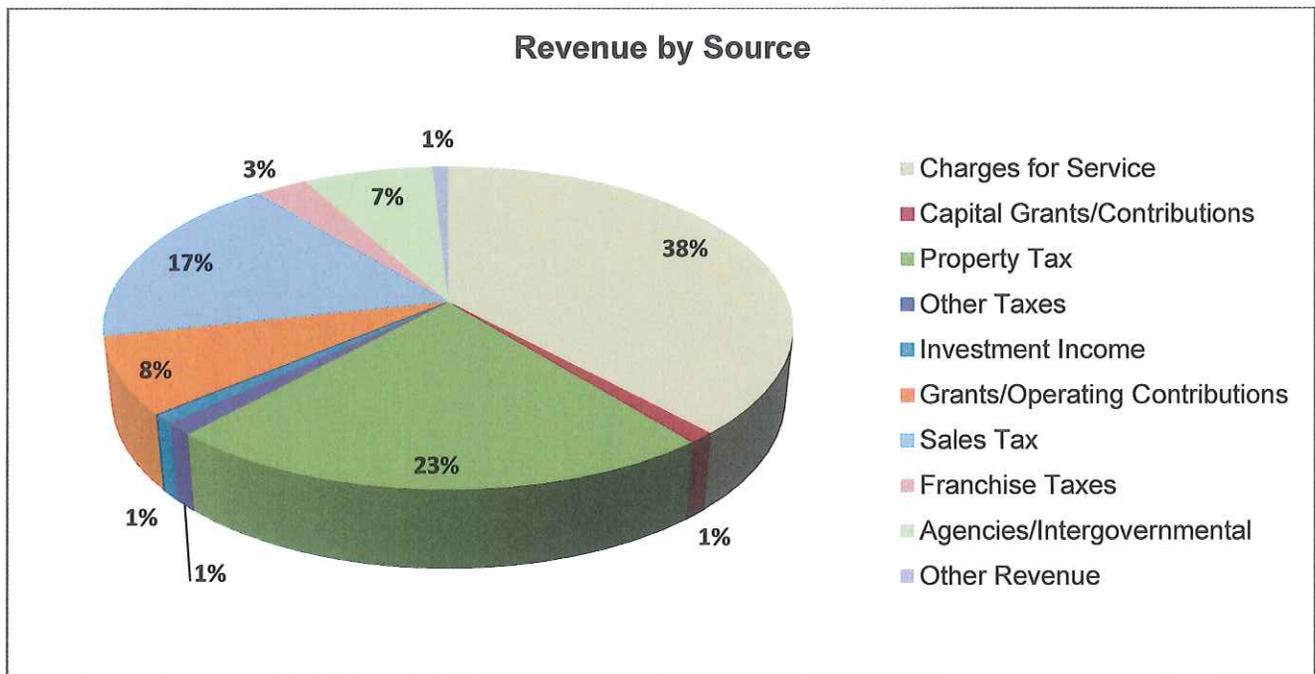
**Governmental Activities**

Governmental activities decreased the City's net assets by \$33,203,639. The key element of this decrease is related to the dissolution of the redevelopment agency other changes are shown of the next page:

## CHANGES IN NET ASSETS

(In thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program Revenues:						
Charges for services	8,748	8,125	15,135	13,558	23,883	21,683
Operating grants and Contributions	4,808	20,307			4,808	20,307
Capital grants and Contributions	685	381			685	381
General Revenues:					0	0
Property taxes	14,083	16,260			14,083	16,260
Franchise taxes	1,776	1,710			1,776	1,710
Sales taxes	10,949	10,328			10,949	10,328
Other taxes	744	732			744	732
Revenues from other Agencies	4,483	4,793			4,483	4,793
Other					0	0
Investment earnings	553	1,223	55	83	608	1,306
Assessments					0	0
Miscellaneous	551	972			551	972
Transfers	824	2,490	(824)	(2,490)	0	0
Gain/(Loss) on sale of property	3	-			3	-
<b>Total Revenues</b>	<b>48,207</b>	<b>67,321</b>	<b>14,366</b>	<b>11,151</b>	<b>62,573</b>	<b>78,472</b>
<b>Expenses:</b>						
General government	3,787	2,288			3,787	2,288
Public safety	26,040	26,635			26,040	26,635
Transportation	10,486	9,535			10,486	9,535
Community development	4,710	4,547			4,710	4,547
Community Services	2,520	2,199			2,520	2,199
Interest and fiscal charges	632	1,059			632	1,059
Water			9,640	9,465	9,640	9,465
Solid Waste			2,912	2,859	2,912	2,859
<b>Total Expenses</b>	<b>48,175</b>	<b>46,263</b>	<b>12,552</b>	<b>12,324</b>	<b>60,727</b>	<b>58,587</b>
Decrease in net assets	(33,204)	21,058	1,813	(1,173)	(31,391)	19,885
Net Assets - July 1	206,459	185,401	15,477	16,650	221,936	202,051
Net Assets - June 30	173,255	206,459	17,290	15,477	190,545	221,936



### 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 close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70,951,955 a decrease of \$43,354,635 from the prior year, as mentioned earlier the majority of the decrease is related to the loss of redevelopment funds. Approximately 17 percent of this amount, \$11,834,432 is not available for spending, \$13,604,848, or 19 percent is unreserved but considered restricted for future commitments and 64 percent, \$45,512,675 is available for spending at the government's discretion within the guidelines of the fund types.

At the end of the current fiscal year, the unassigned fund balance in the general fund, the chief operating fund of the City, was \$38,784,368 and total fund balance was \$40,843,800. This constitutes a decrease of \$1,991,241 from the 2011 fiscal year. The major reason for this decrease is related to an energy efficiency and HVAC upgrade project and those funds came out of capital reserves that had been set-aside in the prior year. If this project was removed from the equation there would have been an increase in the general fund in the amount of \$303,000.

There are three other major funds within the governmental fund accounts. They include the General Fund,

Fountain Valley Housing Authority, and the Fountain Valley Financing Authority.

Fund balance in the Housing Authority Fund at June 30, 2012, was \$7,289,143 an increase of \$278,974, this is directly related payments received on outstanding loans owned by the Housing Authority.

The Financing Authority Fund had a decrease in fund balance of \$485,008 with a total ending fund balance of \$10,664,582. This decrease is attributed to debt service payments made during 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. There are currently two funds in this group, the water utility and sold waste funds.

Total net assets for the Water Utility Fund increased by \$1,637,388 and totaled \$16,758,284 at June 30, 2012, of this amount unrestricted net assets amounted to \$4,216,172. This increase in assets is attributed the addition of Well 9 which was completed and put into operation during the fiscal year. For the fiscal year ended 2012 the Solid Waste Fund had net assets of \$531,394, an increase of \$175,126 from last fiscal year.

### **General Fund Budgetary Highlights**

#### Changes to Original Budget

A detailed budgetary comparison schedule for the year ended June 30, 2012, is presented as required supplementary information following the notes to the financial statements. The final budget amounts are different from those originally adopted by Council. This is due to changes that occurred between the adoption of the 2011-2012 annual budget and the closing of the fiscal year.

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

<u>General Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>
Revenues	\$35,173,760	\$36,444,248	\$1,270,488
Expenditures	\$35,565,021	\$38,558,059	\$2,993,038
Other sources (uses) (\$ 40,368)		\$ 133,876	\$ 174,244

Revenue variances are made up of the following items. During the course of the fiscal year the City secured state and federal grant awards of \$684,000. Citizen donations for Summerfest and Senior Center operations totaled \$90,000. In addition as part of the City's final part of its GASB 54 conversion \$495,900 was transferred from trust and agency funds into the general fund for contract classes, developer fees, and other donations.

The variance in expenditures consist of appropriations for the above mentioned grant and donation expenditures and an additional \$2.2 million in a prior year carry-over for the HVAC and energy efficiency upgrades authorized by Council in May 2011.

Other sources (uses) variances are due to transfers between various fund types for the purchase of hybrid vehicles and road repairs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$123,468,697 (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 3.1 percent, or \$3,715,722 and is related to the addition of Well 9 mentioned earlier.

### CAPITAL ASSETS (net of accumulated depreciation)

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	3,885	3,885	123	123	4,008	4,008
Vehicles and Equipment	1,956	2,086	16	21	1,972	2,107
Furniture and Fixtures	2	2			2	2
Buildings	9,374	9,768	8,406	3,848	17,780	13,616
Construction in Progress	2,613	352	376	3,115	2,989	3,467
Improvements other than Structures	414	452	4,301	4,519	4,715	4,971
Rights of Way	17,948	17,948			17,948	17,948
Infrastructure	74,055	73,634			74,055	73,634
<b>Total</b>	<b>110,247</b>	<b>108,127</b>	<b>13,222</b>	<b>11,626</b>	<b>123,469</b>	<b>119,753</b>

Additional information on the City's capital assets can be found in the notes on pages 45-46 of this report.

## Long-Term Debt

### LEASES, TAX ALLOCATION BONDS, AND NOTES

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Leases Payable	668	899			668	899
Tax Allocation Bonds		8,555				8,555
Certificate of Participation	9,775	10,260			9,775	10,260
Compensated Absences	2,237	2,221	86	90	2,323	2,311
Claims Payable	3,430	3,071			3,430	3,071

Loans Payable			633	680	633	680
Total	16,110	25,006	719	770	16,829	25,776

At year-end, the City had total long term debt outstanding of \$16,829,658; this is a decrease of \$8,946,292. The decrease is attributable to the fact that outstanding debt for 1998 Tax Allocation Bond of the former redevelopment agency was moved to the successor agency and also reflective of debt reduction payments made on other debt of the City. Additional information on the City of Fountain Valley's debt can be found in notes to the financial statements on pages 47-56.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy continues to struggle and growth has been meager and while there are some signs that the economy is improving we are still dealing with record high unemployment rates. The unemployment rate in Orange County at June 30, 2012 was 7.9 percent which represents a decrease of 1.3 percent from the rate of 9.2 percent last year. As of June 30, 2012, California's unemployment rate was 10.7 percent, down 1.4 percent from last year's rate of 12.1 percent. The unemployment rate for the Nation decreased by 1 percent, down from 9.2 percent to 8.2 percent. While these numbers do reflect decent decreases in the unemployment rate they are still not down to what they were prior to the great recession of 2008.

During the fiscal year Sales tax revenues, the City's single largest revenue source steadily increased. Collections at 6/30/2012 were \$620,335, or 6.1% higher than the previous year, however sales tax collections are nowhere near what they were from our 2007/08 high. When preparing the 2012/2013 budget staff projected that Sales tax would only increase from the prior year by 5 percent because there are still so many uncertainties as to our continued economic growth.

Interest rates affect all industries and local government is no exception. The amount of interest income the City can anticipate deriving from the investment of inactive funds in the next year depends on actions taken by the Federal Reserve Board and they react according to trends in the economy. Consequently since the economy is stable but extremely fragile the Fed's have kept rates at historical lows and there seems to be no indication that the market will be returning to "normal" anytime in the near future. As of the end of the fiscal year, investments being offered for governmental entities were yielding about 1 percent on a five year note; this is actually down from last year's rate of 1.25 percent.

As Property Tax revenues continue to perform well in Fountain Valley, we, once again are one of the few cities to see an increase in our assessed values. While our assessed value grew by less than 1 percent and collections for the year were down \$15,610 when compared to last fiscal year. While a decrease is not what we like to see we are still faring much better than many of our surrounding cities.

On June 19, 2012, the Council adopted the 2012-2013 annual operating budget with appropriations totaling \$64,266,603 for the City and an additional \$40,039,738 for the Agency for Community Development, this amount included our estimate of the amount of money that would have to be returned to the county under

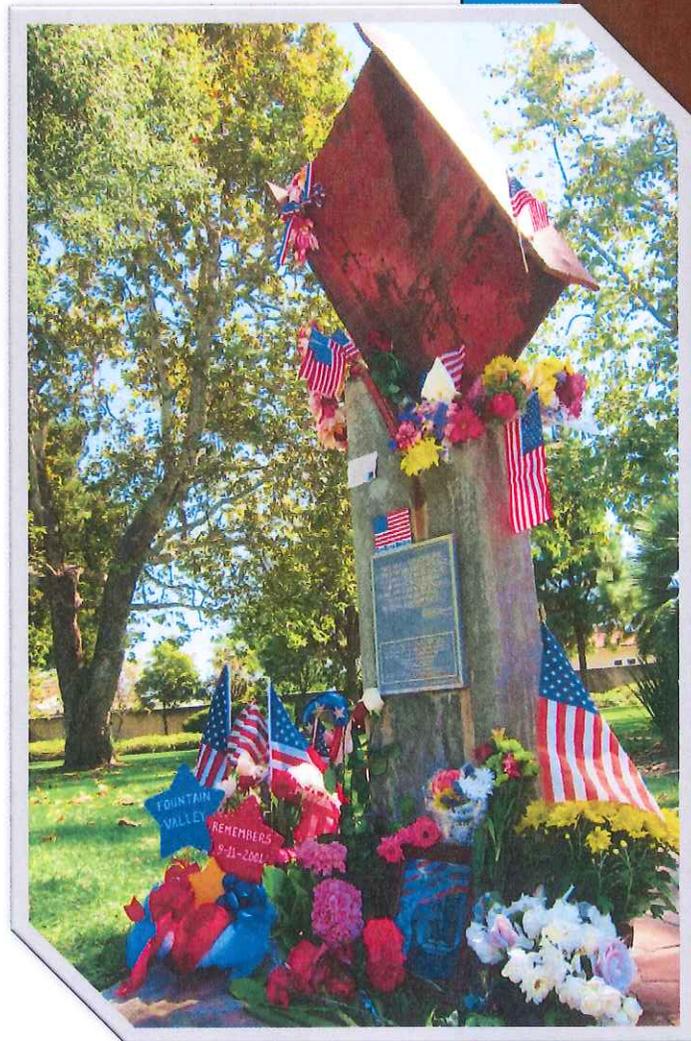
AB1X26. The loss of Agency funds has had and will continue to have a significant impact on the City's General Fund. The exact amount of that impact has yet to be determined as there are a myriad of unanswered questions surrounding the dissolution bill. During the 2011-2012 fiscal year the impact to the general fund was approximately \$1.3 million. As this drama continues to unfold we face more uncertainty as to what the final impact will be to our general fund operating budget and fund balance.

