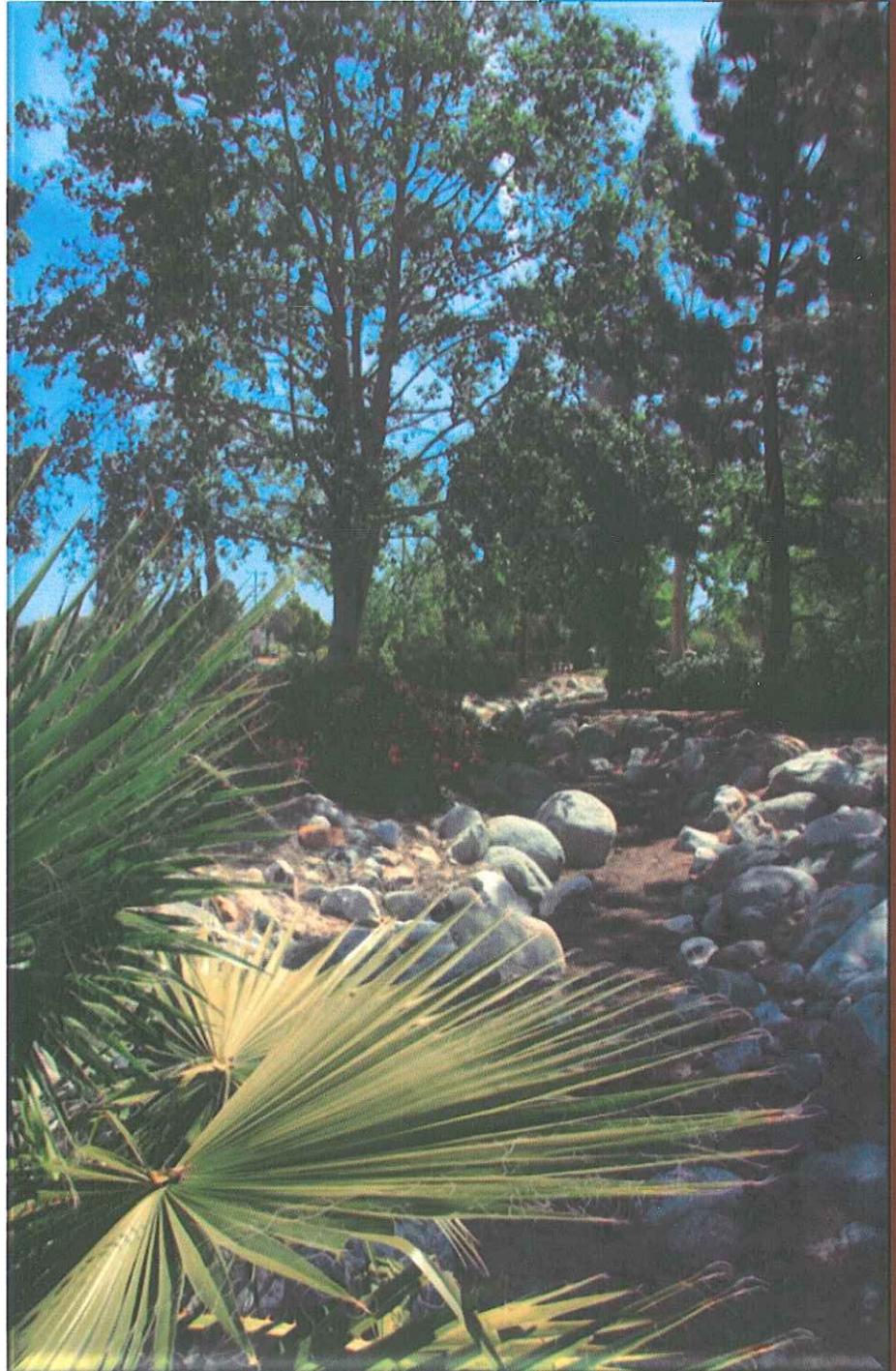


*Comprehensive Annual  
Financial Report  
Fiscal Year Ended,  
June 30, 2011*

**City of Fountain Valley  
California**



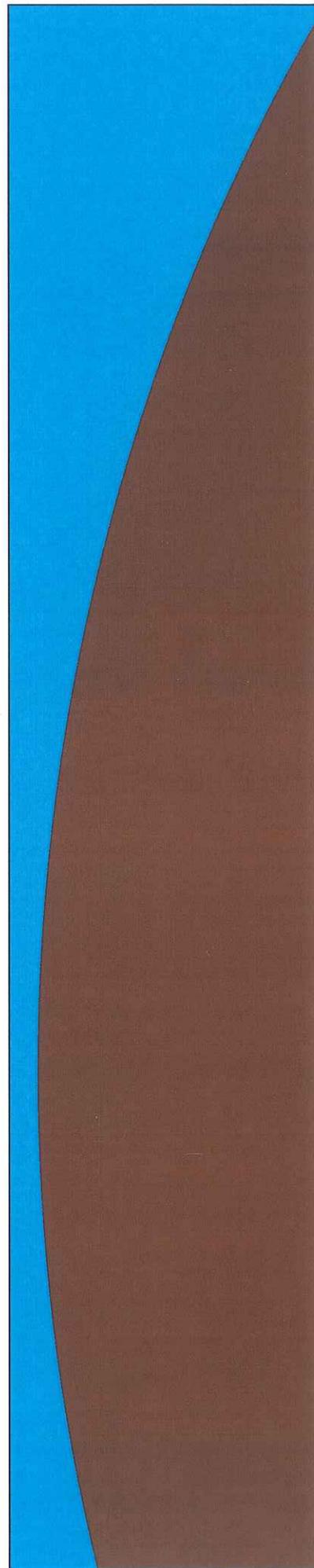
Photography by Monica Kerr

*City of Fountain Valley*

*California*

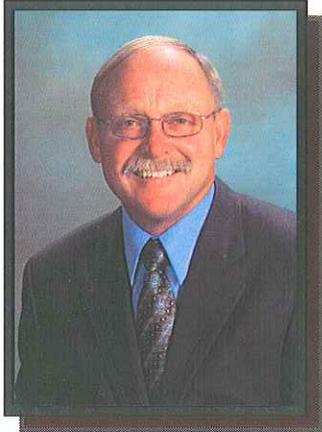
**Comprehensive  
Annual Financial Report  
Fiscal Year Ended  
June 30, 2011**

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

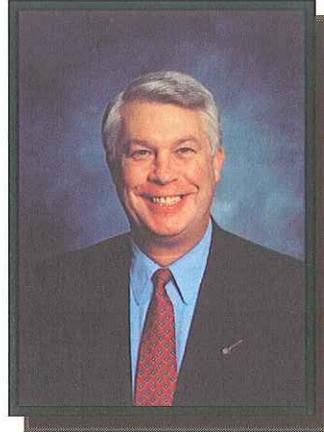


# City Council

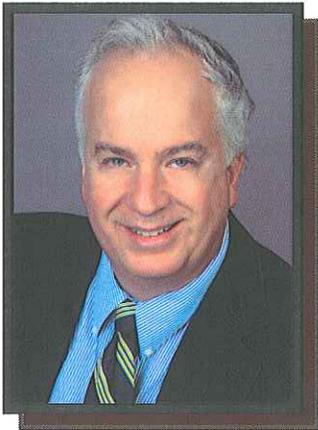
## 2010-2011



Steve Nagel  
Mayor



John Collins  
Mayor Pro Tempore



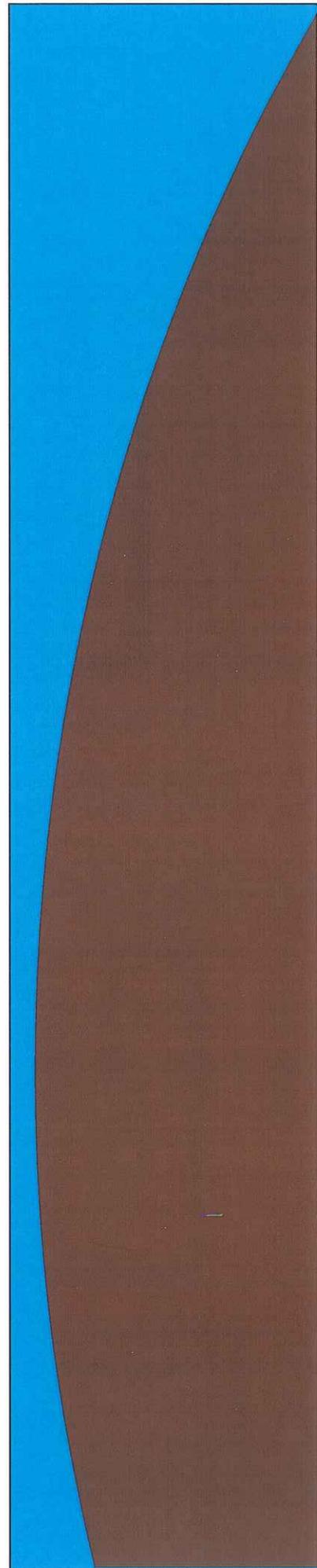
Mark McCurdy  
Council Member



Michael Vo  
Council Member



Larry Crandall  
Council Member



CITY OF FOUNTAIN VALLEY  
Comprehensive Annual Financial Report  
Year ended June 30, 2011

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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

**February 3, 2012**

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, 2011, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

## Management's Transmittal Letter

The City of Fountain Valley's financial statements have been audited by Mayer Hoffman McCann P.C., an independent firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2011, 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, 2011, 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.