### **Requests for Information**

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

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*City of Fountain Valley*  
*Basic Financial*  
*Statements*



CITY OF FOUNTAIN VALLEY  
Statement of Net Assets  
June 30, 2012

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
<b>Assets:</b>				
Cash and investments (note 2)	\$ 53,847,843	6,466,728	60,314,571	111,571,432
Cash and investment with fiscal agent (note 2)	2,533,774	-	2,533,774	4,702,250
<b>Receivables:</b>				
Accounts	2,723,600	1,788,932	4,512,532	4,011,192
Accrued interest	77,486	-	77,486	209,605
Loans (note 15)	7,792,683	-	7,792,683	8,093,813
Advances to successor agency (note 17)	13,139,450	-	13,139,450	-
Internal balances	1,885,000	(1,885,000)	-	-
Inventories	80,838	-	80,838	80,769
Net OPEB asset (note 10)	112,767	-	112,767	1,129,373
Land held for resale	3,851,917	-	3,851,917	3,851,917
Prepaid expenses	93,594	-	93,594	89,626
<b>Capital assets (note 4):</b>				
Capital assets not depreciated	89,162,029	498,978	89,661,007	88,574,761
Other capital assets, net	21,084,633	12,723,057	33,807,690	31,178,214
<b>Total assets</b>	<b>196,385,614</b>	<b>19,592,695</b>	<b>215,978,309</b>	<b>253,492,952</b>
<b>Liabilities:</b>				
Accounts payable	1,632,351	1,524,669	3,157,020	4,842,054
Accrued wages payable	1,959,302	-	1,959,302	495,852
Accrued interest payable	129,821	-	129,821	363,325
Deposits payable	123,247	59,180	182,427	79,565
Advances from successor agency (note 17)	3,175,000	-	3,175,000	-
<b>Noncurrent liabilities (notes 5 to 9)</b>				
Due within one year	2,503,374	69,031	2,572,405	3,542,656
Due in more than one year	13,607,116	650,137	14,257,253	22,233,294
<b>Total liabilities</b>	<b>23,130,211</b>	<b>2,303,017</b>	<b>25,433,228</b>	<b>31,556,746</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	102,336,778	12,542,112	114,878,890	103,865,056
<b>Restricted for:</b>				
Housing	7,289,143	-	7,289,143	26,630,202
Public safety	1,299,798	-	1,299,798	766,021
Transportation	4,790,068	-	4,790,068	6,126,330
Redevelopment agency	-	-	-	19,408,806
Community development	225,839	-	225,839	58,682
Unrestricted	57,313,777	4,747,566	62,061,343	65,081,109
<b>Total net assets</b>	<b>\$ 173,255,403</b>	<b>17,289,678</b>	<b>190,545,081</b>	<b>221,936,206</b>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Activities  
Year ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 3,786,664	1,542,780	-	-
Public safety	26,039,750	2,402,968	1,368,385	-
Transportation	10,486,308	-	2,666,228	684,777
Community development	4,709,958	3,452,877	650,442	-
Community services	2,520,280	1,349,743	123,378	-
Interest and other charges	631,851	-	-	-
Total governmental activities	<u>48,174,811</u>	<u>8,748,368</u>	<u>4,808,433</u>	<u>684,777</u>
Business-type activities:				
Water	9,640,203	11,913,685	-	-
Solid Waste	<u>2,912,260</u>	<u>3,221,070</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>12,552,463</u>	<u>15,134,755</u>	<u>-</u>	<u>-</u>
	<u>\$ 60,727,274</u>	<u>23,883,123</u>	<u>4,808,433</u>	<u>684,777</u>

General revenues:

Taxes:

  Property taxes

  Sales taxes

  Franchise tax

  Other taxes

Intergovernmental revenues, unrestricted

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

  Total general revenues and transfers

  Extraordinary gain (loss) (note 17)

  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	
		2012	2011
(2,243,884)	-	(2,243,884)	(489,430)
(22,268,397)	-	(22,268,397)	(24,171,697)
(7,135,303)	-	(7,135,303)	(6,273,473)
(606,639)	-	(606,639)	15,244,723
(1,047,159)	-	(1,047,159)	(701,824)
(631,851)	-	(631,851)	(1,058,808)
<u>(33,933,233)</u>	<u>-</u>	<u>(33,933,233)</u>	<u>(17,450,509)</u>
-	2,273,482	2,273,482	1,085,715
-	308,810	308,810	148,874
<u>-</u>	<u>2,582,292</u>	<u>2,582,292</u>	<u>1,234,589</u>
<u>(33,933,233)</u>	<u>2,582,292</u>	<u>(31,350,941)</u>	<u>(16,215,920)</u>
14,083,411	-	14,083,411	16,259,507
10,948,760	-	10,948,760	10,328,426
1,775,922	-	1,775,922	1,710,195
744,079	-	744,079	732,375
4,483,017	-	4,483,017	4,792,704
552,828	54,604	607,432	1,305,356
3,612	-	3,612	577
550,830	-	550,830	971,776
824,382	(824,382)	-	-
<u>33,966,841</u>	<u>(769,778)</u>	<u>33,197,063</u>	<u>36,100,916</u>
<u>(33,237,247)</u>	<u>-</u>	<u>(33,237,247)</u>	<u>-</u>
(33,203,639)	1,812,514	(31,391,125)	19,884,996
<u>206,459,042</u>	<u>15,477,164</u>	<u>221,936,206</u>	<u>202,051,210</u>
<u>\$ 173,255,403</u>	<u>17,289,678</u>	<u>190,545,081</u>	<u>221,936,206</u>

CITY OF FOUNTAIN VALLEY  
Balance Sheet - Governmental Funds  
June 30, 2012

	General Fund	Special	Debt	
		Revenue Fund	Service Fund	
		Housing Authority	Fountain Valley Financing Authority	Industrial Redevelopment Area
<b>Assets:</b>				
Cash and investments	\$ 39,816,724	3,248,270	-	-
Cash and investments with fiscal agent	-	-	889,582	-
<b>Receivables:</b>				
Accounts	2,088,934	-	-	-
Accrued interest	77,486	-	-	-
Loans/notes	-	7,510,757	-	-
Due from other funds (note 3)	2,442	-	-	-
Advances to other funds (note 14)	1,885,000	-	-	-
Advances to successor agency	-	3,364,450	9,775,000	-
Inventory	80,838	-	-	-
Land held for resale	-	3,851,917	-	-
Prepaid expenses	93,594	-	-	-
<b>Total assets</b>	<b>\$ 44,045,018</b>	<b>17,975,394</b>	<b>10,664,582</b>	<b>-</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 991,639	494	-	-
Accrued wages payable	1,959,302	-	-	-
Deposits payable	121,478	-	-	-
Due to other funds (note 3)	-	-	-	-
Deferred revenue	128,799	7,510,757	-	-
Advances from other funds (note 14)	-	-	-	-
Advances from successor agency	-	3,175,000	-	-
<b>Total liabilities</b>	<b>3,201,218</b>	<b>10,686,251</b>	<b>-</b>	<b>-</b>
<b>Fund balance:</b>				
<b>Nonspendable:</b>				
Inventory	80,838	-	-	-
Prepaid expenses	93,594	-	-	-
Advances	1,885,000	-	9,775,000	-
<b>Restricted for:</b>				
Public safety	-	-	-	-
Transportation	-	-	-	-
Housing	-	7,289,143	-	-
Community development	-	-	-	-
Assigned	-	-	889,582	-
Unassigned	38,784,368	-	-	-
<b>Total fund balance</b>	<b>40,843,800</b>	<b>7,289,143</b>	<b>10,664,582</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 44,045,018</b>	<b>17,975,394</b>	<b>10,664,582</b>	<b>-</b>

See accompanying notes to the basic financial statements.

<u>Capital Projects Funds</u>				
<u>Industrial Redevelopment Area</u>	<u>Housing Set-Aside</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	
			<u>2012</u>	<u>2011</u>
-	-	10,782,849	53,847,843	103,884,227
-	-	1,644,192	2,533,774	4,702,250
-	-	634,666	2,723,600	2,909,582
-	-	-	77,486	209,605
-	-	281,926	7,792,683	8,093,813
-	-	-	2,442	136,699
-	-	-	1,885,000	18,900,450
-	-	-	13,139,450	-
-	-	-	80,838	80,769
-	-	-	3,851,917	3,851,917
-	-	-	93,594	89,626
<u>-</u>	<u>-</u>	<u>13,343,633</u>	<u>86,028,627</u>	<u>142,858,938</u>
-	-	640,218	1,632,351	2,853,096
-	-	-	1,959,302	495,852
-	-	1,769	123,247	-
-	-	2,442	2,442	138,390
-	-	544,774	8,184,330	8,265,560
-	-	-	-	16,799,450
-	-	-	3,175,000	-
<u>-</u>	<u>-</u>	<u>1,189,203</u>	<u>15,076,672</u>	<u>28,552,348</u>
-	-	-	80,838	80,769
-	-	-	93,594	89,626
-	-	-	11,660,000	12,361,000
-	-	1,224,145	1,224,145	766,021
-	-	4,865,721	4,865,721	6,126,330
-	-	181,996	7,471,139	22,676,810
-	-	43,843	43,843	24,399,226
-	-	5,838,725	6,728,307	7,243,162
-	-	-	38,784,368	40,563,646
<u>-</u>	<u>-</u>	<u>12,154,430</u>	<u>70,951,955</u>	<u>114,306,590</u>
<u>-</u>	<u>-</u>	<u>13,343,633</u>	<u>86,028,627</u>	<u>142,858,938</u>

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CITY OF FOUNTAIN VALLEY  
Governmental Funds

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

June 30, 2012

	2012	2011
Fund balances of governmental funds	\$ 70,951,955	114,306,590
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	138,056,803	134,305,599
Accumulated depreciation	(27,810,141)	(26,178,454)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(13,873,626)	(22,785,577)
Compensated absences	(2,236,864)	(2,220,724)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(129,821)	(363,325)
Net OPEB asset is not recorded under the modified accrual basis of accounting.	112,767	1,129,373
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	8,184,330	8,265,560
Net assets of governmental activities	\$ 173,255,403	206,459,042

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, 2012

	General Fund	Special	Debt	
		Revenue Fund	Service Fund	
		Housing Authority	Fountain Valley Financing Authority	Industrial Redevelopment Area
Revenues:				
Taxes	\$ 22,245,344	-	-	4,245,463
Licenses and permits	1,662,420	-	-	-
Fines and penalties	771,860	-	-	-
Investment income	348,139	151,150	42	6,845
Rental income	1,445,466	-	-	-
Intergovernmental	4,923,194	-	-	-
Charges for services	4,140,942	-	-	-
Miscellaneous	1,260,128	70,345	194,703	-
<b>Total revenues</b>	<b>36,797,493</b>	<b>221,495</b>	<b>194,745</b>	<b>4,252,308</b>
Expenditures:				
Current:				
General government	2,545,492	-	-	-
Public safety	24,546,833	-	-	-
Transportation	4,675,047	-	-	-
Community development	2,212,748	156,971	-	-
Community services	2,210,012	-	-	-
Capital outlay	2,571,634	-	-	-
Debt service:				
Principal	230,397	-	485,000	1,570,000
Interest	9,842	-	396,736	392,380
<b>Total expenditures</b>	<b>39,002,005</b>	<b>156,971</b>	<b>881,736</b>	<b>1,962,380</b>
Excess (deficiency) of revenues over (under) expenditures	(2,204,512)	64,524	(686,991)	2,289,928
Other financing sources (uses):				
Transfers in (note 13)	667,650	-	201,983	-
Transfers out (note 13)	(454,379)	-	-	(201,983)
<b>Total other financing sources (uses)</b>	<b>213,271</b>	<b>-</b>	<b>201,983</b>	<b>(201,983)</b>
Extraordinary gain (loss) (note 17)	-	214,450	-	(23,670,687)
<b>Net change in fund balances</b>	<b>(1,991,241)</b>	<b>278,974</b>	<b>(485,008)</b>	<b>(21,582,742)</b>
Fund balances at beginning of year	42,835,041	7,010,169	11,149,590	21,582,742
<b>Fund balances at end of year</b>	<b>\$ 40,843,800</b>	<b>7,289,143</b>	<b>10,664,582</b>	<b>-</b>

See accompanying notes to the basic financial statements.

Capital Projects Funds				
Industrial Redevelopment Area	Housing Set-Aside	Non-Major Governmental Funds	Total Governmental Funds	
			2012	2011
-	1,061,365	-	27,552,172	30,796,616
-	-	-	1,662,420	1,597,034
-	-	-	771,860	915,314
186,906	16,214	91,500	800,796	1,219,533
-	-	-	1,445,466	1,488,521
-	-	4,392,958	9,316,152	8,798,365
-	-	1,906,771	6,047,713	5,213,090
-	234,896	32,319	1,792,391	2,623,945
<u>186,906</u>	<u>1,312,475</u>	<u>6,423,548</u>	<u>49,388,970</u>	<u>52,652,418</u>
752,696	39,320	-	3,337,508	4,431,120
-	-	250,281	24,797,114	28,612,844
-	-	5,178,555	9,853,602	9,011,091
205,562	183,579	1,127,106	3,885,966	6,546,579
-	-	39,841	2,249,853	2,014,282
-	-	1,575,608	4,147,242	1,047,498
-	-	-	2,285,397	2,205,258
-	-	-	798,958	1,103,263
<u>958,258</u>	<u>222,899</u>	<u>8,171,391</u>	<u>51,355,640</u>	<u>54,971,935</u>
<u>(771,352)</u>	<u>1,089,576</u>	<u>(1,747,843)</u>	<u>(1,966,670)</u>	<u>(2,319,517)</u>
-	-	1,170,405	2,040,038	16,787,826
<u>(1,535,122)</u>	<u>-</u>	<u>(753,172)</u>	<u>(2,944,656)</u>	<u>(16,003,210)</u>
<u>(1,535,122)</u>	<u>-</u>	<u>417,233</u>	<u>(904,618)</u>	<u>784,616</u>
<u>(4,303,245)</u>	<u>(12,723,865)</u>	<u>-</u>	<u>(40,483,347)</u>	<u>-</u>
<u>(6,609,719)</u>	<u>(11,634,289)</u>	<u>(1,330,610)</u>	<u>(43,354,635)</u>	<u>(1,534,901)</u>
<u>6,609,719</u>	<u>11,634,289</u>	<u>13,485,040</u>	<u>114,306,590</u>	<u>115,841,491</u>
<u>-</u>	<u>-</u>	<u>12,154,430</u>	<u>70,951,955</u>	<u>114,306,590</u>

CITY OF FOUNTAIN VALLEY

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

Year ended June 30, 2012

	<u>2012</u>	<u>2011</u>
Net changes in fund balances - total governmental funds	\$ (43,354,635)	(1,534,901)
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	4,173,878	1,477,749
Depreciation expense	(2,049,458)	(1,453,165)
Disposal of capital assets	(4,903)	(53,803)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,285,397	2,205,258
Forgiveness of loan payable is not recorded in governmental funds but reduces long-term liabilities in the statement of net assets.	-	16,536,398
The statement of net assets includes accrued interest on long term debt.	(27,596)	44,455
To record as an expense (reduction of expense) the net change in claims and judgments payable in the statement of activities.	(358,446)	97,161
To record as an expense (reduction of expense) the net change in compensated absences in the statement of activities.	(16,140)	127,317
To record as an expense (reduction of expense) the net change in other post employment benefits in the statement of activities.	(1,016,606)	4,005,027
Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.	(81,230)	(393,876)
Adjustment to extraordinary gain (loss) associated with dissolution of the redevelopment agency to account for differences between modified-accrual and full accrual basis of accounting for:		
Long-term liabilities	6,985,000	-
Interest payable	261,100	-
Change in net assets of governmental activities	<u>\$ (33,203,639)</u>	<u>21,057,620</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Net Assets - Proprietary Funds  
June 30, 2012

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 6,056,105	410,623	6,466,728	7,687,205
Accounts receivable	1,425,028	363,904	1,788,932	1,101,610
Due from other funds (note 3)	-	-	-	1,691
Noncurrent assets:				
Capital assets:				
Capital assets not depreciated	498,978	-	498,978	3,237,804
Other capital assets, net	<u>12,723,057</u>	<u>-</u>	<u>12,723,057</u>	<u>8,388,026</u>
Total assets	<u>20,703,168</u>	<u>774,527</u>	<u>21,477,695</u>	<u>20,416,336</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	1,281,536	243,133	1,524,669	1,988,958
Deposits payable	59,180	-	59,180	79,565
Advances from other funds (note 14)	1,885,000	-	1,885,000	2,101,000
Non-current liabilities:				
Due within one year	69,031	-	69,031	69,031
Due beyond one year	<u>650,137</u>	<u>-</u>	<u>650,137</u>	<u>700,618</u>
Total liabilities	<u>3,944,884</u>	<u>243,133</u>	<u>4,188,017</u>	<u>4,939,172</u>
Net assets:				
Invested in capital assets, net of related debt	12,542,112	-	12,542,112	10,945,907
Unrestricted	<u>4,216,172</u>	<u>531,394</u>	<u>4,747,566</u>	<u>4,531,257</u>
Total net assets	<u>\$ 16,758,284</u>	<u>531,394</u>	<u>17,289,678</u>	<u>15,477,164</u>