### ***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, redevelopment; a full range of recreation and cultural activities; as well as legislative, legal and general administrative support.

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

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

### ***Budgetary Control***

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds. Budgetary control for management purposes is maintained as authorized by the Council at the departmental program level within individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. This online real-time system allows each department to ascertain the budget status of a program or project prior to requesting a purchase order and purchase amounts are encumbered as each purchase order is issued to ensure that there are sufficient amounts available in an account prior to the purchase. Purchases that would result in an over-expenditure of the program bottom line are not released until additional appropriations or budget amendments are processed. At fiscal year end, all operating budget appropriations lapse and encumbrances are reported as reservations of fund balances at June 30, 2011. As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management of the City's operations.

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

The City of Fountain Valley is a premier Orange County City that celebrated its fiftieth birthday in 2007. It has the reputation of being "A Nice Place to Live", as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambience 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.

## Management's Transmittal Letter

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 24.6 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. Collections for 2010/11 totaled \$10,328,426, up \$1.149 million from last years \$9,179,402.

### ***Debt Administration***

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

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

Fountain Valley is a city that is 98% built out, which limits the type of development projects to infill, expansion or redevelopment. Never-the-less, because of the excellent opportunities afforded the residents Fountain is a extremely desirable place to live, so every opportunity to create new residential infill is maximized and new housing projects are generally sold out during their construction phase. Below you will find information pertaining to residential, industrial, and commercial projects that are in various stages of development as of June 30, 2011.

**Fountain Valley Civic Center**– The project proposes to construct a four story 127 room Ayres Hotel, 88 residences including 61 townhomes and 27 single-family homes, and a 2,272 square foot storage building for the Fountain Valley Police Department on an 8.3 acre site located at 17570 Brookhurst Street and 10200 Slater Avenue. An environmental impact report (EIR) is currently being prepared. The public comment period for the Notice of Preparation for the Draft EIR was conducted from May 27- June 27, 2011.

## Management's Transmittal Letter

**Jamboree-** The proposed project would develop 128 affordable apartment units in four 4-story building totaling 180,875 square feet on a 3.96-acre site. Unit sizes would range from one to three bedrooms and from 600 to 925 square feet. A total of 238 parking spaces would be provided: 109 on the first floors of three of the buildings, and the remaining 129 outdoors. Affordability levels in the project would range from very-low-income (50 percent of the Area Median Income [AMI] for Orange County) to moderate income (110 percent of AMI). A mitigated negative declaration is being prepared for this project with an estimated completion date of January 2012.

**Hyundai-** The proposed project will consist of a 420,000 square foot 6 story office building, a 50,000 square foot technical service building, and a 5-level parking structure. An environmental impact report is currently being prepared. The public comment period for the notice of preparation was completed in August of 2011.

**Yakult-** The proposed project is an 87,000 square foot beverage manufacturing facility that will be their first production facility in the United States. A mitigated negative declaration is currently being prepared for this project.

### ***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

Steve Nagel

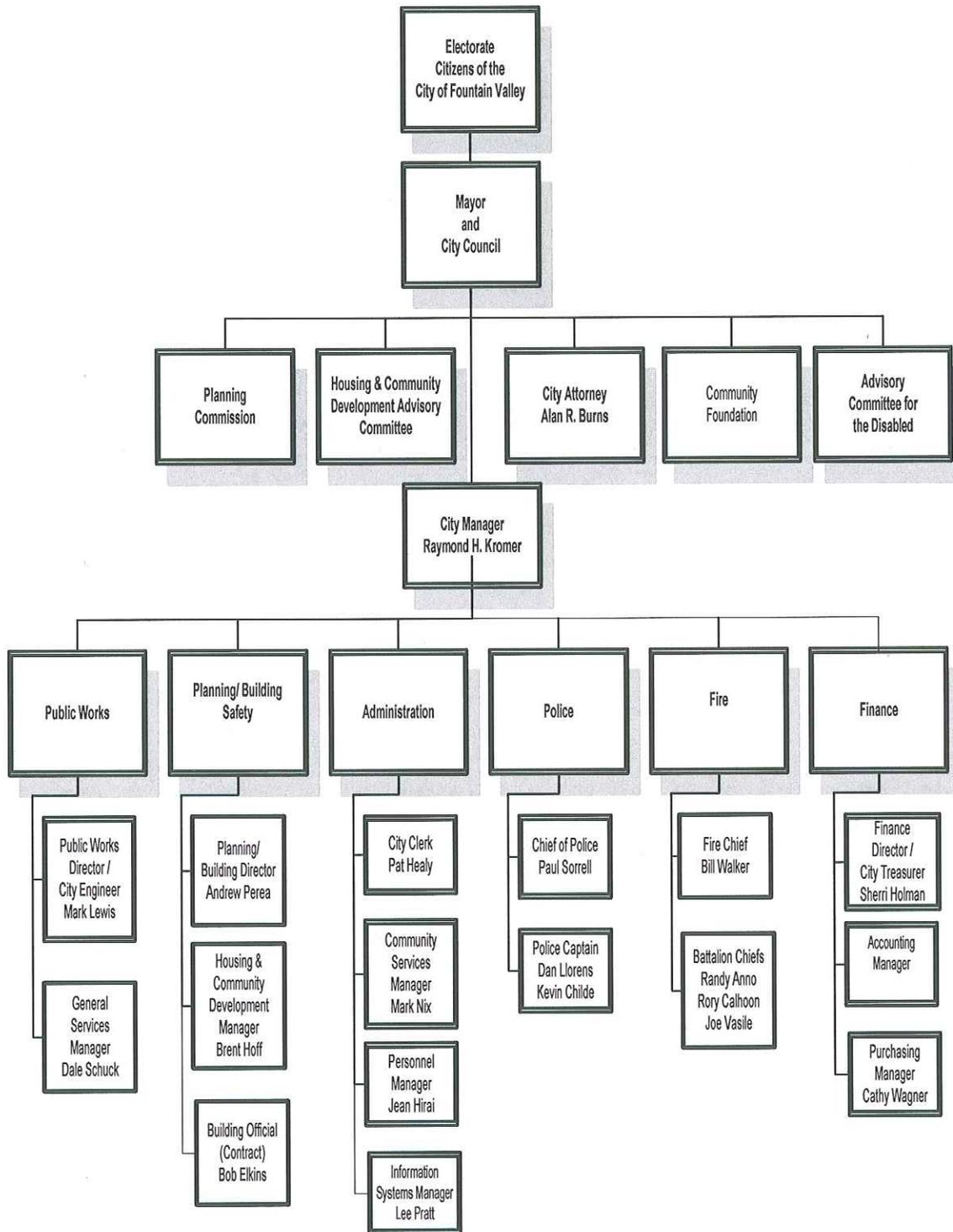
## Council Members

John Collins	<b>Mayor Pro Tempore</b>
Mark McCurdy	<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 &amp; City Engineer</b>
Paul Sorrell	<b>Chief of Police</b>
Vacant	<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>
Dan Llorens	<b>Police Captain</b>
Kevin Childe	<b>Police Captain</b>
Randy Anno	<b>Battalion Chief</b>
Joe Vasile	<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

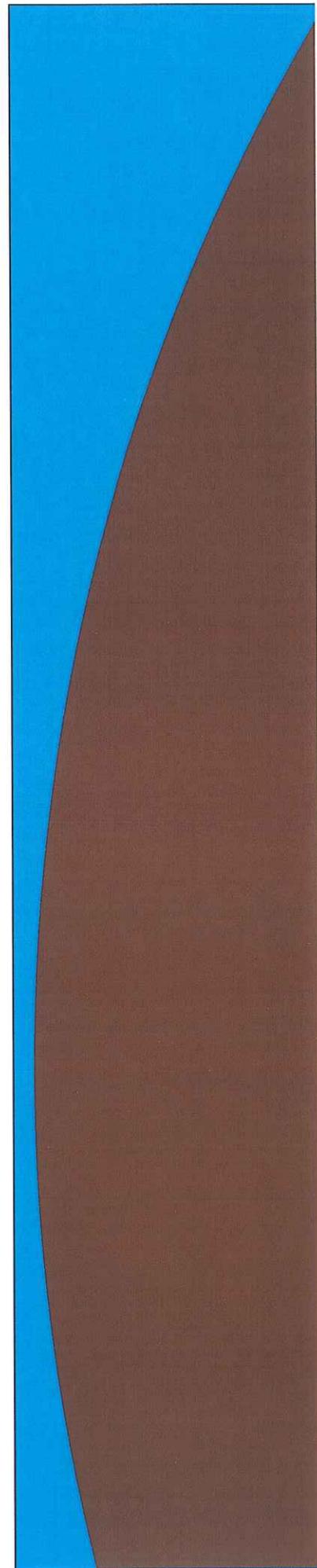


*City of Fountain Valley*

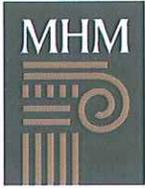
*Financial Section*



*McDowell Park*







**Mayer Hoffman McCann P.C.**  
**An Independent CPA Firm**

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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, 2011, 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, 2010 and in our report dated December 8, 2010 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, 2011, 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.

As described further in note 18 to the financial statements, recent legislation in the State of California calls for the dissolution of California redevelopment agencies.

As described further in notes 1 and 19, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2012 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  
February 3, 2012

## 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

The City implemented GASB 54 in the fiscal year ended June 30, 2011, which redefines the governmental fund types, including only allowing Special Revenue funds to be reported when the primary source of revenue for the fund is either restricted or committed. As a result the City made certain reclassifications of fund types to implement the standard. The prior year comparative columns in the accompanying financial statements have been modified to reflect this change for the purposes of comparability. More information regarding these adjustments can be found on page 63 & 64 of this financial report.

During the course of the year the City also established a Trust and began funding its long term liability for Other Post Employee Benefits (OPEB). At year end the balance in the Trust was \$5,363,427. Taking the steps to begin funding this liability has turned what was a \$2,875,654 liability last year into a \$1,129,373 asset for the year ended June 30, 2011.

The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$221,936,206 (*net assets*). Of this amount, \$65,081,109 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$20,705,227, the majority of which is attributable to the forgiveness of the Price Company (Costco) note of \$16,536,398, other debt service reductions and revenue increases account for the balance of the increase. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$114,306,590 a decrease of \$714,670 from the prior year. Approximately 35 percent of this amount, \$40,563,646 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 a Water Fund.

The *government-wide financial statements* include not only the City itself (known as the *primary government*), but also the legally separate Fountain Valley Agency for Community Development (Agency) and the Fountain Valley Financing Authority that function as integral parts of the primary government and have been included in these financial statements. The government-wide financial statements can be found on pages 15-17 of this report.

## **Fund Financial Statements**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Fountain Valley maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Industrial Redevelopment Area Debt Service Fund, Industrial Redevelopment Area and Housing Set-Aside Capital Projects Funds. Data from the 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 and the City Center Redevelopment Area Capital Projects Fund, as the City did not adopt annual budgets for these funds.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

### **Proprietary Funds**

An *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its Water Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, which is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 22-25 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 26 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 27-62 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 68-75 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 \$221,936,206 at the close of the fiscal year.

51 percent of the City's net assets reflect cash and investments and 49 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	127,050	129,470	6,689	10,142	133,739	139,612
Capital assets	108,128	108,156	11,626	11,204	119,754	119,360
<b>Total Assets</b>	<b>235,178</b>	<b>237,626</b>	<b>18,315</b>	<b>21,346</b>	<b>253,493</b>	<b>258,972</b>
Long-term liabilities outstanding	21,533	27,409	701	787	22,234	28,196
Other liabilities	7,186	24,816	2,137	3,909	9,323	28,725
<b>Total Liabilities</b>	<b>28,719</b>	<b>52,225</b>	<b>2,838</b>	<b>4,696</b>	<b>31,557</b>	<b>56,921</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	92,919	74,207	10,946	10,479	103,865	84,686
Restricted	52,990	55,038			52,990	55,038
Unrestricted	60,550	56,156	4,531	6,171	65,081	62,327
<b>Total Net Assets</b>	<b>206,459</b>	<b>185,401</b>	<b>15,477</b>	<b>16,650</b>	<b>221,936</b>	<b>202,051</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 2011, fiscal year, the City of Fountain Valley is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

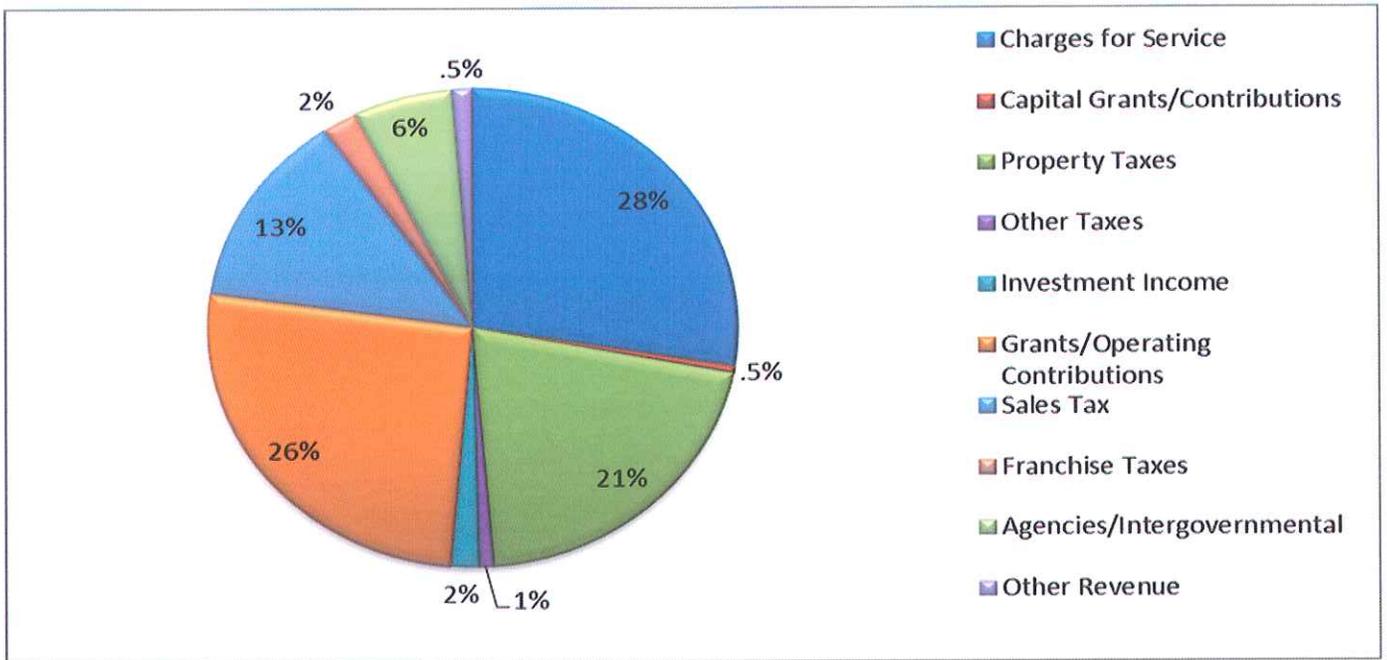
**Governmental Activities**

Governmental activities increased the City's net assets by \$21,057,620. Key elements of this increase follow:

**CHANGES IN NET ASSETS**

(In thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program Revenues:						
Charges for services	8,125	10,571	13,558	11,637	21,683	22,208
Operating grants and					-	-
Contributions	20,307	4,501			20,307	4,501
Capital grants and					0	0
Contributions	381	2,478			381	2,478
General Revenues:					0	0
Property taxes	16,260	13,754			16,260	13,754
Franchise taxes	1,710	1,661			1,710	1,661
Sales taxes	10,328	9,179			10,328	9,179
Other taxes	732	616			732	616
Revenues from other					0	0
Agencies	4,793	4,623			4,793	4,623
Other					0	0
Investment earnings	1,223	1,883	83	121	1,306	2,004
Assessments					0	0
Miscellaneous	972	209			972	209
Transfers	2,490	(318)	(2,490)	318	0	2090
Gain/(Loss) on sale of property	-	(53)			-	(53)
<b>Total Revenues</b>	<b>67,321</b>	<b>49,104</b>	<b>11,151</b>	<b>12,076</b>	<b>78,472</b>	<b>61,180</b>
<b>Expenses:</b>						
General government	2,288	4,390			2,288	4,390
Public safety	26,635	25,295			26,635	25,295
Transportation	9,535	10,843			9,535	10,843
Community development	4,547	3,638			4,547	3,638
Community Services	2,199	4,790			2,199	4,790
Interest and fiscal charges	1,059	1,446			1,059	1,446
Water			9,465	10,752	9,465	10,752
Solid Waste			2,859	2,986	2,859	2,986
<b>Total Expenses</b>	<b>46,263</b>	<b>50,402</b>	<b>12,324</b>	<b>13,738</b>	<b>58,587</b>	<b>64,140</b>
Decrease in net assets	21,058	(1,298)	(1,173)	(1,662)	19,885	(2,960)
Net Assets - July 1	185,401	186,699	16,650	18,312	202,051	205,011
Net Assets - June 30	206,459	185,401	15,477	16,650	221,936	202,051



### 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 \$114,306,590 a decrease of \$714,670 from the prior year. Approximately 11 percent of this amount, \$12,531,495 is not available for spending, \$53,968,387, or 47 percent is unreserved but considered restricted for future commitments and 42 percent, \$47,806,808 is available for spending at the government's discretion within the guidelines of the fund types.

At the end of the current fiscal year, the unassigned fund balance in the general fund, the chief operating fund of the City, was \$40,563,646 and total fund balance was \$42,835,041. This constitutes an increase of \$2,240,989 from the 2010 fiscal year.

During the fiscal year overall general fund revenues were up \$3.1 million. Of this amount \$1.1 million is made up of increased sales tax revenues, there was also a reimbursement for expenses related to the City's workers compensation self-insurance fund that totaled \$942,538 and the balance is due to increases for fines and penalties.

There are three other major funds within the governmental fund accounts. They include the Industrial Re-development Debt Service, Industrial Area Project and Housing Set-Aside Project Funds.

Fund balance in the Industrial Area Debt Service Fund at June 30, 2011, was \$21,582,742 a decrease of \$2,996,166, this is directly related to a double up in Pass-through payments to schools, colleges, and other taxing entities.

The Industrial Area Project Fund had a decrease in fund balance of \$3,111,508 with a total ending fund balance of \$6,609,719 This decrease is attributed a transfer of funds to the Fountain Valley Housing Authority, in March 2011 the agency entered into a loan agreement for \$12.7 million with the Housing Authority. At fiscal year end the agency had funded \$3,175,000 of the loan.

The Housing Set-Aside Fund had a decrease in fund balance of \$5,330,123 largely due to advances and asset transfers it made to other funds. In March 2011 the Housing Set-Aside Fund transferred title of the Mt. Hope to the Fountain Valley Housing Authority, the value of this transfer was \$3,851,917. The balance of the decrease to the Housing Set-Aside fund is related to a transfer of cash assets to the Housing Authority in the amount of \$3,150,000.

### **Proprietary Funds**

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. As part of the City's GASB 54 conversion the Solid Waste Fund was removed from the governmental section of the financial statements to proprietary section resulting in a re-statement of fund balance of \$341,006 in both sections of the financial statement.

Total net assets for the Water Utility Fund decreased by \$1,187,886 and totaled \$15,120,896 at June 30, 2011, of this amount unrestricted net assets amounted to \$4,174,989. This decrease in assets is attributed to lower interest and water sales revenue. For the fiscal year ended the Solid Waste Fund had net assets of \$356,268, an increase of \$15,262 from last fiscal year.

Interest earnings for the year were down \$38,417 due to historically low rates, while charges for service decreased by \$1,591,437 due to the conservation efforts of residents and businesses. Capital expenditures this year totaled \$1,889,007 and included wide spread meter replacement and the preliminary construction of a new well site.

### **General Fund Budgetary Highlights**

#### Changes to Original Budget

A detailed budgetary comparison schedule for the year ended June 30, 2011, 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 2010-11, annual budget and year end budget approvals.

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	\$33,213,160	\$34,467,986	\$1,254,826
Expenditures	\$33,818,297	\$38,174,681	\$4,356,384
Other sources (uses)	\$ 846,000	\$ 2,332,736	\$1,486,736

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 \$702,000. Citizen donations for Summerfest and Senior Center operations totaled \$63,000. The budget was also amended by \$120,000 for impounded vehicle administration services. Finally as part of the City's GASB 54 conversion \$350,000 from the Traffic Safety Fund was transferred into the General Fund.

The variance in expenditures consist of appropriations for the above mentioned grant and donation expenditures and an additional \$2.5 million for the HVAC and energy efficiency upgrades authorized by Council in May 2011. The balance is made up of the inclusion of the Traffic Safety Fund and amendments for professional services related to OPEB reporting and fuel storage tank remediation.

Other sources (uses) variances are due to contributions made from other funds to assist with the funding of the City's OPEB Trust account.

Variance with Final Budget

While the largest category of revenues, taxes, came in just over \$1 million under budget due to the poor economic climate our overall adjusted revenue collections were higher than the final budget by \$415,846. Contributing factors for the increase include \$278,361 in better than expected Motor Vehicle License Fee revenues, a large workers compensation recovery and other recoveries in fire suppression.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** The City's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$119,752,975 (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 .33 percent, or \$392,685.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	3,885	3,885	123	123	4,008	4,008
Vehicles and Equipment	2,086	2,085	21	26	2,107	2,111
Furniture and Fixtures	2	2			2	2
Buildings	9,768	10,117	3,848	2,617	13,616	12,734
Construction in Progress	352	54	3,115	4,043	3,467	4,097
Improvements other than Structures	452	489	4,519	4,395	4,971	4,884
Rights of Way	17,948	17,948			17,948	17,948
Infrastructure	73,634	73,576			73,634	73,576
<b>Total</b>	<b>108,127</b>	<b>108,156</b>	<b>11,626</b>	<b>11,204</b>	<b>119,753</b>	<b>119,360</b>

Additional information on the City's capital assets can be found in the notes on pages 44-45 of this report.

**Long-Term Debt**

At year-end, the City had total long term debt outstanding of 25,775,950, this is a decrease of \$21,916,750. The decrease is attributable to the fact that the terms of the Price Club note expired and \$16,536,398 was forgiven. Also during the year, the City established a trust account and began funding our long term OPEB obligations. A total of \$5.3 million was deposited into the trust making our current OPEB obligation an asset versus a debt obligation. Additional information on the City of Fountain Valley's debt can be found in notes to the financial statements on pages 46-50. The bonded debt of the City's is secured solely by tax increment.

**LEASES, TAX ALLOCATION BONDS, AND NOTES**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Leases Payable	899	1,124			899	1,124
Tax Allocation Bonds	8,555	10,065			8,555	10,065
Notes Payable	0	16,536			0	16,536
Certificate of Participation	10,260	10,730			10,260	10,730
Other Post Employee Benefits		2,876				2,876
Compensated Absences	2,221	2,348	90	120	2,311	2,468
Claims Payable	3,071	3,169			3,071	3,169
Loans Payable			680	725	680	725
<b>Total</b>	<b>25,006</b>	<b>46,848</b>	<b>770</b>	<b>845</b>	<b>25,776</b>	<b>47,693</b>

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

The economy is still struggling and growth has been meager at best as we are still dealing with record high unemployment rates. The unemployment rate in Orange County at June 30, 2011 was 9.2 percent which is a slight decrease from the rate of 9.5 percent last year. As of June 30, 2011, California's unemployment rate was 12.1 percent, down 1.0 percent from last years rate of 12.2 percent. The unemployment rate for the Nation decreased by .3 percent, down from 9.5 percent to 9.2 percent.