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, 2012

	Water Utility	Solid Waste	Totals	
			2012	2011
Operating revenues:				
Charges for services	\$ 11,883,938	3,221,070	15,105,008	13,536,847
Miscellaneous	29,747	-	29,747	21,128
Total operating revenues	<u>11,913,685</u>	<u>3,221,070</u>	<u>15,134,755</u>	<u>13,557,975</u>
Operating expenses:				
Utility administration	771,486	-	771,486	1,079,780
Contract services	-	2,912,260	2,912,260	2,859,051
Pumping and maintenance	1,273,859	-	1,273,859	1,130,070
Water treatment	8,504,882	-	8,504,882	8,309,043
Depreciation	679,179	-	679,179	488,848
Total operating expenses	<u>11,229,406</u>	<u>2,912,260</u>	<u>14,141,666</u>	<u>13,866,792</u>
Operating income (loss)	<u>684,279</u>	<u>308,810</u>	<u>993,089</u>	<u>(308,817)</u>
Nonoperating revenues (expenses):				
Investment income	54,604	-	54,604	82,403
Interest expense	(139,797)	-	(139,797)	(161,594)
Total nonoperating revenues (expenses)	<u>(85,193)</u>	<u>-</u>	<u>(85,193)</u>	<u>(79,191)</u>
Income (loss) before transfers and capital contributions	599,086	308,810	907,896	(388,008)
Transfers in (note 14)	1,236,262	-	1,236,262	163,852
Transfers out (note 14)	<u>(197,960)</u>	<u>(133,684)</u>	<u>(331,644)</u>	<u>(948,468)</u>
Change in net assets	1,637,388	175,126	1,812,514	(1,172,624)
Net assets at beginning of year	<u>15,120,896</u>	<u>356,268</u>	<u>15,477,164</u>	<u>16,649,788</u>
Net assets at end of year	<u>\$ 16,758,284</u>	<u>531,394</u>	<u>17,289,678</u>	<u>15,477,164</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Cash Flows - Proprietary Fund  
Year ended June 30, 2012

	Water Utility	Solid Waste	Totals	
			2012	2011
Cash flows from operating activities:				
Cash received from customers	\$ 11,357,730	3,069,318	14,427,048	13,372,640
Cash payments to suppliers for goods and services	(8,682,885)	(2,912,356)	(11,595,241)	(10,728,179)
Cash payments to employees for services	(2,335,452)	-	(2,335,452)	(2,189,458)
Net cash provided by (used for) operating activities:	<u>339,393</u>	<u>156,962</u>	<u>496,355</u>	<u>455,003</u>
Cash flows from noncapital financing activities:				
Cash paid to other funds	(413,960)	(133,684)	(547,644)	(1,153,468)
Cash received from other funds	<u>1,237,953</u>	<u>-</u>	<u>1,237,953</u>	<u>164,975</u>
Net cash provided by (used for) noncapital financing activities	<u>823,993</u>	<u>(133,684)</u>	<u>690,309</u>	<u>(988,493)</u>
Cash flows from capital and related financing activities:				
Cash paid for acquisition and construction of capital assets	(2,275,384)	-	(2,275,384)	(910,752)
Interest paid on debt	(139,797)	-	(139,797)	(161,594)
Principal paid on debt	<u>(46,564)</u>	<u>-</u>	<u>(46,564)</u>	<u>(44,989)</u>
Net cash provided by (used for) capital and related financing activities	<u>(2,461,745)</u>	<u>-</u>	<u>(2,461,745)</u>	<u>(1,117,335)</u>
Cash flows from investing activities:				
Interest received on investments	<u>54,604</u>	<u>-</u>	<u>54,604</u>	<u>82,403</u>
Net cash provided by (used for) investing activities	<u>54,604</u>	<u>-</u>	<u>54,604</u>	<u>82,403</u>
Net increase (decrease) in cash and cash equivalents	(1,243,755)	23,278	(1,220,477)	(1,568,422)
Cash and cash equivalents at beginning of year	<u>7,299,860</u>	<u>387,345</u>	<u>7,687,205</u>	<u>9,255,627</u>
Cash and cash equivalents at end of year	<u>\$ 6,056,105</u>	<u>410,623</u>	<u>6,466,728</u>	<u>7,687,205</u>

(Continued)

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

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 684,279	308,810	993,089	(308,817)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	679,179	-	679,179	488,848
(Increase) decrease in accounts receivable	(535,570)	(151,752)	(687,322)	(218,055)
Increase (decrease) in accounts payable	(464,193)	(96)	(464,289)	490,280
Increase (decrease) in deposits payable	(20,385)	-	(20,385)	32,720
Increase (decrease) in compensated absences	(3,917)	-	(3,917)	(29,973)
Total adjustments	<u>(344,886)</u>	<u>(151,848)</u>	<u>(496,734)</u>	<u>763,820</u>
Net cash provided by (used for) operating activities	<u>\$ 339,393</u>	<u>156,962</u>	<u>496,355</u>	<u>455,003</u>

There were no noncash investing and financing activities during the years ended June 30, 2012 and 2011.

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Fiduciary Net Assets  
June 30, 2012

	Private Purpose		Totals	
	<u>Trust Funds</u>	<u>Agency Funds</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>				
Cash and investments (note 2)	\$ 49,763,917	886,757	50,650,674	805,986
Cash and investments with fiscal agent (note 2)	2,115,554	-	2,115,554	-
Receivables:				
Accrued interest	48,398	-	48,398	-
Advances to Housing Authority	<u>3,175,000</u>	<u>-</u>	<u>3,175,000</u>	<u>-</u>
 Total assets	 <u>\$ 55,102,869</u>	 <u>886,757</u>	 <u>55,989,626</u>	 <u>805,986</u>
<u>Liabilities and Net Assets</u>				
Accounts payable	364,820	-	364,820	-
Deposits payable	-	886,757	886,757	805,986
Advances payable to (note 17):				
Housing Authority	3,364,450	-	3,364,450	-
Financing Authority	9,775,000	-	9,775,000	-
Accrued interest payable	291,471	-	291,471	-
Noncurrent liabilities (note 17):			-	-
Due within one year	1,640,000	-	1,640,000	-
Due in more than one year	<u>5,345,000</u>	<u>-</u>	<u>5,345,000</u>	<u>-</u>
 Total liabilities	 <u>20,780,741</u>	 <u>886,757</u>	 <u>21,667,498</u>	 <u>805,986</u>
 Net assets held in trust for Successor Agency	 <u>\$ 34,322,128</u>	 <u>-</u>	 <u>34,322,128</u>	 <u>-</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

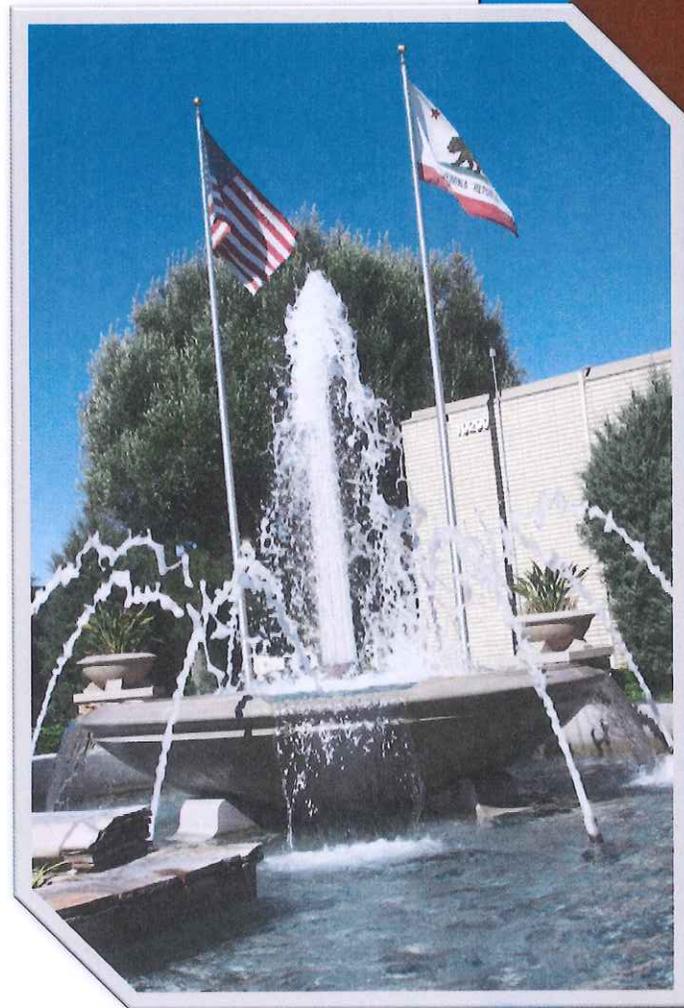
	Private Purpose Trust Funds	
	2012	2011
Revenues:		
Taxes	\$ 2,863,665	-
Investment income (loss)	(56,932)	-
Total revenues	2,806,733	-
Expenses:		
Administrative	305,152	-
Community development	546,132	-
Interest	30,371	-
Pass-through payments	643,686	-
Total expenditures	1,525,341	-
Income (loss) before transfers and extraordinary item	1,281,392	-
Transfers from other trust funds	2,863,665	-
Transfers to other trust funds	(2,863,665)	-
Transfer to City for enforceable obligations	(196,511)	-
Extraordinary gain (loss) (note 17)	33,237,247	-
Total transfers and extraordinary item	33,040,736	-
Changes in fiduciary net assets	34,322,128	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ 34,322,128	-

See accompanying notes to the basic financial statements.

# *City of Fountain Valley*

*Notes to the Basic*

*Financial Statements*



CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

Year ended June 30, 2012

(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. As described further in footnote 16, the Agency was dissolved on January 31, 2012. Separate financial statements are not prepared for the Agency.

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 Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

(c) Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

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

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

(c) Basis of Presentation – Fund Financial Statements, (Continued)

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.

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

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

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

Additionally, the government reports the following fund types:

The *private-purpose trust funds* accounts for the activities of the Successor Agency of the former Fountain Valley Agency for Community Development.

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

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

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

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

(c) Basis of Presentation – Fund Financial Statements, (Continued)

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

(d) Measurement Focus and Basis of Accounting

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

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources* measurement focus and the *modified-accrual basis of accounting*. Revenues are recognized when they become both *measurable* and *available*. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

(d) Measurement Focus and Basis of Accounting, (Continued)

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year end). Other revenue items are considered to be measurable and available when cash is received by the government.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities. Financial reporting for proprietary funds 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.

(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 funds' share in the cash and investment pool of the City of Fountain Valley.

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

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

(f) Cash Equivalents

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 90 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.

(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.

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

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

(j) Employee Leave Benefits, (Continued)

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.

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:

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

(1) Summary of Significant Accounting Policies, (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.

(1) Land Held for Resale

Land held for resale is recorded at the lower of cost of, upon entering into a contract for sale, the estimated realizable value, Fund balances are reserved in amounts equal to the carrying value of land and building held for resale, because such assets are not available to finance the Agency's current operations.

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

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

(m) Fund Balance

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

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

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

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

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

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

(n) Program Revenues

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*.

(o) Proprietary Funds Operating and Nonoperating Revenues and Expenses

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. The principal operating revenues of the Water Utility and Solid Waste Funds are charges to customers for sales and services. Operating expenses for enterprise funds include all cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(p) 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.

(q) Prior Year Data

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

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

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 60,314,571
Cash and investments with fiscal agent	2,533,774
Fiduciary funds:	
Cash and investments	50,650,674
Cash and investments with fiscal agent	<u>2,115,554</u>
Total cash and investments	<u>\$115,614,573</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 28,675
Deposits with financial institutions	39,818,266
Investments	<u>75,767,632</u>
Total cash and investments	<u>\$115,614,573</u>

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.

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

(2) Cash and Investments, (Continued)

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>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.

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</u> <u>Investment Type</u>	<u>Maximum</u> <u>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

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

(2) Cash and Investments, (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
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.

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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Local Agency Investment Fund	\$ 30,148,318	30,148,318	-	-	-
Corporate notes	4,087,720	4,087,720	-	-	-
Federal agency securities	31,788,972	-	9,728,372	22,060,600	-
Money market funds	5,093,292	5,093,292	-	-	-
Held by Fiscal agent:					
Local Agency Investment Fund	1,952,000	1,952,000	-	-	-
Money market funds	<u>2,697,330</u>	<u>2,697,330</u>	-	-	-
<b>Total</b>	<b><u>\$75,767,632</u></b>	<b><u>43,978,660</u></b>	<b><u>9,728,372</u></b>	<b><u>22,060,600</u></b>	<b><u>-</u></b>

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>A</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 30,148,318	N/A	-	-	-	30,148,318
Corporate notes	4,087,720	A	-	-	4,087,720	-
Federal agency securities	31,788,972	N/A	-	31,788,972	-	-
Money market funds	5,093,292	A	5,093,292	-	-	-
Held by Fiscal agent:						
Local Agency Investment Fund	1,952,000	N/A	-	-	-	1,952,000
Money market funds	<u>2,697,330</u>	AAA	<u>2,697,330</u>	-	-	-
<b>Total</b>	<b><u>\$75,767,632</u></b>		<b><u>7,790,622</u></b>	<b><u>31,788,972</u></b>	<b><u>4,087,720</u></b>	<b><u>32,100,318</u></b>

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

(2) Cash and Investments, (Continued)

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 National Mortgage Association	Federal agency securities	\$19,684,652
Federal Home Loan Bank	Federal agency securities	4,026,080
Federal Home Loan Mortgage Corp	Federal agency securities	4,012,560

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.

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

(2) Cash and Investments, (Continued)

Investment in State Investment Pool

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

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2012 are as follows:

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

Interfund balances are the result of short-term borrowings to cover negative cash balances and operating shortages at June 30, 2012.

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

(4) Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Governmental activities:				
Buildings	\$ 17,274,254	-	-	17,274,254
Improvements	752,560	-	-	752,560
Vehicles and equipment	6,222,541	348,806	(422,674)	6,148,673
Furniture and fixtures	6,572	-	-	6,572
Infrastructure (depreciation approach)	<u>24,712,715</u>	<u>-</u>	<u>-</u>	<u>24,712,715</u>
Subtotal	<u>48,968,642</u>	<u>348,806</u>	<u>(422,674)</u>	<u>48,894,774</u>
Less accumulated depreciation:				
Buildings	(7,505,999)	(393,915)	-	(7,899,914)
Improvements	(301,024)	(37,628)	-	(338,652)
Vehicles and equipment	(4,136,352)	(474,223)	417,771	(4,192,804)
Furniture and fixtures	(4,931)	(548)	-	(5,479)
Infrastructure	<u>(14,230,148)</u>	<u>(1,143,144)</u>	<u>-</u>	<u>(15,373,292)</u>
Total accumulated depreciation	<u>(26,178,454)</u>	<u>(2,049,458)</u>	<u>417,771</u>	<u>(27,810,141)</u>
Net depreciable assets	<u>22,790,188</u>	<u>(1,700,652)</u>	<u>(4,903)</u>	<u>21,084,633</u>
Capital assets not depreciated:				
Infrastructure (modified approach)	63,150,908	1,564,647	-	64,715,555
Land	3,885,105	-	-	3,885,105
Rights of way	17,948,464	-	-	17,948,464
Construction in progress	<u>352,480</u>	<u>3,825,072</u>	<u>(1,564,647)</u>	<u>2,612,905</u>
	<u>85,336,957</u>	<u>5,389,719</u>	<u>(1,564,647)</u>	<u>89,162,029</u>
Capital assets, net	<u>\$108,127,145</u>	<u>3,689,067</u>	<u>(1,569,550)</u>	<u>110,246,662</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	\$ 71,249
Transportation	892
Public safety	250,933
Community development	1,452,666
Community services	<u>273,718</u>
	<u>\$2,049,458</u>

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Business-type activities:				
Buildings	\$ 9,737,731	5,014,210	-	14,751,941
Improvements other than buildings	11,291,033	-	-	11,291,033
Machinery and equipment	<u>47,777</u>	<u>-</u>	<u>-</u>	<u>47,777</u>
Total cost of depreciable assets	<u>21,076,541</u>	<u>5,014,210</u>	<u>-</u>	<u>26,090,751</u>
Less accumulated depreciation:				
Buildings	(5,889,987)	(455,851)	-	(6,345,838)
Improvements other than buildings	(6,771,871)	(218,550)	-	(6,990,421)
Machinery and equipment	<u>(26,657)</u>	<u>(4,778)</u>	<u>-</u>	<u>(31,435)</u>
Total accumulated depreciation	<u>(12,688,515)</u>	<u>(679,179)</u>	<u>-</u>	<u>(13,367,694)</u>
Net depreciable assets	<u>8,388,026</u>	<u>4,335,031</u>	<u>-</u>	<u>12,723,057</u>
Capital assets not depreciated:				
Land	123,076	-	-	123,076
Construction in progress	<u>3,114,728</u>	<u>2,275,384</u>	<u>(5,014,210)</u>	<u>375,902</u>
	<u>3,237,804</u>	<u>2,275,384</u>	<u>(5,014,210)</u>	<u>498,978</u>
Capital assets, net	<u>\$11,625,830</u>	<u>6,610,415</u>	<u>(5,014,210)</u>	<u>13,222,035</u>

Depreciation expense in the amount of \$679,179 was charged to the water utility 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, 2012 (including unamortized discounts and refunding costs) are as follows:

Governmental activities:	Balance at June 30, 2011	Additions	Deletions**	Balance at June 30, 2012	Due within one year
Compensated absences payable*	\$ 2,220,724	1,342,349	(1,326,209)	2,236,864	1,335,848
Claims and judgments	3,071,522	755,251	(396,805)	3,429,968	443,112
Capital lease obligations	899,055	-	(230,397)	668,658	224,414
1998 Tax Allocation Bonds	8,555,000	-	(8,555,000)	-	-
2003 Certificates of Participation	<u>10,260,000</u>	<u>-</u>	<u>(485,000)</u>	<u>9,775,000</u>	<u>500,000</u>
Total governmental long-term liabilities	<u>\$25,006,301</u>	<u>2,097,600</u>	<u>(10,993,411)</u>	<u>16,110,490</u>	<u>2,003,374</u>

\*Governmental compensated absences are generally liquidated by the general fund.

\*\* On February 1, 2012, the liabilities of the former Redevelopment Agency of the City of Fountain Valley were transferred to the Successor Agency. See footnote 17 for additional information.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2012 are as follows:

Business-type activities:	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012	Due within one year
Compensated absences payable	\$ 89,726	72,231	(76,148)	85,809	72,824
Notes payable	<u>679,923</u>	<u>-</u>	<u>(46,564)</u>	<u>633,359</u>	<u>48,194</u>
Business-type long-term liabilities	<u>\$ 769,649</u>	<u>72,231</u>	<u>(122,712)</u>	<u>719,168</u>	<u>121,018</u>

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

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

(6) Certificates of Participation

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

Future requirements to amortize outstanding certificates of participation as of June 30, 2012 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
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	<u>850,000</u>	<u>19,125</u>
Totals	<u>\$9,775,000</u>	<u>3,340,092</u>

(7) Notes Payable

The Water Utility Fund of the City entered into an agreement with the Orange County Water District (OCWD) in a joint effort to improve water supply facilities. This agreement is for the construction of a groundwater production well, including a pump, motor and ancillary surface facilities, in the City of Fountain Valley. At June 30, 2012 the amount outstanding on the loan is \$633,359. 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, 2012 are as follows:

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

(7) Notes Payable, (Continued)

Year Ending June 30,	Loans Payable OCWD	
	Principal	Interest
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	61,315	9,046
2021	63,462	6,899
2022	65,683	4,678
2023	<u>67,982</u>	<u>2,379</u>
Total	<u>\$633,359</u>	<u>140,613</u>

(8) Obligations Under Capital Leases

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

The lease arrangements are as follows:

Description	Date of Agreement	Monthly Installment	Interest Rate	Commencing	Terminating	Acquisition Cost
Fire trucks	October 28, 2005	\$231,750*	5.18%	10/1/2007	10/1/2015	\$1,417,407
Copying equipment	January 16, 2007	\$1,051	8%	9/13/2007	8/13/2012	\$48,657
Copiers	September 15, 2009	\$1,730	8%	10/1/2009	9/1/2014	\$103,800

\* On October 1, 2014 and 2015, respectively, the installment payment amount is \$114,935.

The lease agreements have been recorded at the present value of the future minimum lease payments as of the date of inception. The outstanding balance of the capital lease obligations at June 30, 2012 was \$668,658. The calculation of the present value of the future lease payments is as follows:

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(8) Obligations Under Capital Leases, (Continued)

Amount of future lease payments For the year ending June 30,	<u>Amount</u>
2013	\$ 256,660
2014	252,978
2015	114,935
2016	<u>114,945</u>
Subtotal	739,518
Less: amount representing interest	<u>(70,860)</u>
Present value of future lease payments	<u>\$ 668,658</u>

(9) Claims and Judgments

Self-Insurance:

At June 30, 2012, the City was self-insured for workers' compensation, employee long-term disability insurance and general liability. Additionally, the City has purchased coverage for individual workers' compensation claims in excess of \$500,000 for general employees and \$1,000,000 for public safety. The City's general and auto liability self-insurance retention is \$25,000, and the balance extending to \$50,000,000 is covered by the use of pooling maintained through the California Joint Powers Insurance Authority (CJPIA). The City also purchases commercial insurance for other risks of loss, including property loss, fidelity and vehicle physical damage.

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

The City of Fountain Valley is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 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 lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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

(9) Claims and Judgments, (Continued)

Self-Insurance Programs of the Authority:

General Liability In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

General Liability, (Cont.) The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers Compensation The City has purchased Workers' Compensation Insurance with Safety National Casualty Corporation. Under this policy the maximum limit of indemnity per occurrence is set at the Statutory limits. The City retains \$1,000,000 per occurrence for public safety worker claims and \$500,000 for all others.

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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(9) Claims and Judgments, (Continued)

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2011 and 2012 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>
2010-11	\$3,168,683	1,236,334	(1,333,495)	3,071,522
2011-12	3,071,522	755,251	(396,805)	3,429,968

(10) Other Post Employment Benefits

*Plan Description:* This City defined benefit plan provides health care benefits to eligible retirees and qualified family members. The City no longer administers the plan as single-employer. Effective December 1, 2010, the City adopted the Public Agencies Post-Retirement Health Care Plan Trust, for which Union Bank serves as Trustee of the plan. Public Agency Retirement Services (“PARS”) is now the third party Trust Administrator of the plan. The Trust is a multiple employer trust established to provide economies of scale and efficient of administration to public agencies that adopt it to hold the assets used to fund its OPEB Obligation. The Trust is divided into agency account to hold the assets of each employer. The assets shall be held in trust for the exclusive purpose of providing post-employment health care and welfare benefits to the eligible employees of the employer. Copies of PARS’ annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

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

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

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

(10) Other Post Employment Benefits, (Continued)

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

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements was originally based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2011-12, the City contributed \$1,383,632 to the plan for current premiums and also contributed \$400,000 to the PARS OPEB trust.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$960,000	1,573,000	2,533,000
Interest on net OPEB obligation	(25,681)	(42,081)	(67,762)
Adjustments to annual required contributions	<u>126,964</u>	<u>208,036</u>	<u>335,000</u>
Annual OPEB cost (expense)	1,061,283	1,738,955	2,800,238
Contributions made (including premiums paid)	<u>(737,125)</u>	<u>(1,046,507)</u>	<u>(1,783,632)</u>
Decrease in net OPEB obligation	324,158	692,448	1,016,606
Net OPEB obligation(asset)-beginning of year	<u>(1,275,803)</u>	<u>146,430</u>	<u>(1,129,373)</u>
Net OPEB obligation (asset)-end of year	<u>\$ (951,645)</u>	<u>838,878</u>	<u>(112,767)</u>

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(10) Other Post Employment Benefits, (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2012 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/10	2,482,000	43.3%	2,875,654
6/30/11	2,596,000	254.2%	(1,129,373)
6/30/12	2,800,238	63.70%	(112,767)

*Funded Status and Funding Progress.* The funded status of the plan as of January 1, 2012, is presented on the following page.

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

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

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included a 6.0 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate established as follows for Non-Medicare/Medicare and HMO/PPO: Between 7.8 and 8.5 percent from the second year to

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(10) Other Post Employment Benefits, (Continued)

the sixth, reduced to 4.5 percent in the seventh year and thereafter. The UAAL is being amortized as a level percentage of projected payroll over 28 years. It is assumed the City's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS (in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
1/01/10	\$ 0	34,244	34,244	0%	17,041	200.95%
1/01/12	6,068	35,418	29,350	20.67%	17,595	166.81%

(11) Defined Benefit Pension Plan (PERS)

The City of Fountain Valley contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple employer public employee defined benefit pension plan. 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. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Contributions and Funding Policy

Participants in the Miscellaneous plan Tier 1 are required to contribute 8% of their annual covered salary, the City makes 3% of the contribution while the employee contributes 5%. Participants in the Miscellaneous plan Tier 2 are required to contribute 7% of their annual covered salary, the employee makes 7% of the contribution. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Safety participants are required to contribute 12% of their annual covered salary. City makes 9% of the contribution while the employee contributes 3%. The Safety-Police Tier 2 is 9% with the City contribution of 3% and employee contribution of 6%. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

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

The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2012 Miscellaneous Tier 1 is 17.800% and Miscellaneous Tier 2 is 8.902%. The rate is 28.859% for safety participants of annual covered payroll. The Safety-Police Tier 2 is 20.308%. The City's contributions to the Miscellaneous plan for the years ending June 30, 2010, 2011, and 2012 were \$1,168,833, \$1,169,360, and \$1,414,957 respectively, and were equal to the required contributions for each year. The City's contributions to the safety plan for the years ending June 30, 2010, 2011, and 2012 were \$2,279,732, \$2,342,776, and \$2,740,832 respectively, and were equal to the required contributions for each year. The Miscellaneous and Safety employees of the City are included in the CalPERS risk pool which was created for groups of fewer than 100 active members.

(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, 2012, the City's payroll covered by the plan was \$454,400 and the City made employer contributions of \$17,040 (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	\$ 584,650 (a)
General Fund	Water Utility Fund	83,000
Financing Authority	Industrial RDA Debt Service	201,983 (b)
Non-Major Governmental Funds	General Fund	454,379 (c)
Non-Major Governmental Fund	Industrial RDA Capital Projects	434,291 (d)
Water Utility Fund	Industrial RDA Capital Projects	1,102,578 (d)
Non-Major Governmental Funds	Non-Major Governmental Funds	168,522
Non-Major Governmental Funds	Water Utility Fund	114,960
Water Utility Fund	Solid Waste Fund	<u>133,684</u>
	Total	<u>\$ 3,278,047</u>

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

(13) Transfers In/Transfers Out, (Continued)

- (a) Transfers in to the General Fund include \$406,288 from the Gas Tax fund to reimburse eligible expenditures. Transfer In to the General Fund also includes \$123,828 from the Pollution Reduction for the purchase of new Hybrid vehicles.
- (b) Transfer to Financing Authority for debt service payments on the Certificates of Participation.
- (c) Transfers out of the General Fund to the Gas Tax Fund to contribute to street rehabilitation construction projects.
- (d) Transfers out to various funds to contribute to projects located in the Redevelopment Project area.

(14) Advances To and From Other Funds

Advances to other and from other funds at June 30, 2012 are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
General Fund	Water Utility Fund	\$1,885,000

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

(15) Loans Receivable

The City has outstanding rehabilitation and first time home buyer loans totaling \$2,140,239 to qualified applicants. Loans receivable of \$1,858,313 is recorded in the Housing Authority Fund; \$189,920 in the Community Development Block Grant (CDBG) Special Revenue Fund; and \$92,006 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

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(15) Loans Receivable, (Continued)

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, 2012, the outstanding balance is \$46,373.

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, 2011, \$5,606,071 was loaned at an interest rate of 2%. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. Due to the long-term nature of the loan, the Agency has deferred recognition of revenues until payment has been received. The amount outstanding at June 30, 2012 is \$5,606,071.

(16) Budgetary Compliance

Funds where expenditures exceeded appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$38,558,059	39,002,005	(443,946)

(17) Successor Agency Trust For Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Fountain Valley that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 15, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 9297.

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

(17) Successor Agency Trust For Assets of Former Redevelopment Agency, (Continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City. The ability of the Successor Agency to repay the City is dependent upon the sufficiency of available tax revenues to fund such repayment. Revenues are only available for repayment to the extent that all other obligations of the Successor Agency have been provided for in accordance with a complex computation set forth in California Assembly Bill No. 1484. The City believes that there will be sufficient tax revenue to permit eventual repayment in full to the City.

Prior to dissolution of the Redevelopment Agency on February 1, 2012, the final seven months of the activity of the redevelopment agency were reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

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

(17) Successor Agency Trust For Assets of Former Redevelopment Agency, (Continued)

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$40,483,347
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(261,100)
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	<u>(6,985,000)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>(\$33,237,247)</u>

Advances to/from Successor Agency

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

<u>Advances to</u>	<u>Advances from</u>	<u>Amount</u>
City Housing Authority	Successor Agency	\$ 3,364,450 (a)
Successor Agency	City Housing Authority	3,175,000 (b)
Fountain Valley Financing Authority	Successor Agency	<u>9,775,000 (c)</u>
	Total	<u>\$16,314,450</u>

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

(17) Successor Agency Trust For Assets of Former Redevelopment Agency, (Continued)

- (a) Advance from the low and moderate income housing fund of the former Redevelopment Agency to help pay for the 2009-2010 Supplemental Education Revenue Augmentation Fund (SERAF) payment.
- (b) Advance from the former Redevelopment Agency to the Housing Authority per City Council approval on March 8, 2011.
- (c) Advance to the Industrial Redevelopment Area Debt Service Fund of the former Redevelopment Agency to repay the Agency's portion of the 2003 Certificate of Participation (COP's) for funding of the Miles Square Park expansion. Payment on the advance mirror payments on the 2003 Certificates of Participation (footnote 6).

Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 (including unamortized discounts and refunding costs) are as follows:

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2012</u>	<u>Due within</u> <u>one year</u>
1998 Tax Allocation Bonds	\$ -	6,985,000	-	6,985,000	1,640,000

On November 1, 1998 the Fountain Valley Agency for Community Development issued \$24,225,000 1998 Tax Allocation Refunding Bonds (Industrial Redevelopment Project Area) for the purpose of refunding all of the Agency's Industrial Area Redevelopment Project Tax Allocation Bonds, Issue of 1985 in the amount of \$24,270,000. Interest rates vary from 3.80% to 4.70%. 1998 Bonds maturing on or before January 1, 2008, are not subject to optional redemption prior to their respective maturing dates. The 1998 Bonds maturing on or after January 1, 2009 are subject to redemption as a whole or in part on any date on or after January 1, 2008 at prices ranging from 100% to 101% of the principal amount of the bond together with accrued interest thereon to the date of redemption.