During the fiscal year Sales tax revenues, the City's single largest revenue source steadily increased. Collections at 6/30/2011 were \$1,149,024, or 12.5% higher than the previous year, however sales tax collections are no where near what they were from our 2007/08 high. When preparing the 2011/2012 budget staff projected that Sales tax would only increase from the prior year by 4 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 Feds have kept rates at historical lows and there seems to be no indication that the market will be returning to "normal" anytime in the near future. As of the end of the fiscal year, investments being offered for governmental entities were yielding about 1.25 percent on a five year note, hardly exciting.

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 assesses values. While our assessed value grew by 3.13 percent, collections for the year were down \$151,000 when compared to last fiscal year.

One June 21, 2011, the Council adopted the 2011/12 annual operating budget with appropriations totaling \$68,926,688 for the City and an additional \$27,205,462 for the Agency for Community Development. Consistent with City's balanced budget policy, General Fund revenues exceeded expenditures by \$72,096. However in December, 2011, Redevelopment Agencies statewide were determined to be dissolved under ABx1 26 by the California Supreme Court. The loss of Agency funds will 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. With the information available to us at this time it is estimated the General Fund impact would be anywhere between \$807, 000 and \$1.8 million, as you can see there is a huge variance between these two numbers and at this time we are holding our breath in anticipation of where the hammer may fall, either way the courts decision will have a drastic affect on cities throughout the state.

## **Requests for Information**

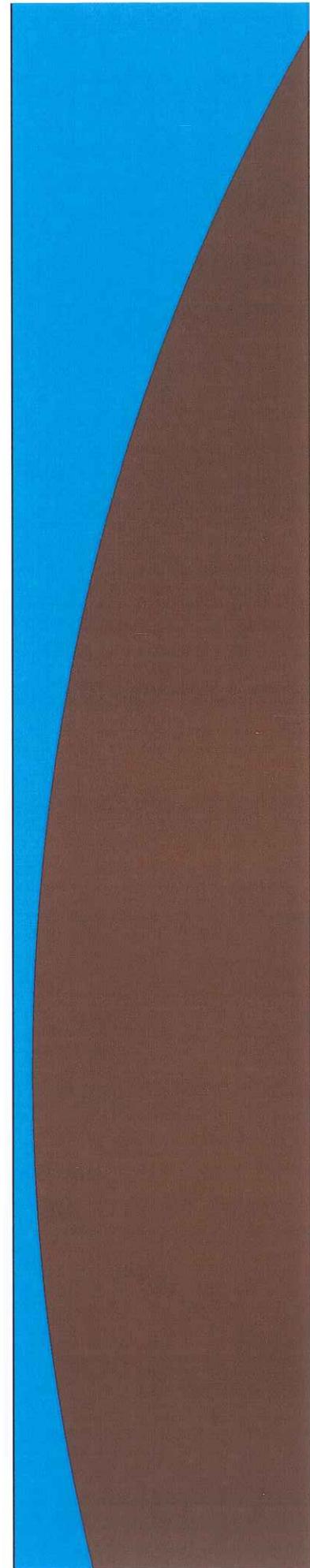
This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Fountain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

*City of Fountain Valley*

*Basic Financial  
Statements*



*Rose Garden Santa Rosalia Street*





CITY OF FOUNTAIN VALLEY  
Statement of Net Assets  
June 30, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
<b>Assets:</b>				
Cash and investments (note 2)	\$ 103,884,227	7,687,205	111,571,432	115,417,372
Cash and investment with fiscal agent (note 2)	4,702,250	-	4,702,250	4,506,580
<b>Receivables:</b>				
Accounts	2,909,582	1,101,610	4,011,192	4,188,741
Accrued interest	209,605	-	209,605	230,261
Loans (note 16)	8,093,813	-	8,093,813	8,074,976
Internal balances	2,099,309	(2,099,309)	-	-
Inventories	80,769	-	80,769	80,492
Net OPEB asset (note 11)	1,129,373	-	1,129,373	-
Land held for resale	3,851,917	-	3,851,917	3,987,015
Prepaid expenses	89,626	-	89,626	-
<b>Capital assets (note 4)</b>				
Capital assets not depreciated	85,336,957	3,237,804	88,574,761	88,581,138
Other capital assets, net	22,790,188	8,388,026	31,178,214	30,779,152
<b>Total assets</b>	<b>235,177,616</b>	<b>18,315,336</b>	<b>253,492,952</b>	<b>255,845,727</b>
<b>Liabilities:</b>				
Accounts payable	2,853,096	1,988,958	4,842,054	5,467,352
Accrued wages payable	495,852	-	495,852	1,000,071
Accrued interest payable	363,325	-	363,325	407,780
Deposits payable	-	79,565	79,565	46,845
<b>Noncurrent liabilities (notes 5 to 11)</b>				
Due within one year	3,473,625	69,031	3,542,656	19,496,754
Due in more than one year	21,532,676	700,618	22,233,294	28,195,946
<b>Total liabilities</b>	<b>28,718,574</b>	<b>2,838,172</b>	<b>31,556,746</b>	<b>54,614,748</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	92,919,149	10,945,907	103,865,056	101,222,645
<b>Restricted for:</b>				
Housing	26,630,202	-	26,630,202	24,439,784
Public safety	766,021	-	766,021	361,433
Transportation	6,126,330	-	6,126,330	6,050,537
Redevelopment agency	19,408,806	-	19,408,806	7,093,218
Community development	58,682	-	58,682	556,790
Unrestricted	60,549,852	4,531,257	65,081,109	61,506,572
<b>Total net assets</b>	<b>\$ 206,459,042</b>	<b>15,477,164</b>	<b>221,936,206</b>	<b>201,230,979</b>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

Statement of Activities  
Year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 2,288,544	1,799,114	-	-
Public safety	26,634,914	2,145,255	317,962	-
Transportation	9,535,081	-	2,881,097	380,511
Community development	4,546,691	2,764,100	17,027,314	-
Community services	2,198,738	1,416,509	80,405	-
Interest and other charges	1,058,808	-	-	-
Total governmental activities	<u>46,262,776</u>	<u>8,124,978</u>	<u>20,306,778</u>	<u>380,511</u>
<b>Business-type activities:</b>				
Water	9,464,335	10,550,050	-	-
Solid Waste	<u>2,859,051</u>	<u>3,007,925</u>	-	-
Total business-type activities	<u>12,323,386</u>	<u>13,557,975</u>	-	-
	<u>\$ 58,586,162</u>	<u>21,682,953</u>	<u>20,306,778</u>	<u>380,511</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

Change in net assets

Net assets at beginning of year, as restated (note 19)

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	
		2011	2010
(489,430)	-	(489,430)	(2,401,223)
(24,171,697)	-	(24,171,697)	(22,923,718)
(6,273,473)	-	(6,273,473)	(7,760,482)
15,244,723	-	15,244,723	660,800
(701,824)	-	(701,824)	471,206
(1,058,808)	-	(1,058,808)	(1,446,472)
(17,450,509)	-	(17,450,509)	(33,399,889)
-	1,085,715	1,085,715	(2,117,710)
-	148,874	148,874	16,547
-	1,234,589	1,234,589	(2,101,163)
(17,450,509)	1,234,589	(16,215,920)	(35,501,052)
16,259,507	-	16,259,507	13,753,615
10,328,426	-	10,328,426	9,179,402
1,710,195	-	1,710,195	1,660,650
732,375	-	732,375	616,375
4,792,704	-	4,792,704	4,623,154
1,222,953	82,403	1,305,356	2,003,963
577	-	577	-
971,776	-	971,776	208,677
2,489,616	(2,489,616)	-	-
38,508,129	(2,407,213)	36,100,916	32,045,836
21,057,620	(1,172,624)	19,884,996	(3,455,216)
185,401,422	16,649,788	202,051,210	204,686,195
<u>\$ 206,459,042</u>	<u>15,477,164</u>	<u>221,936,206</u>	<u>201,230,979</u>