The required reserve for the Tax Allocation Bonds is \$1,967,310 and as of June 30, 2012 the reserve was fully funded. The amount of bonds outstanding at June 30, 2012 is \$6,985,000.

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

(17) Successor Agency Trust For Assets of Former Redevelopment Agency, (Continued)

Annual requirements to amortize outstanding bonds as of June 30, 2012 are as follows:

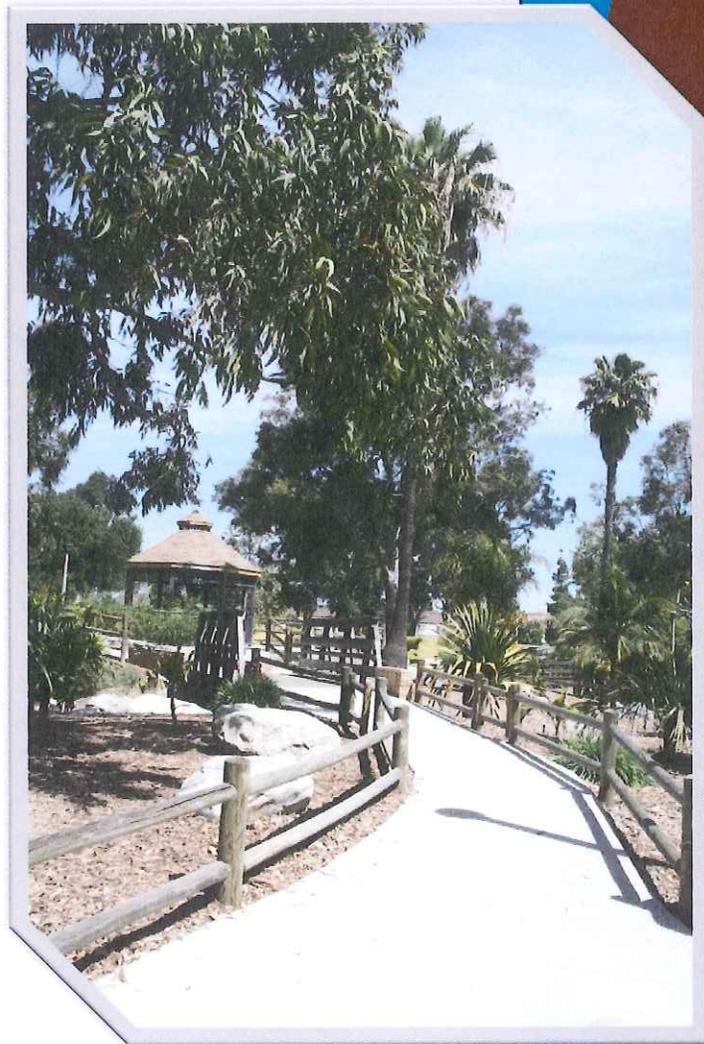
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,640,000	323,300
2014	1,715,000	249,500
2015	1,775,000	170,610
2016	<u>1,855,000</u>	<u>87,185</u>
Total	<u>\$6,985,000</u>	<u>830,595</u>

*City of Fountain Valley*

*Required*

*Supplementary*

*Information*



## CITY OF FOUNTAIN VALLEY

### Notes to the Required Supplementary Information

Year ended June 30, 2012

#### (1) Budgets and Budgetary Data

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

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

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

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

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

Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types.

#### (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 2010 was "Very Good" with a weighted average OCI of 74 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 1/2" — 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.
- 1/2" 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 2011-2012

Sidewalks, Curbs and Gutters

Budgeted	\$ 412,901
Actual	408,767

Roadway Classification

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

CITY OF FOUNTAIN VALLEY  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2012

	Budget		Actual	Variance-	Prior
	Original	Final		Positive	Year
				(Negative)	Actual
<b>Revenues:</b>					
Taxes	\$ 21,701,000	21,701,000	22,245,344	544,344	21,441,304
Licenses and permits	1,687,000	1,687,000	1,662,420	(24,580)	1,597,034
Fines and penalties	832,400	832,400	771,860	(60,540)	915,314
Investment income	739,000	739,000	348,139	(390,861)	446,106
Rental income	1,341,000	1,445,466	1,445,466	-	1,488,521
Intergovernmental	4,477,000	5,148,930	4,923,194	(225,736)	4,668,470
Charges for services	3,743,200	4,072,608	4,140,942	68,334	3,733,490
Miscellaneous	653,160	817,844	1,260,128	442,284	2,001,148
<b>Total revenues</b>	<u>35,173,760</u>	<u>36,444,248</u>	<u>36,797,493</u>	<u>353,245</u>	<u>36,291,387</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,457,259	2,560,478	2,545,492	14,986	2,941,070
Public safety	23,832,736	23,893,156	24,546,833	(653,677)	28,336,185
Transportation	4,721,326	4,724,075	4,675,047	49,028	5,190,629
Community development	2,174,991	2,176,301	2,212,748	(36,447)	2,418,313
Community services	1,842,655	2,177,466	2,210,012	(32,546)	1,973,726
Capital outlay	354,598	2,845,127	2,571,634	273,493	511,524
<b>Debt service:</b>					
Principal	181,456	181,456	230,397	(48,941)	225,258
Interest	-	-	9,842	(9,842)	-
<b>Total expenditures</b>	<u>35,565,021</u>	<u>38,558,059</u>	<u>39,002,005</u>	<u>(443,946)</u>	<u>41,596,705</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(391,261)</u>	<u>(2,113,811)</u>	<u>(2,204,512)</u>	<u>(90,701)</u>	<u>(5,305,318)</u>
<b>Other financing sources (uses):</b>					
Transfers in	566,000	740,244	667,650	(72,594)	7,400,766
Transfers out	(606,368)	(606,368)	(454,379)	151,989	(326,591)
<b>Total other financing sources (uses)</b>	<u>(40,368)</u>	<u>133,876</u>	<u>213,271</u>	<u>79,395</u>	<u>7,074,175</u>
<b>Net change in fund balances</b>	<u>(431,629)</u>	<u>(1,979,935)</u>	<u>(1,991,241)</u>	<u>(11,306)</u>	<u>1,768,857</u>
<b>Fund balances at beginning of year</b>	<u>42,835,041</u>	<u>42,835,041</u>	<u>42,835,041</u>	<u>-</u>	<u>41,066,184</u>
<b>Fund balances at end of year</b>	<u>\$ 42,403,412</u>	<u>40,855,106</u>	<u>40,843,800</u>	<u>(11,306)</u>	<u>42,835,041</u>

CITY OF FOUNTAIN VALLEY  
Housing Authority Special Revenue Fund

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

Year ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:					
Investment income	\$ -	-	151,150	151,150	8,252
Miscellaneous	-	-	70,345	70,345	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>221,495</b>	<b>221,495</b>	<b>8,252</b>
Expenditures:					
Community development	2,642,305	2,485,436	156,971	2,328,465	-
<b>Total expenditures</b>	<b>2,642,305</b>	<b>2,485,436</b>	<b>156,971</b>	<b>2,328,465</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(2,642,305)	(2,485,436)	64,524	2,549,960	8,252
Other financing sources (uses):					
Transfers in	3,364,450	-	-	(3,364,450)	7,001,917
Extraordinary gain (loss)	-	-	214,450	214,450	-
<b>Net change in fund balances</b>	<b>722,145</b>	<b>(2,485,436)</b>	<b>278,974</b>	<b>(600,040)</b>	<b>7,010,169</b>
Fund balances at beginning of year	7,010,169	7,010,169	7,010,169	-	-
<b>Fund balances at end of year</b>	<b>\$ 7,732,314</b>	<b>4,524,733</b>	<b>7,289,143</b>	<b>(600,040)</b>	<b>7,010,169</b>

## 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.

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.

Abandoned Vehicle Abatement – Used for abatement of abandoned or disabled vehicles illegally parked in the City.

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.

Home Grant - To account for Federal HOME Grant funds.

Measure M2 - To account for Measure M2 revenue and interest earnings. These funds are transferred out for traffic improvement related projects.

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

## NON-MAJOR CAPITAL PROJECTS FUNDS

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.

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*City of Fountain Valley*

*Supplementary*

*Schedules*



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CITY OF FOUNTAIN VALLEY  
 Nonmajor Governmental Funds  
 Combining Balance Sheet

June 30, 2012

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
<u>Assets</u>					
Cash and investments	\$ 947,528	2,787,112	75,653	1,545,200	255,905
Restricted assets:					
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	21,098	255,300	-	-	17,162
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 968,626</u>	<u>3,042,412</u>	<u>75,653</u>	<u>1,545,200</u>	<u>273,067</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 10,000	9,631	-	329,766	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	7,548	255,300	-	-	-
Total liabilities	<u>17,548</u>	<u>264,931</u>	<u>-</u>	<u>329,766</u>	<u>-</u>
Fund balances:					
Restricted for:					
Public safety	951,078	-	-	-	273,067
Transportation	-	2,777,481	75,653	1,215,434	-
Housing	-	-	-	-	-
Community development	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>951,078</u>	<u>2,777,481</u>	<u>75,653</u>	<u>1,215,434</u>	<u>273,067</u>
Total liabilities and fund balances	<u>\$ 968,626</u>	<u>3,042,412</u>	<u>75,653</u>	<u>1,545,200</u>	<u>273,067</u>

Special Revenue Funds			Capital Projects Funds			Totals	
Home Grant	Measure M2	Community Development Block Grant	Drainage	Sewer Assessment	Fountain Valley Financing Authority	2012	2011
181,996	647,250	117,462	152,495	4,072,248	-	10,782,849	11,589,051
-	-	-	-	-	1,644,192	1,644,192	1,644,116
-	149,903	3,119	-	188,084	-	634,666	694,773
92,006	-	189,920	-	-	-	281,926	288,504
-	-	-	-	-	-	-	1,875
<u>274,002</u>	<u>797,153</u>	<u>310,501</u>	<u>152,495</u>	<u>4,260,332</u>	<u>1,644,192</u>	<u>13,343,633</u>	<u>14,218,319</u>
-	-	74,969	-	215,852	-	640,218	398,153
-	-	1,769	-	-	-	1,769	-
-	-	-	-	-	2,442	2,442	2,442
92,006	-	189,920	-	-	-	544,774	332,684
<u>92,006</u>	<u>-</u>	<u>266,658</u>	<u>-</u>	<u>215,852</u>	<u>2,442</u>	<u>1,189,203</u>	<u>733,279</u>
-	-	-	-	-	-	1,224,145	766,021
-	797,153	-	-	-	-	4,865,721	6,126,330
181,996	-	-	-	-	-	181,996	180,435
-	-	43,843	-	-	-	43,843	58,682
-	-	-	152,495	4,044,480	1,641,750	5,838,725	6,353,572
<u>181,996</u>	<u>797,153</u>	<u>43,843</u>	<u>152,495</u>	<u>4,044,480</u>	<u>1,641,750</u>	<u>12,154,430</u>	<u>13,485,040</u>
<u>274,002</u>	<u>797,153</u>	<u>310,501</u>	<u>152,495</u>	<u>4,260,332</u>	<u>1,644,192</u>	<u>13,343,633</u>	<u>14,218,319</u>

CITY OF FOUNTAIN VALLEY  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year ended June 30, 2012

	Special Revenue Funds				
	Criminal Activities	Gas Tax	Abandoned Vehicle Abatement	Traffic Improvement	Pollution Reduction
Revenues:					
Investment income	\$ 4,291	27,364	694	15,060	2,896
Intergovernmental	772,276	2,332,430	22,725	-	69,522
Charges for services	-	-	-	151,276	-
Miscellaneous	23,782	1,808	-	-	-
Total revenues	<u>800,349</u>	<u>2,361,602</u>	<u>23,419</u>	<u>166,336</u>	<u>72,418</u>
Expenditures:					
Current:					
Public safety	249,569	-	-	-	712
Transportation	-	4,169,591	-	1,008,964	-
Community development	-	-	-	-	-
Community services	-	-	39,841	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>249,569</u>	<u>4,169,591</u>	<u>39,841</u>	<u>1,008,964</u>	<u>712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>550,780</u>	<u>(1,807,989)</u>	<u>(16,422)</u>	<u>(842,628)</u>	<u>71,706</u>
Other financing sources (uses):					
Transfers in	-	789,052	-	283,446	-
Transfers out	(40,534)	(406,288)	-	-	(123,828)
Total other financing sources (uses)	<u>(40,534)</u>	<u>382,764</u>	<u>-</u>	<u>283,446</u>	<u>(123,828)</u>
Net change in fund balances	510,246	(1,425,225)	(16,422)	(559,182)	(52,122)
Fund balances at beginning of year	<u>440,832</u>	<u>4,202,706</u>	<u>92,075</u>	<u>1,774,616</u>	<u>325,189</u>
Fund balances at end of year	<u>\$ 951,078</u>	<u>2,777,481</u>	<u>75,653</u>	<u>1,215,434</u>	<u>273,067</u>

Special Revenue Funds			Capital Projects Funds			Totals	
Home Grant	Measure M2	Community Development Block Grant	Drainage	Sewer Assessment	Fountain Valley Financing Authority	2012	2011
1,561	4,329	458	-	34,771	76	91,500	111,063
-	833,798	362,207	-	-	-	4,392,958	4,129,895
-	-	-	-	1,755,495	-	1,906,771	1,479,600
-	-	6,729	-	-	-	32,319	221,864
<u>1,561</u>	<u>838,127</u>	<u>369,394</u>	<u>-</u>	<u>1,790,266</u>	<u>76</u>	<u>6,423,548</u>	<u>5,942,422</u>
-	-	-	-	-	-	250,281	276,659
-	-	-	-	-	-	5,178,555	3,820,462
-	-	384,233	-	742,873	-	1,127,106	1,118,217
-	-	-	-	-	-	39,841	40,556
-	-	-	97,907	1,477,701	-	1,575,608	535,974
-	-	384,233	97,907	2,220,574	-	8,171,391	5,791,868
<u>1,561</u>	<u>838,127</u>	<u>(14,839)</u>	<u>(97,907)</u>	<u>(430,308)</u>	<u>76</u>	<u>(1,747,843)</u>	<u>150,554</u>
-	-	-	97,907	-	-	1,170,405	1,973,912
-	(97,907)	-	-	(84,615)	-	(753,172)	(6,523,042)
-	(97,907)	-	97,907	(84,615)	-	417,233	(4,549,130)
1,561	740,220	(14,839)	-	(514,923)	76	(1,330,610)	(4,398,576)
<u>180,435</u>	<u>56,933</u>	<u>58,682</u>	<u>152,495</u>	<u>4,559,403</u>	<u>1,641,674</u>	<u>13,485,040</u>	<u>17,883,616</u>
<u>181,996</u>	<u>797,153</u>	<u>43,843</u>	<u>152,495</u>	<u>4,044,480</u>	<u>1,641,750</u>	<u>12,154,430</u>	<u>13,485,040</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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 15,000	42	(14,958)	29
Miscellaneous	-	194,703	194,703	-
Total revenues	15,000	194,745	179,745	29
Expenditures:				
Debt service:				
Principal	500,000	485,000	15,000	470,000
Interest	404,011	396,736	7,275	411,060
Total expenditures	904,011	881,736	22,275	881,060
Excess (deficiency) of revenues over (under) expenditures	(889,011)	(686,991)	202,020	(881,031)
Other financing sources (uses):				
Transfers in	889,011	201,983	(687,028)	411,231
Transfers out	-	-	-	(86)
Total other financing sources (uses)	889,011	201,983	(687,028)	411,145
Net change in fund balances	-	(485,008)	(485,008)	(469,886)
Fund balances at beginning of year	11,149,590	11,149,590	-	11,619,476
Fund balances at end of year	\$ 11,149,590	10,664,582	(485,008)	11,149,590

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 7,586,000	4,245,463	(3,340,537)	7,484,250
Investment income	-	6,845	6,845	13,265
Total revenues	<u>7,586,000</u>	<u>4,252,308</u>	<u>(3,333,692)</u>	<u>7,497,515</u>
Expenditures:				
Debt service:				
Principal	1,570,000	1,570,000	-	1,510,000
Interest	392,380	392,380	-	692,203
Pass-through payments	1,179,000	-	1,179,000	1,888,001
Total expenditures	<u>3,141,380</u>	<u>1,962,380</u>	<u>1,179,000</u>	<u>4,090,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,444,620</u>	<u>2,289,928</u>	<u>(2,154,692)</u>	<u>3,407,311</u>
Other financing sources (uses):				
Transfer out	<u>(389,461)</u>	<u>(201,983)</u>	<u>187,478</u>	<u>(411,145)</u>
Total other financing sources (uses)	(389,461)	(201,983)	187,478	(411,145)
Extraordinary gain (loss)	<u>-</u>	<u>(23,670,687)</u>	<u>(23,670,687)</u>	<u>-</u>
Net change in fund balances	4,055,159	(21,582,742)	(25,637,901)	2,996,166
Fund balances at beginning of year	<u>21,582,742</u>	<u>21,582,742</u>	<u>-</u>	<u>18,586,576</u>
Fund balances at end of year	<u>\$ 25,637,901</u>	<u>-</u>	<u>(25,637,901)</u>	<u>21,582,742</u>

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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 800,000	186,906	(613,094)	358,359
Total revenues	800,000	186,906	(613,094)	358,359
Expenditures:				
Current:				
General government	1,279,417	752,696	526,721	1,458,689
Community development	520,000	205,562	314,438	368,444
Total expenditures	1,799,417	958,258	841,159	1,827,133
Excess (deficiency) of revenues over (under) expenditures	(999,417)	(771,352)	228,065	(1,468,774)
Other financing sources (uses):				
Transfers out	(4,500,000)	(1,535,122)	2,964,878	(1,642,734)
Total other financing sources (uses)	(4,500,000)	(1,535,122)	2,964,878	(1,642,734)
Extraordinary gain (loss)	-	(4,303,245)	(4,303,245)	-
Net change in fund balances	(5,499,417)	(6,609,719)	(1,110,302)	(3,111,508)
Fund balances at beginning of year	6,609,719	6,609,719	-	9,721,227
Fund balances at end of year	\$ 1,110,302	-	(1,110,302)	6,609,719

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 1,904,600	1,061,365	(843,235)	1,871,062
Investment income	186,014	16,214	(169,800)	282,459
Miscellaneous	<u>-</u>	<u>234,896</u>	<u>234,896</u>	<u>400,933</u>
Total revenues	<u>2,090,614</u>	<u>1,312,475</u>	<u>(778,139)</u>	<u>2,554,454</u>
Expenditures:				
Current:				
General government	-	39,320	(39,320)	31,361
Community development	<u>1,052,900</u>	<u>183,579</u>	<u>869,321</u>	<u>753,604</u>
Total expenditures	<u>1,052,900</u>	<u>222,899</u>	<u>830,001</u>	<u>784,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,037,714</u>	<u>1,089,576</u>	<u>51,862</u>	<u>1,769,489</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,099,612)</u>
Total other financing sources (uses)	-	-	-	(7,099,612)
Extraordinary gain (loss)	<u>-</u>	<u>(12,723,865)</u>	<u>(12,723,865)</u>	<u>-</u>
Net change in fund balances	1,037,714	(11,634,289)	(12,672,003)	(5,330,123)
Fund balances at beginning of year	<u>11,634,289</u>	<u>11,634,289</u>	<u>-</u>	<u>16,964,412</u>
Fund balances at end of year	<u>\$ 12,672,003</u>	<u>-</u>	<u>(12,672,003)</u>	<u>11,634,289</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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	4,291	4,291	266
Intergovernmental	924,699	772,276	(152,423)	290,481
Miscellaneous	23,089	23,782	693	11,601
Total revenues	947,788	800,349	(147,439)	302,348
Expenditures:				
Current:				
Public safety	420,249	249,569	170,680	266,090
Total expenditures	420,249	249,569	170,680	266,090
Excess (deficiency) of revenues over (under) expenditures	527,539	550,780	23,241	36,258
Other financing sources (uses):				
Transfers in	159,368	-	(159,368)	
Transfers out	(40,534)	(40,534)	-	-
Total other financing sources (uses)	118,834	(40,534)	(159,368)	-
Net change in fund balances	646,373	510,246	(136,127)	36,258
Fund balances at beginning of year	440,832	440,832	-	404,574
Fund balances at end of year	\$ 1,087,205	951,078	(136,127)	440,832

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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
<b>Revenues:</b>				
Investment income	\$ 49,677	27,364	(22,313)	34,990
Intergovernmental	3,055,308	2,332,430	(722,878)	1,529,372
Miscellaneous	-	1,808	1,808	-
Total revenues	3,104,985	2,361,602	(743,383)	1,564,362
<b>Expenditures:</b>				
Current:				
Transportation	6,391,377	4,169,591	2,221,786	605,834
Total expenditures	6,391,377	4,169,591	2,221,786	605,834
Excess (deficiency) of revenues over (under) expenditures	(3,286,392)	(1,807,989)	1,478,403	958,528
<b>Other financing sources (uses):</b>				
Transfers in	787,418	789,052	1,634	418,156
Transfers out	(442,000)	(406,288)	35,712	(453,041)
Total other financing sources (uses)	345,418	382,764	37,346	(34,885)
Net change in fund balances	(2,940,974)	(1,425,225)	1,515,749	923,643
Fund balances at beginning of year	4,202,706	4,202,706	-	3,279,063
Fund balances at end of year	\$ 1,261,732	2,777,481	1,515,749	4,202,706

CITY OF FOUNTAIN VALLEY  
Abandoned Vehicle Abatement Special Revenue Fund

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

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ -	694	694	426
Intergovernmental	<u>25,000</u>	<u>22,725</u>	<u>(2,275)</u>	<u>27,666</u>
Total revenues	<u>25,000</u>	<u>23,419</u>	<u>(1,581)</u>	<u>28,092</u>
<b>Expenditures:</b>				
Community services	<u>88,109</u>	<u>39,841</u>	<u>48,268</u>	<u>40,556</u>
Total expenditures	<u>88,109</u>	<u>39,841</u>	<u>48,268</u>	<u>40,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,109)</u>	<u>(16,422)</u>	<u>46,687</u>	<u>(12,464)</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,539</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,539</u>
Net change in fund balances	(63,109)	(16,422)	46,687	92,075
Fund balances at beginning of year	<u>92,075</u>	<u>92,075</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 28,966</u></u>	<u><u>75,653</u></u>	<u><u>46,687</u></u>	<u><u>92,075</u></u>

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 17,912	15,060	(2,852)	14,311
Intergovernmental	175,000	-	(175,000)	1,783,597
Charges for services	10,000	151,276	141,276	15,473
Miscellaneous	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>186,104</u>
 Total revenues	 <u>352,912</u>	 <u>166,336</u>	 <u>(186,576)</u>	 <u>1,999,485</u>
 <b>Expenditures:</b>				
Current:				
Transportation	<u>2,812,000</u>	<u>1,008,964</u>	<u>1,803,036</u>	<u>3,214,628</u>
 Total expenditures	 <u>2,812,000</u>	 <u>1,008,964</u>	 <u>1,803,036</u>	 <u>3,214,628</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(2,459,088)</u>	 <u>(842,628)</u>	 <u>1,616,460</u>	 <u>(1,215,143)</u>
 <b>Other financing sources (uses):</b>				
Transfers in	808,242	283,446	(524,796)	1,451,217
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,919)</u>
 Total other financing sources (uses)	 <u>808,242</u>	 <u>283,446</u>	 <u>(524,796)</u>	 <u>1,385,298</u>
 Net change in fund balances	 (1,650,846)	 (559,182)	 1,091,664	 170,155
 Fund balances at beginning of year	 <u>1,774,616</u>	 <u>1,774,616</u>	 <u>-</u>	 <u>1,604,461</u>
 Fund balances at end of year	 <u>\$ 123,770</u>	 <u>1,215,434</u>	 <u>1,091,664</u>	 <u>1,774,616</u>

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 3,000	2,896	(104)	3,448
Intergovernmental	<u>65,000</u>	<u>69,522</u>	<u>4,522</u>	<u>64,510</u>
Total revenues	<u>68,000</u>	<u>72,418</u>	<u>4,418</u>	<u>67,958</u>
Expenditures:				
Current:				
Public safety	<u>2,939</u>	<u>712</u>	<u>2,227</u>	<u>10,569</u>
Total expenditures	<u>2,939</u>	<u>712</u>	<u>2,227</u>	<u>10,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,061</u>	<u>71,706</u>	<u>6,645</u>	<u>57,389</u>
Other financing sources (uses):				
Transfers out	<u>(150,877)</u>	<u>(123,828)</u>	<u>27,049</u>	<u>(32,010)</u>
Total other financing sources (uses)	<u>(150,877)</u>	<u>(123,828)</u>	<u>27,049</u>	<u>(32,010)</u>
Net change in fund balances	(85,816)	(52,122)	33,694	25,379
Fund balances at beginning of year	<u>325,189</u>	<u>325,189</u>	<u>-</u>	<u>299,810</u>
Fund balances at end of year	<u>\$ 239,373</u>	<u>273,067</u>	<u>33,694</u>	<u>325,189</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	1,561	1,561	4,139
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,632</u>
Total revenues	<u>-</u>	<u>1,561</u>	<u>1,561</u>	<u>8,771</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	-	1,561	1,561	8,771
Fund balances at beginning of year	<u>180,435</u>	<u>180,435</u>	<u>-</u>	<u>171,664</u>
Fund balances at end of year	<u>\$ 180,435</u>	<u>181,996</u>	<u>1,561</u>	<u>180,435</u>

CITY OF FOUNTAIN VALLEY  
Measure M2 Special Revenue Fund

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

Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 1,835	4,329	2,494	-
Intergovernmental	849,142	833,798	(15,344)	56,933
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>850,977</u>	<u>838,127</u>	<u>(12,850)</u>	<u>56,933</u>
<b>Expenditures:</b>				
Current:				
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>850,977</u>	<u>838,127</u>	<u>(12,850)</u>	<u>56,933</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(97,907)</u>	<u>(97,907)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(97,907)</u>	<u>(97,907)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	753,070	740,220	(12,850)	56,933
Fund balances at beginning of year	<u>-</u>	<u>56,933</u>	<u>(56,933)</u>	<u>-</u>
Fund balances at end of year	<u>\$ 753,070</u>	<u>797,153</u>	<u>(69,783)</u>	<u>56,933</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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	458	458	6,915
Intergovernmental	316,414	362,207	45,793	377,336
Miscellaneous	-	6,729	6,729	19,527
	<u>316,414</u>	<u>369,394</u>	<u>52,980</u>	<u>403,778</u>
Total revenues				
Expenditures:				
Current:				
Community development	481,414	384,233	97,181	402,248
	<u>481,414</u>	<u>384,233</u>	<u>97,181</u>	<u>402,248</u>
Total expenditures				
	<u>481,414</u>	<u>384,233</u>	<u>97,181</u>	<u>402,248</u>
Net change in fund balances	(165,000)	(14,839)	150,161	1,530
Fund balances at beginning of year	<u>58,682</u>	<u>58,682</u>	<u>-</u>	<u>57,152</u>
Fund balances at end of year	<u>\$ (106,318)</u>	<u>43,843</u>	<u>150,161</u>	<u>58,682</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 2,500	-	(2,500)	4,826
Total revenues	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>	<u>4,826</u>
Expenditures:				
Current:				
Capital outlay	<u>97,907</u>	<u>97,907</u>	<u>-</u>	<u>77,893</u>
Total expenditures	<u>97,907</u>	<u>97,907</u>	<u>-</u>	<u>77,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(95,407)</u>	<u>(97,907)</u>	<u>2,500</u>	<u>(73,067)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>97,907</u>	<u>97,907</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>97,907</u>	<u>97,907</u>	<u>-</u>
Net change in fund balances	(95,407)	-	95,407	(73,067)
Fund balances at beginning of year	<u>152,495</u>	<u>152,495</u>	<u>-</u>	<u>225,562</u>
Fund balances at end of year	<u>\$ 57,088</u>	<u>152,495</u>	<u>95,407</u>	<u>152,495</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, 2012

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 34,000	34,771	771	45,237
Charges for services	1,822,000	1,755,495	(66,505)	1,459,301
Total revenues	1,856,000	1,790,266	(65,734)	1,504,538
Expenditures:				
Current:				
Community development	779,350	742,873	36,477	715,969
Capital outlay	2,943,636	1,477,701	1,465,935	458,081
Total expenditures	3,722,986	2,220,574	1,502,412	1,174,050
Excess (deficiency) of revenues over (under) expenditures	(1,866,986)	(430,308)	1,436,678	330,488
Other financing sources (uses):				
Transfers out	(114,000)	(84,615)	29,385	(167,137)
Total other financing sources (uses)	(114,000)	(84,615)	29,385	(167,137)
Net change in fund balances	(1,980,986)	(514,923)	1,466,063	163,351
Fund balances at beginning of year	4,559,403	4,559,403	-	4,396,052
Fund balances at end of year	\$ 2,578,417	4,044,480	1,466,063	4,559,403

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 16,417	76	(16,341)	55
Total revenues	<u>16,417</u>	<u>76</u>	<u>(16,341)</u>	<u>55</u>
Expenditures:				
Current:				
General government	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>-</u>
Total expenditures	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,017</u>	<u>76</u>	<u>(14,941)</u>	<u>55</u>
Net change in fund balances	15,017	76	(14,941)	55
Fund balances at beginning of year	<u>1,641,674</u>	<u>1,641,674</u>	<u>-</u>	<u>1,641,619</u>
Fund balances at end of year	<u>\$ 1,656,691</u>	<u>1,641,750</u>	<u>(14,941)</u>	<u>1,641,674</u>

*City of Fountain Valley*  
*Agency Funds*



CITY OF FOUNTAIN VALLEY  
Private Purpose Trust Funds

Combining Statement of Fiduciary Net Assets

Year ended June 30, 2012

	Successor Agency Funds				Totals	
	Low and Moderate Income Housing	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust Fund	2012	2011
<u>Assets</u>						
Cash and investments	\$ 12,509,215	36,516,074	738,628	-	49,763,917	-
Cash and investments with fiscal agent	-	2,115,554	-	-	2,115,554	-
Receivables:						
Accrued interest	-	-	48,398	-	48,398	-
Advances to Housing Authority	-	-	3,175,000	-	3,175,000	-
 Total assets	 <u>12,509,215</u>	 <u>38,631,628</u>	 <u>3,962,026</u>	 <u>-</u>	 <u>55,102,869</u>	 <u>-</u>
<u>Liabilities and Net assets</u>						
Accounts payable	-	-	364,820	-	364,820	-
Advances payable to Housing Authority	-	3,364,450	-	-	3,364,450	-
Advances payable to Financing Authority	-	9,775,000	-	-	9,775,000	-
Accrued interest payable	-	291,471	-	-	291,471	-
Noncurrent liabilities:						
Due within one year	-	1,640,000	-	-	1,640,000	-
Due in more than one year	-	5,345,000	-	-	5,345,000	-
 Total liabilities	 <u>-</u>	 <u>20,415,921</u>	 <u>364,820</u>	 <u>-</u>	 <u>20,780,741</u>	 <u>-</u>
 Net assets held in trust for Successor Agency	 <u>\$ 12,509,215</u>	 <u>18,215,707</u>	 <u>3,597,206</u>	 <u>-</u>	 <u>34,322,128</u>	 <u>-</u>