CITY OF FOUNTAIN VALLEY  
Balance Sheet - Governmental Funds  
June 30, 2011

	Debt				Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	Service Fund	Capital Projects Funds			2011	2010
		Industrial Redevelopment Area	Industrial Redevelopment Area	Housing Set-Aside			
<b>Assets:</b>							
Cash and investments	\$ 39,795,399	34,253,896	3,619,950	8,292,679	17,922,303	103,884,227	106,161,745
Cash and investments with fiscal agent	-	2,168,544	-	-	2,533,706	4,702,250	4,506,580
<b>Receivables:</b>							
Accounts	2,208,058	5,401	-	1,350	694,773	2,909,582	3,305,186
Accrued interest	111,590	-	98,015	-	-	209,605	230,261
Loans/notes	-	-	-	7,805,309	288,504	8,093,813	8,074,976
Due from other funds (note 3)	134,824	-	-	-	1,875	136,699	231,008
Advances to other funds (note 15)	2,101,000	-	3,175,000	3,364,450	10,260,000	18,900,450	14,877,655
Inventory	80,769	-	-	-	-	80,769	80,492
Land held for resale	-	-	-	-	3,851,917	3,851,917	3,987,015
Prepaid expenses	89,626	-	-	-	-	89,626	-
<b>Total assets</b>	<b>\$ 44,521,266</b>	<b>36,427,841</b>	<b>6,892,965</b>	<b>19,463,788</b>	<b>35,553,078</b>	<b>142,858,938</b>	<b>141,454,918</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 1,062,806	1,113,267	254,680	24,190	398,153	2,853,096	3,968,674
Accrued wages payable	495,852	-	-	-	-	495,852	1,000,071
Due to other funds (note 3)	-	107,382	28,566	-	2,442	138,390	233,822
Deferred revenue	127,567	-	-	7,805,309	332,684	8,265,560	8,659,436
Advances from other funds (note 15)	-	13,624,450	-	-	3,175,000	16,799,450	12,571,655
<b>Total liabilities</b>	<b>1,686,225</b>	<b>14,845,099</b>	<b>283,246</b>	<b>7,829,499</b>	<b>3,908,279</b>	<b>28,552,348</b>	<b>26,433,658</b>
<b>Fund balance:</b>							
<b>Nonspendable:</b>							
Inventory	80,769	-	-	-	-	80,769	80,492
Prepaid expenses	89,626	-	-	-	-	89,626	-
Advances to other funds	2,101,000	-	-	-	10,260,000	12,361,000	13,036,000
<b>Restricted for:</b>							
Public safety	-	-	-	-	766,021	766,021	330,765
Transportation	-	-	-	-	6,126,330	6,126,330	5,031,670
Housing	-	-	-	11,634,289	7,190,604	18,824,893	17,136,076
Community development	-	21,582,742	6,609,719	-	58,682	28,251,143	34,020,468
Assigned	-	-	-	-	7,243,162	7,243,162	7,152,709
Unassigned	40,563,646	-	-	-	-	40,563,646	38,233,080
<b>Total fund balance</b>	<b>42,835,041</b>	<b>21,582,742</b>	<b>6,609,719</b>	<b>11,634,289</b>	<b>31,644,799</b>	<b>114,306,590</b>	<b>115,021,260</b>
<b>Total liabilities and fund balance</b>	<b>\$ 44,521,266</b>	<b>36,427,841</b>	<b>6,892,965</b>	<b>19,463,788</b>	<b>35,553,078</b>	<b>142,858,938</b>	<b>141,454,918</b>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Governmental Funds

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

June 30, 2011

	<u>2011</u>	<u>2010</u>
Fund balances of governmental funds	\$ 114,306,590	115,362,266
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	134,305,599	132,917,540
Accumulated depreciation	(26,178,454)	(24,761,176)
Long term debt and compensated absences that have not been included in the governmental fund activity:		
Long-term debt	(22,785,577)	(44,500,048)
Compensated absences	(2,220,724)	(2,348,041)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(363,325)	(407,780)
Net OPEB asset is not recorded under the modified accrual basis of accounting.	1,129,373	-
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	<u>8,265,560</u>	<u>8,659,436</u>
Net assets of governmental activities	<u>\$ 206,459,042</u>	<u>184,922,197</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2011

	Debt		Capital Projects Funds			Non-Major Governmental Funds	Total Governmental Funds	
	General	Industrial	Industrial	Housing	Funds		2011	2010
	Fund	Redevelopment Area	Redevelopment Area	Set-Aside			2011	2010
<b>Revenues:</b>								
Taxes	21,441,304	7,484,250	-	1,871,062	-	30,796,616	29,746,135	
Licenses and permits	1,597,034	-	-	-	-	1,597,034	1,510,769	
Fines and penalties	915,314	-	-	-	-	915,314	810,868	
Investment income	446,106	13,265	358,359	282,459	119,344	1,219,533	1,879,310	
Rental income	1,488,521	-	-	-	-	1,488,521	1,377,236	
Intergovernmental	4,668,470	-	-	-	4,129,895	8,798,365	9,167,306	
Charges for services	3,733,490	-	-	-	1,479,600	5,213,090	4,923,766	
Miscellaneous	2,001,148	-	-	400,933	221,864	2,623,945	1,219,229	
Total revenues	<u>36,291,387</u>	<u>7,497,515</u>	<u>358,359</u>	<u>2,554,454</u>	<u>5,950,703</u>	<u>52,652,418</u>	<u>50,634,619</u>	
<b>Expenditures:</b>								
Current:								
General government	2,941,070	-	1,458,689	31,361	-	4,431,120	3,893,528	
Public safety	28,336,185	-	-	-	276,659	28,612,844	23,478,042	
Transportation	5,190,629	-	-	-	3,820,462	9,011,091	9,081,940	
Community development	2,418,313	-	368,444	753,604	1,118,217	4,658,578	4,107,181	
Community services	1,973,726	-	-	-	40,556	2,014,282	1,736,105	
Capital outlay	511,524	-	-	-	535,974	1,047,498	772,615	
Debt service:								
Principal	225,258	1,510,000	-	-	470,000	2,205,258	2,114,535	
Interest	-	692,203	-	-	411,060	1,103,263	1,761,157	
Pass-through payments	-	1,888,001	-	-	-	1,888,001	4,536,093	
Total expenditures	<u>41,596,705</u>	<u>4,090,204</u>	<u>1,827,133</u>	<u>784,965</u>	<u>6,672,928</u>	<u>54,971,935</u>	<u>51,481,196</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(5,305,318)</u>	<u>3,407,311</u>	<u>(1,468,774)</u>	<u>1,769,489</u>	<u>(722,225)</u>	<u>(2,319,517)</u>	<u>(846,577)</u>	
<b>Other financing sources (uses):</b>								
Transfers in (note 14)	7,400,766	-	-	-	9,387,060	16,787,826	3,818,818	
Transfers out (note 14)	(326,591)	(411,145)	(1,642,734)	(7,099,612)	(6,523,128)	(16,003,210)	(4,003,456)	
Issuance of long term debt	-	-	-	-	-	-	112,882	
Total other financing sources (uses)	<u>7,074,175</u>	<u>(411,145)</u>	<u>(1,642,734)</u>	<u>(7,099,612)</u>	<u>2,863,932</u>	<u>784,616</u>	<u>(71,756)</u>	
Net change in fund balances	<u>1,768,857</u>	<u>2,996,166</u>	<u>(3,111,508)</u>	<u>(5,330,123)</u>	<u>2,141,707</u>	<u>(1,534,901)</u>	<u>(918,333)</u>	
Fund balances at beginning of year, as restated (note 19)	<u>41,066,184</u>	<u>18,586,576</u>	<u>9,721,227</u>	<u>16,964,412</u>	<u>29,503,092</u>	<u>115,841,491</u>	<u>115,939,593</u>	
Fund balances at end of year	<u>\$ 42,835,041</u>	<u>21,582,742</u>	<u>6,609,719</u>	<u>11,634,289</u>	<u>31,644,799</u>	<u>114,306,590</u>	<u>115,021,260</u>	