CITY OF FOUNTAIN VALLEY  
Private Purpose Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	Successor Agency Funds				Totals	
	Low and Moderate Income Housing	Industrial Area Debt Service	Industrial Area Capital Projects	Redevelopment Property Tax Trust Fund	2012	2011
Revenues:						
Taxes	\$ -	-	-	2,863,665	2,863,665	-
Investment income (loss)	-	1,849	(58,781)	-	(56,932)	-
Total revenues	<u>-</u>	<u>1,849</u>	<u>(58,781)</u>	<u>2,863,665</u>	<u>2,806,733</u>	<u>-</u>
Expenses:						
Administrative	200	-	304,952	-	305,152	-
Community development	-	-	546,132	-	546,132	-
Interest	-	30,371	-	-	30,371	-
Pass-through payments	-	643,686	-	-	643,686	-
Total expenditures	<u>200</u>	<u>674,057</u>	<u>851,084</u>	<u>-</u>	<u>1,525,341</u>	<u>-</u>
Income (loss) before transfers and extraordinary item	<u>(200)</u>	<u>(672,208)</u>	<u>(909,865)</u>	<u>2,863,665</u>	<u>1,281,392</u>	<u>-</u>
Transfers from other trust funds	-	2,658,031	205,634	-	2,863,665	-
Transfers to other trust funds	-	-	-	(2,863,665)	(2,863,665)	-
Transfer to City for enforceable obligations	-	(194,703)	(1,808)	-	(196,511)	-
Extraordinary gain (loss)	12,509,415	16,424,587	4,303,245	-	33,237,247	-
Total transfers and extraordinary item	<u>12,509,415</u>	<u>18,887,915</u>	<u>4,507,071</u>	<u>(2,863,665)</u>	<u>33,040,736</u>	<u>-</u>
Changes in fiduciary net assets	12,509,215	18,215,707	3,597,206	-	34,322,128	-
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 12,509,215</u>	<u>18,215,707</u>	<u>3,597,206</u>	<u>-</u>	<u>34,322,128</u>	<u>-</u>

CITY OF FOUNTAIN VALLEY  
Agency Funds

Combining Statement of Assets and Liabilities

Year ended June 30, 2012

	Agency Funds			Totals	
	Recreation Contract Program	Special Deposit and Receipt	Developer Agreements	2012	2011
<u>Assets</u>					
Cash and investments	\$ 280	829,897	56,580	886,757	805,986
<u>Liabilities</u>					
Deposits payable	\$ 280	829,897	56,580	886,757	805,986

CITY OF FOUNTAIN VALLEY  
Agency Fund

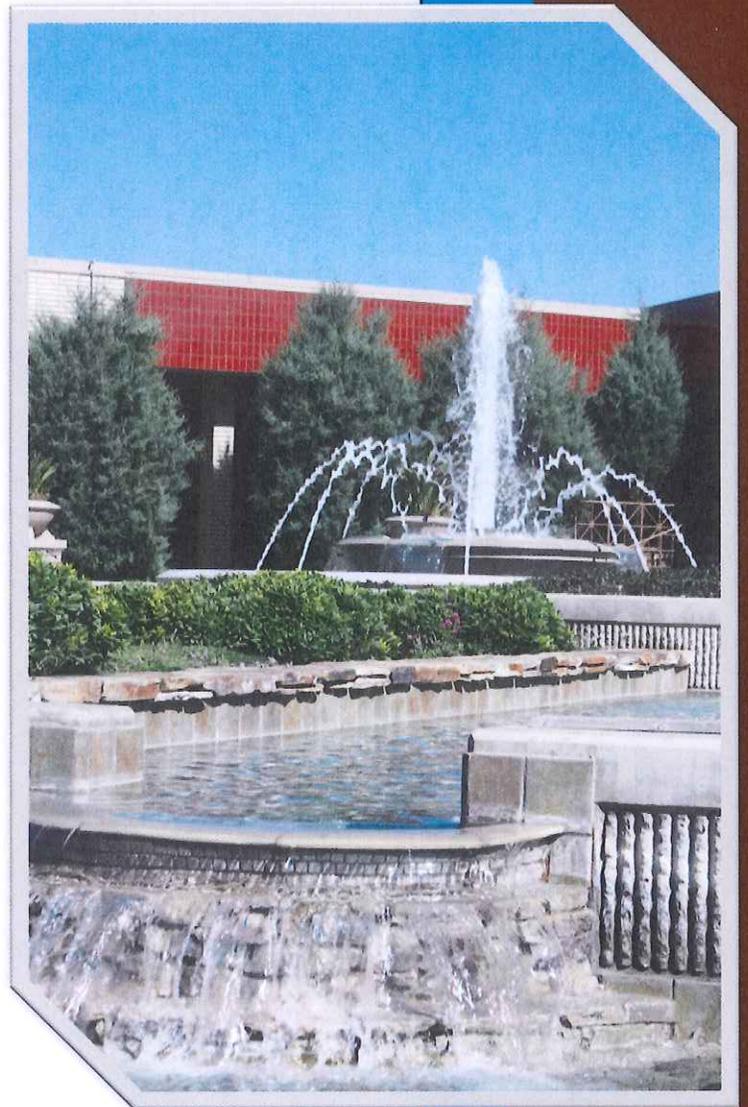
Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2012

	<u>Balance at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2012</u>
<u>RECREATION CONTRACT PROGRAM FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 100,323	475,542	(575,585)	280
<u>Liabilities</u>				
Deposits payable	\$ 100,323	775,934	(875,977)	280
<u>SPECIAL DEPOSIT AND RECEIPT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 1,028,848	969,999	(1,168,951)	829,896
<u>Liabilities</u>				
Deposits payable	\$ 1,028,848	1,149,912	(1,348,864)	829,896
<u>REIMBURSEMENT AGREEMENT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 195,640	1,603,410	(1,742,470)	56,580
<u>Liabilities</u>				
Deposits payable	\$ 195,640	909,671	(1,048,731)	56,580
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 1,324,811	3,048,951	(3,487,006)	886,756
<u>Liabilities</u>				
Deposits payable	\$ 1,324,811	2,835,517	(3,273,572)	886,756

*City of Fountain Valley*

*Statistical Section*



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CITY OF FOUNTAIN VALLEY

Net Assets by Component

Last Seven Fiscal Years  
(accrual basis of accounting)

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

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

		Fiscal Year		
		2010	2011	2012
\$	74,207,233	\$	92,919,149	\$ 102,336,778
	55,038,160		52,990,041	13,604,848
	56,156,029		60,549,852	57,313,777
\$	<u>185,401,422</u>	\$	<u>206,459,042</u>	<u>\$ 173,255,403</u>
\$	10,479,014	\$	10,945,907	\$ 12,542,112
	-		-	-
	6,170,774		4,531,257	4,747,566
\$	<u>16,649,788</u>	\$	<u>15,477,164</u>	<u>\$ 17,289,678</u>
\$	84,686,247	\$	103,865,056	\$ 114,878,890
	55,038,160		52,990,041	13,604,848
	62,326,803		65,081,109	62,061,343
\$	<u>202,051,210</u>	\$	<u>221,936,206</u>	<u>\$ 190,545,081</u>

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

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

\* Solid Waste Funds previously reported in governmental Activities

Fiscal Year		
2010	2011	2012
4,389,509	\$ 2,288,544	\$ 3,786,664
25,294,734	26,634,914	26,039,750
10,842,575	9,535,081	10,486,308
3,638,224	4,546,691	4,709,958
4,789,810	2,198,738	2,520,280
1,446,472	1,058,808	631,851
50,401,324	46,262,776	48,174,811
10,752,153	9,464,335	9,640,203
2,985,275	2,859,051	2,912,260
64,138,725	58,586,162	60,727,274
1,986,574	1,799,114	1,542,780
2,261,734	2,145,255	2,402,968
-	-	-
2,696,944	2,764,100	3,452,877
3,085,631	1,416,509	1,349,743
-	-	-
4,500,691	20,306,778	4,808,433
2,478,423	380,511	684,777
17,009,997	28,812,267	14,241,578
8,634,443	10,550,050	11,913,685
3,001,822	3,007,925	3,221,070
28,646,262	42,370,242	29,376,333
(33,399,889)	(17,450,509)	(33,933,233)
(2,101,163)	1,234,589	2,582,292
(35,501,052)	\$ (16,215,920)	\$ (31,350,941)

(Continued)

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

	Fiscal Year			
	2006	2007	2008	2009
General revenues				
and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 15,090,054	\$ 15,827,766	\$ 19,077,590	\$ 16,690,555
Franchise taxes	1,349,173	1,449,384	1,467,613	1,789,533
Sales tax	11,517,398	11,925,716	11,967,435	9,964,534
Other taxes	1,274,410	1,098,130	1,065,886	737,630
Revenue from				
other governmental agencies	4,316,227	4,232,595	5,104,203	4,787,550
Other revenue	1,891,451	-	-	-
Investment income	4,770,235	5,648,819	3,134,116	3,751,641
Assessments	143,422	-	-	-
Transfers	(132,601)	(132,670)	(67,609)	344,796
Gain/(Loss) on sale of property	(485,826)	701,933	196,553	2,733
Miscellaneous	-	-	-	-
Total governmental activities	39,733,943	40,751,673	41,945,787	38,068,972
Business-type activities:				
Investment income	299,804	431,197	454,799	251,659
Transfers	132,601	132,670	67,609	(344,796)
Total business-type activities	432,405	563,867	522,408	(93,137)
Total primary government	40,166,348	41,315,540	42,468,195	37,975,835
Extraordinary gain (loss)(note 17)	-	-	-	-
Changes in net assets				
Governmental activities	5,114,919	12,971,633	11,627,003	2,128,994
Business-type activities	(94,185)	652,318	235,790	1,206,530
Total primary government	\$ 5,020,734	\$ 13,623,951	\$ 11,862,793	\$ 3,335,524

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

Fiscal Year		
2010	2011	2012
\$ 13,753,615	\$ 16,259,507	\$ 14,083,411
1,660,650	1,710,195	1,775,922
9,179,402	10,328,426	10,948,760
616,375	732,375	744,079
4,623,154	4,792,704	4,483,017
-	-	-
2,003,963	1,222,953	552,828
-	-	-
-	2,489,616	824,382
-	577	3,612
208,667	971,776	550,830
32,045,826	38,508,129	33,966,841
120,820	82,403	54,604
318,176	(2,489,616)	(824,382)
438,996	(2,407,213)	(769,778)
31,783,821	36,100,916	33,197,063
-	-	(33,237,247)
(1,776,502)	21,057,620	(33,203,639)
(1,678,714)	(1,172,624)	1,812,514
\$ (3,455,216)	\$ 19,884,996	\$ (31,391,125)

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

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

\* GASB 54 was implemented in Fiscal Year 2011, which changed the classification of fund balances in governmental funds

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

Fiscal Year		
2010*	2011*	2012
\$	\$	\$
	-	-
	-	-
2,360,972	2,271,395	2,059,432
38,233,080	40,563,646	38,784,368
\$ 40,594,052	\$ 42,835,041	\$ 40,843,800
<hr/>		
\$	\$	\$
-	-	-
-	-	-
-	-	-
-	-	-
10,755,520	10,260,000	9,775,000
56,518,979	53,968,387	13,604,848
7,152,709	7,243,162	6,728,307
\$ 74,427,208	\$ 71,471,549	\$ 30,108,155

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues:</b>				
Taxes	\$ 29,977,510	\$ 31,253,588	\$ 32,068,803	\$ 30,214,810
Licenses and permits	1,445,694	1,710,162	1,904,415	1,798,630
Fines and forfeitures (penalties)	871,895	934,538	919,127	871,673
Revenue from use of money and property	4,592,912	916,066	894,371	978,415
Investment Income	(188,890)	5,648,819	5,288,416	3,750,171
Intergovernmental	7,563,236	8,038,196	15,394,421	12,389,425
Charges for services	5,962,499	7,002,326	9,109,895	8,312,658
Miscellaneous	2,467,174	2,024,241	4,118,932	1,880,004
Total revenues	<u>52,692,030</u>	<u>57,527,936</u>	<u>69,698,380</u>	<u>60,195,786</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	5,900,370	3,382,349	4,440,714	4,189,795
Public safety	20,698,380	22,445,780	24,899,666	25,400,083
Transportation	6,405,142	6,836,619	9,036,928	13,290,929
Community development	2,613,673	2,544,831	10,445,502	2,983,448
Community Services	5,360,791	4,481,599	4,463,218	4,607,806
Capital Outlay	3,882,308	2,574,732	15,774,107	4,737,265
<b>Debt service:</b>				
Principal retirement	1,854,880	1,715,000	1,883,385	2,018,023
Interest and fiscal charges	1,887,647	2,562,763	2,620,715	2,180,617
Pass-through payments	510,659	579,303	644,577	1,032,558
Payments to escrow agents	-	-	-	-
Total expenditures	<u>49,113,850</u>	<u>47,122,976</u>	<u>74,208,812</u>	<u>60,440,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,578,180</u>	<u>10,404,960</u>	<u>(4,510,432)</u>	<u>(244,738)</u>
<b>Other financing sources (uses):</b>				
Transfers in (note 14)	2,400,930	2,775,567	9,799,212	8,380,744
Transfers out (note 14)	(2,533,531)	(2,908,237)	(9,866,821)	(9,619,948)
Issuance of leases	-	611,288	457,541	381,332
Proceeds of debt	-	-	-	-
Total other financing sources (uses)	<u>(132,601)</u>	<u>478,618</u>	<u>389,932</u>	<u>(857,872)</u>
Extraordinary gain (loss) (note 17)	-	-	-	-
Net change in fund balances	<u>\$ 3,445,579</u>	<u>\$ 10,883,578</u>	<u>\$ (4,120,500)</u>	<u>\$ (1,102,610)</u>
Debt service as a percentage of noncapital expenditures	9.4%	10.9%	8.8%	9.4%

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

		Fiscal Year		
		2010	2011	2012
\$	29,746,135	\$ 30,796,616	\$ 27,552,172	
	1,510,769	1,597,034	1,662,420	
	810,868	915,314	771,860	
	1,377,236	1,488,521	1,445,466	
	1,879,310	1,219,533	800,796	
	9,167,306	8,798,365	9,316,152	
	4,923,766	5,213,090	6,047,713	
	1,219,229	2,623,945	1,792,391	
	<u>50,634,619</u>	<u>52,652,418</u>	<u>49,388,970</u>	
	3,893,528	4,431,120	3,337,508	
	23,478,042	28,612,844	24,797,114	
	9,081,940	9,011,091	9,853,602	
	4,107,181	4,658,578	3,885,966	
	1,736,105	2,014,282	2,249,853	
	772,615	1,047,498	4,147,242	
	-	-	-	
	2,114,535	2,205,258	2,285,397	
	1,761,157	1,103,263	798,958	
	4,536,093	1,888,001	-	
	-	-	-	
	<u>51,481,196</u>	<u>54,971,935</u>	<u>51,355,640</u>	
	(846,577)	(2,319,517)	(1,966,670)	
	3,818,818	16,787,826	2,040,038	
	(4,003,456)	(16,003,210)	(2,944,656)	
	112,882	-	-	
	-	-	-	
	<u>(71,756)</u>	<u>784,616</u>	<u>(904,618)</u>	
	-	-	(40,483,347)	
\$	<u>(918,333)</u>	<u>(1,534,901)</u>	<u>(43,354,635)</u>	
	16.6%	9.6%	6.5%	

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

Fiscal Year Ended June 30	City		Taxable Assessed Value <sup>1</sup>
	Secured	Unsecured	
2006	\$ 5,349,309,112	\$ 257,922,331	\$ 5,607,231,443
2007	\$ 5,784,953,429	\$ 287,232,798	\$ 6,072,186,227
2008	\$ 6,310,344,079	\$ 284,437,291	\$ 6,594,781,370
2009	\$ 6,382,947,330	\$ 287,957,315	\$ 6,670,904,645
2010	\$ 6,482,764,941	\$ 287,619,118	\$ 6,770,384,059
2011	\$ 6,679,192,884	\$ 302,119,850	\$ 6,981,312,734
2012	\$ 6,777,682,538	\$ 259,218,246	\$ 7,036,900,784

<sup>1</sup> 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.