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY

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

Year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
Net changes in fund balances - total governmental funds	\$ (1,534,901)	(901,786)
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	1,477,749	1,560,623
Depreciation expense	(1,453,165)	(2,538,514)
Disposal of capital assets	(53,803)	(54,303)
<p>Proceeds from the issuance of notes is reported as other financing sources in governmental funds. The issuance of notes payable increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities.</p>		
	-	(112,882)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	2,205,258	2,114,535
<p>Forgiveness of loan payable is not recorded in governmental funds but reduces long-term liabilities in the statement of net assets.</p>		
	16,536,398	-
<p>The statement of net assets includes accrued interest on long term debt.</p>		
	44,455	314,685
<p>To record as an expense (reduction of expense) the net change in claims and judgments payable in the statement of activities.</p>		
	97,161	(710,912)
<p>To record as an expense (reduction of expense) the net change in compensated absences in the statement of activities.</p>		
	127,317	107,481
<p>To record as an expense (reduction of expense) the net change in other post employment benefits in the statement of activities.</p>		
	4,005,027	(1,452,383)
<p>Revenues that are measurable but not available. Amounts are not recorded as revenue under the modified accrual basis of accounting.</p>		
	<u>(393,876)</u>	<u>(103,046)</u>
Change in net assets of governmental activities	<u>\$ 21,057,620</u>	<u>(1,776,502)</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Net Assets - Proprietary Fund  
June 30, 2011

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Totals</u>	
<u>Assets</u>	2011	2010	2011	2010
Current assets:				
Cash and cash equivalents	\$ 7,299,860	387,345	7,687,205	9,255,627
Accounts receivable	889,458	212,152	1,101,610	883,555
Due from other funds (note 3)	1,691	-	1,691	2,814
Noncurrent assets:				
Capital assets:				
Capital assets not depreciated	3,237,804	-	3,237,804	4,166,515
Other capital assets, net	8,388,026	-	8,388,026	7,037,411
Total assets	<u>19,816,839</u>	<u>599,497</u>	<u>20,416,336</u>	<u>21,345,922</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	1,745,729	243,229	1,988,958	1,498,678
Deposits payable	79,565	-	79,565	46,845
Advances from other funds (note 15)	2,101,000	-	2,101,000	2,306,000
Non-current liabilities:				
Due within one year	69,031	-	69,031	57,703
Due beyond one year	700,618	-	700,618	786,908
Total liabilities	<u>4,695,943</u>	<u>243,229</u>	<u>4,939,172</u>	<u>4,696,134</u>
Net assets:				
Invested in capital assets, net of related debt	10,945,907	-	10,945,907	10,479,014
Unrestricted	<u>4,174,989</u>	<u>356,268</u>	<u>4,531,257</u>	<u>6,170,774</u>
Total net assets	<u>\$ 15,120,896</u>	<u>356,268</u>	<u>15,477,164</u>	<u>16,649,788</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, 2011

	Water Utility	Solid Waste	Totals	
			2011	2010
Operating revenues:				
Charges for services	\$ 10,528,922	3,007,925	13,536,847	11,617,469
Miscellaneous	21,128	-	21,128	18,796
Total operating revenues	<u>10,550,050</u>	<u>3,007,925</u>	<u>13,557,975</u>	<u>11,636,265</u>
Operating expenses:				
Utility administration	1,079,780	-	1,079,780	898,145
Contract services	-	2,859,051	2,859,051	2,851,737
Pumping and maintenance	1,130,070	-	1,130,070	931,627
Water treatment	8,309,043	-	8,309,043	8,262,279
Depreciation	488,848	-	488,848	495,209
Total operating expenses	<u>11,007,741</u>	<u>2,859,051</u>	<u>13,866,792</u>	<u>13,438,997</u>
Operating income (loss)	<u>(457,691)</u>	<u>148,874</u>	<u>(308,817)</u>	<u>(1,802,732)</u>
Nonoperating revenues (expenses):				
Investment income	82,403	-	82,403	120,820
Interest expense	(161,594)	-	(161,594)	(164,893)
Total nonoperating revenues (expenses)	<u>(79,191)</u>	<u>-</u>	<u>(79,191)</u>	<u>(44,073)</u>
Income (loss) before transfers and capital contributions	<u>(536,882)</u>	<u>148,874</u>	<u>(388,008)</u>	<u>(1,846,805)</u>
Transfers in (note 14)	163,852	-	163,852	402,896
Transfers out (note 14)	(814,856)	(133,612)	(948,468)	(218,258)
Change in net assets	<u>(1,187,886)</u>	<u>15,262</u>	<u>(1,172,624)</u>	<u>(1,662,167)</u>
Net assets at beginning of year, as restated (note 19)	<u>16,308,782</u>	<u>341,006</u>	<u>16,649,788</u>	<u>18,311,955</u>
Net assets at end of year	<u>\$ 15,120,896</u>	<u>356,268</u>	<u>15,477,164</u>	<u>16,649,788</u>

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Cash Flows - Proprietary Fund  
Year ended June 30, 2011

	Water Utility	Solid Waste	Totals	
			2011	2010
Cash flows from operating activities:				
Cash received from customers	\$ 10,361,978	3,010,662	13,372,640	12,119,114
Cash payments to suppliers for goods and services	(7,874,144)	(2,854,035)	(10,728,179)	(10,978,135)
Cash payments to employees for services	(2,189,458)	-	(2,189,458)	(2,189,814)
Net cash provided by (used for) operating activities:	<u>298,376</u>	<u>156,627</u>	<u>455,003</u>	<u>(1,048,835)</u>
Cash flows from noncapital financing activities:				
Cash paid to other funds	(1,019,856)	(133,612)	(1,153,468)	(133,538)
Cash received from other funds	<u>164,975</u>	<u>-</u>	<u>164,975</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(854,881)</u>	<u>(133,612)</u>	<u>(988,493)</u>	<u>(133,538)</u>
Cash flows from capital and related financing activities:				
Cash paid for acquisition and construction of capital assets	(910,752)	-	(910,752)	(1,622,438)
Cash received from other funds for construction of capital assets	-	-	-	2,306,000
Interest paid on debt	(161,594)	-	(161,594)	(164,893)
Principal paid on debt	(44,989)	-	(44,989)	(43,467)
Net cash provided by (used for) capital and related financing activities	<u>(1,117,335)</u>	<u>-</u>	<u>(1,117,335)</u>	<u>475,202</u>
Cash flows from investing activities:				
Interest received on investments	<u>82,403</u>	<u>-</u>	<u>82,403</u>	<u>120,820</u>
Net cash provided by (used for) investing activities	<u>82,403</u>	<u>-</u>	<u>82,403</u>	<u>120,820</u>
Net increase (decrease) in cash and cash equivalents	(1,591,437)	23,015	(1,568,422)	(586,351)
Cash and cash equivalents at beginning of year	<u>8,891,297</u>	<u>364,330</u>	<u>9,255,627</u>	<u>9,841,978</u>
Cash and cash equivalents at end of year	<u>\$ 7,299,860</u>	<u>387,345</u>	<u>7,687,205</u>	<u>9,255,627</u>

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

	<u>Water Utility</u>	<u>Solid Waste</u>	<u>Totals</u>	
			<u>2011</u>	<u>2010</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (457,691)	148,874	(308,817)	(1,936,270)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	488,848	-	488,848	495,209
(Increase) decrease in accounts receivable	(220,792)	2,737	(218,055)	583,253
Increase (decrease) in accounts payable	485,264	5,016	490,280	28,278
Increase (decrease) in deposits payable	32,720	-	32,720	(205,080)
Increase (decrease) in compensated absences	(29,973)	-	(29,973)	(14,225)
 Total adjustments	 <u>756,067</u>	 <u>7,753</u>	 <u>763,820</u>	 <u>887,435</u>
 Net cash provided by (used for) operating activities	 <u>\$ 298,376</u>	 <u>156,627</u>	 <u>455,003</u>	 <u>(1,048,835)</u>

There were no noncash investing and financing activities during the years ended June 30, 2011 and 2010.

See accompanying notes to the basic financial statements.