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

Source: Orange County Assessor's Office

*Continued*

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

City of Fountain Valley Successor Agency to the Redevelopment Agency

Fiscal Year Ended June 30	Secured	Unsecured	Taxable Assessed Value <sup>1</sup>	Total Direct Tax Rate
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%
2009	\$ 785,238,123	\$ 150,717,223	\$ 935,955,346	1.000%
2010	\$ 802,335,858	\$ 145,996,675	\$ 948,332,533	1.000%
2011	\$ 813,208,044	\$ 159,430,374	\$ 972,638,418	1.000%
2012	\$ 830,549,168	\$ 125,833,546	\$ 956,382,714	1.000%

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
City Direct Rates:					
City basic rate	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:					
Fountain Valley El Tax Override -					
1970 SSBA	0.06570	0.06691	0.06371	0.06588	0.00592
Huntington Beach High Sch 2004					
Bond #2004A	N/A	N/A	0.02999	0.02388	0.02197
Coast Community College	N/A	0.00051	0.01383	0.01545	0.01599
Metro Water District	0.00770	0.00610	0.01371	0.00520	0.00470
Orange County					
Huntington Beach High Sch 2004					
Bond #2005	N/A	N/A	0.00580	0.00151	0.00008
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>1.07340</u>	<u>1.07352</u>	<u>1.12704</u>	<u>1.11192</u>	<u>1.04866</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Direct Rates:					
City basic rate	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates:					
Fountain Valley El Tax Override -					
1970 SSBA	N/A	N/A	N/A	N/A	N/A
Huntington Beach High Sch 2004					
Bond #2004A	0.02366	0.02522	0.02605	0.02617	0.02726
Coast Community College	0.01472	0.01673	0.17500	0.01754	0.01881
Metro Water District	0.00430	0.00430	0.00370	0.00370	0.00350
Orange County					
Huntington Beach High Sch 2004					
Bond # 2005	0.00232	0.00260	0.00265	0.00266	0.00275
Huntington Beach High Sch 2004					
Bond # 2007	<u>0.00024</u>	<u>0.00159</u>	<u>0.00144</u>	<u>0.00143</u>	<u>0.00142</u>
Total Direct Rate	<u><u>1.04524</u></u>	<u><u>1.05044</u></u>	<u><u>1.20884</u></u>	<u><u>1.05150</u></u>	<u><u>1.05374</u></u>

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

Taxpayer	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Orange Coast Memorial Medical Center	129,848,312	1.85%	N/A	N/A
Fountain Valley Reg Hosp & Med Ctr (6)	77,861,642	1.11%	116,289,024	2.37%
JKS-CMFV LLC	58,179,124	0.83%	N/A	N/A
Healthcare Realty (5)	55,166,562	0.78%	N/A	N/A
Hyundai Motor America (1)	52,905,777	0.75%	26,344,042	0.54%
Fountain Valley Senior Housing LLC	37,581,554	0.53%	33,243,974	0.68%
17665 Newhope Manufacturing LLC	28,630,387	0.41%	22,541,789	0.46%
Costco Wholesale Corporation	23,742,589	0.34%	N/A	N/A
Chandler Real Properties (12)	23,344,760	0.33%	13,984,073	0.29%
Fountain Valley Plaza Properties LLC	16,230,000	0.23%	N/A	N/A
FV Showroom Partners I LLC (4)	15,727,642	0.22%	N/A	N/A
Fountain Valley Reg. Hospital (1)	14,806,983	0.21%	N/A	N/A
JKS-SF LLC (5)	14,547,939	0.21%	65,253,023	1.33%
Los Cab (15)	13,037,872	0.19%	8,227,087	0.17%
	<u>\$ 561,611,143</u>	<u>7.98%</u>	<u>\$ 285,883,012</u>	<u>5.83%</u>

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

Source: Orange County Assessor's Office, HDL Coren & Cone

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
2006	7,137,294	7,188,146	100.71%	86,440	7,274,586	101.92%
2007	7,597,511	7,501,066	98.73%	148,589	7,649,655	100.69%
2008	8,449,522	8,353,866	98.87%	264,181	8,618,047	101.99%
2009	8,271,990	8,306,058	100.41%	146,890	8,452,948	102.19%
2010	8,249,362	8,671,222	105.11%	58,017	8,729,239	105.82%
2011	8,506,281	8,607,874	101.19%	45,028	8,652,902	101.72%
2012	8,546,953	8,643,889	101.13%	79,327	8,723,216	102.06%

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 Seven Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Leases Payable	Tax Allocation Bonds	Note Payable	Certificates of Participation <sup>1</sup>	Other Post Employment Benefits <sup>3</sup>	
2006	791,893	15,520,000	17,904,551	12,505,000	-	46,721,444
2007	63,797	14,235,000	18,452,805	12,075,000	-	44,826,602
2008	1,373,218	12,900,000	18,910,346	11,635,000	-	44,818,564
2009	1,219,811	11,510,000	19,262,062	11,190,000	1,423,271	44,605,144
2010	1,124,313	10,065,000	16,536,398	10,730,000	2,875,654	41,331,365
2011	899,055	8,555,000	-	10,260,000	-	19,714,055
2012	668,658	-	-	9,775,000	-	10,443,658

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

<sup>1</sup> On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of \$13,270,000.

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

<sup>3</sup> Added in accordance with GASB 45

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

*Continued*

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

Fiscal Year Ended June 30	<u>Business-type Activities</u>	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
	Loans Payable			
2006	890,160	47,611,604	0.0338%	829
2007	850,955	45,677,557	0.0309%	795
2008	810,377	45,628,941	0.0295%	788
2009	768,379	45,373,523	0.0281%	778
2010	724,912	42,056,277	0.0290%	716
2011	679,923	20,393,978	0.0128%	369
2012	633,359	11,077,017	0.0066%	197

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

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

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

<sup>1</sup> 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, 2012

2011-2012 City Assessed Valuation	\$ 7,036,900,784
Redevelopment Agency Incremental Valuation	1,028,639,466
Adjusted Total Assessed Valuation	\$ 6,008,261,318

	% Applicable (1)	Total Debt Debt 6/30/12	City's Share of Debt 6/30/2012
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	0.332%	196,545,000	652,529
Coast Community College District	6.497%	317,803,867	20,647,717
Rancho Santiago Community College District	0.392%	302,555,660	1,186,018
Garden Grove Unified School District	10.843%	128,500,160	13,933,272
Huntington Beach Union High School District	12.734%	225,384,998	28,700,526
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>1,170,789,685</b>	<b>65,120,062</b>

Ratios to 2011-12 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....0.93%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Orange County General Fund Obligations	1.595%	233,751,000	3,728,328
Orange County Pension Obligations	1.595%	214,405,353	3,419,765
Orange County Board of Education Certificates of Participation	1.595%	16,000,000	255,200
Municipal Water District of Orange County Water Facilities Corporation	1.881%	12,145,000	228,447
Coast Community College District General Fund Obligations	6.497%	20,240,000	1,314,993
Huntington Beach Union High School District Certificates of Participation	12.734%	59,666,090	7,597,880
Fountain Valley School District Certificates of Participation	70.903%	9,765,000	6,923,678
Ocean View School District Certificates of Participation	1.087%	6,120,000	66,524
<b>City of Fountain Valley Certificates of Participation</b>	<b>100.000%</b>	<b>9,775,000</b>	<b>9,775,000</b>

TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT	33,309,815
Less: MWDOC Water Facilities Corporation (100% self-supporting)	228,447

TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 33,081,368
--	---------------

TOTAL DIRECT DEBT	\$ 9,775,000
TOTAL GROSS COMBINED TOTAL DEBT	\$ 88,654,877
TOTAL NET COMBINED TOTAL DEBT	\$ 88,426,430

GROSS COMBINED TOTAL DEBT	\$ 98,429,877 (2)
NET COMBINED TOTAL DEBT	\$ 98,201,430

<sup>1</sup> Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Ratios to Adjusted Assessed Valuation:

Total Direct Debt (\$9,775,000).....	0.16%
Gross Combined Total Debt.....	1.64%
Net Combined Total Debt.....	1.63%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

AB: (\$425)

CITY OF FOUNTAIN VALLEY

Legal Debt Margin Information

Last Seven Fiscal Years

	2006	2007	2008	2009
Assessed valuation	\$ 5,607,231,443	\$ 6,072,186,227	6,594,781,370	\$ 6,670,904,645
Debt limit percentage	15%	15%	15%	15%
Debt limit	841,084,716	910,827,934	989,217,206	1,000,635,697
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	\$ 841,084,716	\$ 910,827,934	989,217,206	\$ 1,000,635,697
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

*Continued*

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

CITY OF FOUNTAIN VALLEY

Legal Debt Margin Information

Last Seven Fiscal Years

	2010	2011	2012
Assessed valuation	\$6,770,384,059	\$ 6,981,312,734	\$ 7,036,900,784
Debt limit percentage	15%	15%	15%
Debt limit	1,015,557,609	1,047,196,910	1,055,535,118
Total net debt applicable to limit:			
General obligation bonds	-	-	-
Legal debt margin	\$101,557,609	\$ 1,047,196,910	\$ 1,055,535,118
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%

CITY OF FOUNTAIN VALLEY

Pledged-Revenue Coverage

Last Seven Fiscal Years

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

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

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

2012 Taxes received through 1/31/2012; subsequent receipts with county

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

Calendar Year	Population (1)	Personal Income (millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2003	56,268	116,238	39,268	3.9%
2004	56,468	124,854	41,868	3.5%
2005	57,149	133,032	44,453	3.1%
2006	57,405	140,700	45,638	3.0%
2007	57,475	147,800	45,969	4.8%
2008	57,925	154,800	48,523	7.7%
2009	58,309	161,700	49,298	11.9%
2010	58,741	145,100	44,789	12.1%
*2011	55,313	159,000	50,372	11.8%
2012	56,153	168,800	51,770	9.6%

Sources:

- (1) California State Department of Finance/ 2011 U.S Bureau of Labor Statistics: City of F.V.  
(estimates: last updated 12/6/2012)
- (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  
(last updated 11/28/2012)
- \* State of California, Department of Finance, E-4 Estimates for Cities, Counties and the State,  
2001-2010, with 2000 & 2010 Census Counts. Sacramento, CA, September 2011

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

Employer	2012		2003	
	Number of Employees	Percent of Total Employment (1)	Number of Employees	Percent of Total Employment
Fountain Valley Regional Hospital	1,623	8.24%	1,679	N/A
Orange Coast Memorial Medical Center	1,191	6.04%	641	N/A
Kingston Technology Corporation	794	4.03%	786	N/A
Memorial Health Services	627	3.18%	N/A	N/A
Surefire, LLC	578	2.93%	N/A	N/A
*Hyundai Motor America	-	0.00%	543	N/A
Ceridian Tax Service, Inc.	352	1.79%	396	N/A
Costco Wholesale, #411	280	1.42%	378	N/A
Fry's Electronics Inc.	232	1.18%	296	N/A
Manor Care of Fountain Valley	204	1.04%	N/A	N/A
D-Link Systems, Inc.	201	1.02%	N/A	N/A
*Hyundai Capital America	-	0.00%	N/A	N/A

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

\* Business License temporarily inactive in Fountain Valley due to construction of new building;  
Hyundai will return 2013/14

Source: City of Fountain Valley; Business License Division

CITY OF FOUNTAIN VALLEY

Full-time City Employees  
by Department

Last Ten Fiscal Years

Full-Time Employees as of June 30, 2012

<u>Department</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Administration	4	4	4	3	3	3	3	2	2	3
City Clerk	4	4	4	3	3	3	3	1	1	1
Finance	14	14	14	14	15	15	12	11	11	11
Information Services	*	*	*	*	*	*	3	3	3	3
Personnel	4	4	4	4	4	4	4	3.5	3.5	3.5
Planning/Building	9	9	9	9	9	9	9	8	8	8
Public Works	10	10	10	10	10	10	10	9	9	9
Field Services	50	50	50	48	48	45	45	32	31.5	32
Fire	47	50	50	47	47	47	47	43	43	43
Police	92	92	92	90	89	89	89	78	78	78
Community Services	6	6	6	6	6	6	6	4	5	5
Utilities	14	14	14	17	17	21	21	21	22	22
(Water & Sewer)										
Total	<u>254</u>	<u>257</u>	<u>257</u>	<u>251</u>	<u>251</u>	<u>252</u>	<u>252</u>	<u>215.5</u>	<u>217.0</u>	<u>218.5</u>

Source: City of Fountain Valley: Finance Department: Authorized List, June 2012

\* Information Services in prior years was included in the Finance Department  
Building Dept. was a part of the Fire Dept prior to 2010

CITY OF FOUNTAIN VALLEY

Operating Indicators  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Police:</b>					
Arrests	1,780	1,736	1,764	2,380	2,230
Parking citations issued	10,336	11,230	10,134	12,532	11,534
<b>Fire:</b>					
Number of emergency calls	4,152	4,142	4,064	4,247	4,661
Inspections	11,487	13,700	14,000	16,033	12,890
<b>Public works:</b>					
Street resurfacing (miles)	24	20	20	22	26
<b>Parks and recreation:</b>					
Number of recreation classes	856	629	738	752	1,098
Number of facility rentals	184	151	289	172	184
<b>Water:</b>					
New connections	N/A	1,306	1,046	1,119	1,027
Average daily consumption (thousands of gallons)	N/A	12,209	12,230	10,340	10,064

Source: City of Fountain Valley

*Continued*

CITY OF FOUNTAIN VALLEY

Operating Indicators  
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Police:				
Arrests	2,134	2,037	1,779	1,563
Parking citations issued	10,550	9,562	8,143	8,138
Fire:				
Number of emergency calls	5,042	4,260	4,260	4,366
Inspections (Fire & Building)	11,582	13,346	16,126	7,902
Public works:				
Street resurfacing (miles)	14	11	11	14
Parks and recreation:				
Number of recreation classes	-	1,140	1,169	1,143
Number of facility rentals	-	453	1,760	1,642
Water:				
New connections	1,080	1,512	1,228	1,291
Average daily consumption (thousands of gallons)	8,866	8,222	7,995	8,110

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.00	141.30	141.30	141.30	141.30
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	47	49	49	53	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	183.80	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

*Continued*

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2008	2009	2010	2011	2012
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.30	144.20	165.00	165.00	165.00
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	52	53	53	53	53
Parks and recreation:					
Parks	19	20	20	20	20
Community centers	2	2	2	2	2
Water:					
Water mains (miles)	184.00	185.00	185.00	187.00	187.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	12,500,000	12,500,000

\*\*Streetlights are owned by So Cal Edison

Source: City of Fountain Valley

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