CITY OF FOUNTAIN VALLEY  
Statement of Fiduciary Net Assets  
June 30, 2011

	Agency Funds	
	2011	2010
<u>Assets</u>		
Cash and investments (note 2)	\$ 805,986	1,324,811
Total assets	\$ 805,986	1,324,811
<u>Liabilities and Net Assets</u>		
Liabilities:		
Deposits payable	\$ 805,986	1,324,811
Total liabilities	\$ 805,986	1,324,811

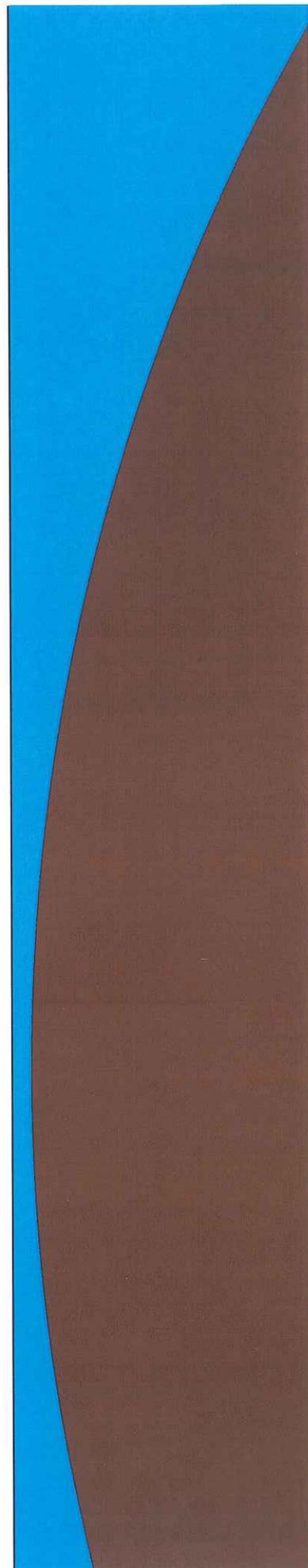
See accompanying notes to the basic financial statements.

# *City of Fountain Valley*

## *Notes to the Basic Financial Statements*



*Palm Island at Mile Square Park*





CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

Year ended June 30, 2011

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

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

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

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

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

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

(b) Basis of Accounting and Measurement Focus

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

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

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

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

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

Government-wide Financial Statements, (Continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

Fund Financial Statements

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

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

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 90 days.

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

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

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

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 which requires that local governments defer grant revenue that is not received within 90 days after the fiscal year end to meet the "available" criteria of revenue recognition. In the past, the industry practice for grants was to recognize revenue in the fiscal year in which the related expense was incurred.

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

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

Governmental Funds, (Continued)

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

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

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

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

Proprietary and Fiduciary Funds

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

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

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

Proprietary and Fiduciary Funds, (Continued)

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

(c) Fund Classifications

The City reports the following major governmental funds:

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

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.

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

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

(c) Fund Classifications, (Continued)

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

(d) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances at year end are reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance.

(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. 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.

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

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

(g) Inventories

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

(h) 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)

(k) Capital Assets, (Continued)

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

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

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

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

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

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

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

(l) Use of Estimates, (Continued)

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.

(m) 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.

(n) Land Held for Resale

Land held for resale is recorded at the lower of cost or, upon entering into a contract for sale, the estimated realizable value. 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.

(o) Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

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).

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

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

(p) Fund Balance, (Continued)

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, an ordinance, or a minutes action to constitute a 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)

(2) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$111,571,821
Cash and investments with fiscal agent	4,702,250
Fiduciary funds:	
Cash and investments	<u>805,986</u>
Total cash and investments	<u>\$117,080,057</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 28,675
Deposits with financial institutions	10,820,892
Investments	<u>106,230,490</u>
Total cash and investments	<u>\$117,080,057</u>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</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	\$ 45,260,818	45,260,818	-	-	-
Corporate notes	4,198,080	-	4,198,080	-	-
Federal agency securities	37,962,552	-	9,945,032	28,017,520	-
Money market funds	14,106,790	14,106,790	-	-	-
Held by Fiscal agent:					
Local Agency Investment Fund	1,967,000	1,967,000	-	-	-
Money market funds	<u>2,735,250</u>	<u>2,735,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$106,230,490</u></b>	<b><u>64,069,858</u></b>	<b><u>14,143,112</u></b>	<b><u>28,017,520</u></b>	<b><u>-</u></b>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>A</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 45,260,818	N/A	-	-	45,260,818
Corporate notes	4,198,080	A	-	4,198,080	-
Federal agency securities	37,962,552	N/A	37,962,552	-	-
Money market funds	14,106,790	A	14,106,790	-	-
Held by Fiscal agent:					
Local Agency Investment Fund	1,967,000	N/A	-	-	1,967,000
Money market funds	<u>2,735,250</u>	AAA	<u>2,735,250</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$106,233,490</u></b>		<b><u>54,804,592</u></b>	<b><u>4,198,080</u></b>	<b><u>47,227,818</u></b>

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$14,036,010
Federal National Mortgage Association	Federal agency securities	5,779,702

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

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

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Industrial Redevelopment Area Capital Project Fund	\$ 25,000 (a)
Non-Major Governmental Funds	Industrial Redevelopment Area Capital Project Fund	1,875 (a)
Water Enterprise Fund	Industrial Redevelopment Area Capital Project Fund	1,691 (a)
General Fund	Non-Major Governmental Funds	2,442 (b)
General Fund	Industrial Redevelopment Area Debt Service Fund	<u>107,382 (c)</u>
Total		<u>\$ 138,390</u>

- (a) Interfund balances are the result of expenses incurred by the Fountain Valley Agency for Community Development for its contribution to capital projects in other funds, but that had not been paid by June 30, 2011.
- (b) Interfund balances are the result of short-term borrowings to cover negative cash balances and operating shortages at June 30, 2011.
- (c) Result of a pass through payment paid by the General Fund for the Industrial Redevelopment Area Debt Service Fund.

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

(4) Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Governmental activities:				
Buildings	\$ 17,274,254	-	-	17,274,254
Improvements	752,560	-	-	752,560
Vehicles and equipment	5,756,816	555,415	(89,690)	6,222,541
Furniture and fixtures	6,572	-	-	6,572
Infrastructure	<u>24,712,715</u>	<u>-</u>	<u>-</u>	<u>24,712,715</u>
Subtotal	<u>48,502,917</u>	<u>555,415</u>	<u>(89,690)</u>	<u>48,968,642</u>
Less accumulated depreciation:				
Buildings	(7,156,982)	(349,017)	-	(7,505,999)
Improvements	(263,396)	(37,628)	-	(301,024)
Vehicles and equipment	(3,672,158)	(500,082)	35,888	(4,136,353)
Furniture and fixtures	(4,383)	(548)	-	(4,931)
Infrastructure	<u>(13,664,257)</u>	<u>(565,891)</u>	<u>-</u>	<u>(14,230,148)</u>
Total accumulated depreciation	<u>(24,761,176)</u>	<u>(1,453,166)</u>	<u>35,888</u>	<u>(26,178,454)</u>
Net depreciable assets	<u>23,741,741</u>	<u>(897,751)</u>	<u>(53,802)</u>	<u>22,790,188</u>
Capital assets not depreciated:				
Infrastructure	62,527,326	623,582	-	63,150,908
Land	3,885,105	-	-	3,885,105
Rights of way	17,948,464	-	-	17,948,464
Construction in progress	<u>53,728</u>	<u>922,334</u>	<u>(623,582)</u>	<u>352,480</u>
	<u>84,414,623</u>	<u>1,545,916</u>	<u>(623,582)</u>	<u>85,336,957</u>
Capital assets, net	<u>\$108,156,364</u>	<u>648,165</u>	<u>(677,384)</u>	<u>108,127,145</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	\$ 91,614
Transportation	446
Public safety	266,196
Community development	865,148
Community services	<u>229,762</u>
	<u>\$1,453,166</u>

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Business-type activities:				
Buildings	\$ 8,241,482	1,496,249	-	9,737,731
Improvements other than buildings	11,481,841	343,214	(534,022)	11,291,033
Machinery and equipment	<u>47,777</u>	<u>-</u>	<u>-</u>	<u>47,777</u>
Total cost of depreciable assets	<u>19,771,100</u>	<u>1,839,463</u>	<u>(534,022)</u>	<u>21,076,541</u>
Less accumulated depreciation:				
Buildings	(5,624,467)	(265,520)	-	(5,889,987)
Improvements other than buildings	(7,087,343)	(218,550)	534,022	(6,771,871)
Machinery and equipment	<u>(21,879)</u>	<u>(4,778)</u>	<u>-</u>	<u>(26,657)</u>
Total accumulated depreciation	<u>(12,733,689)</u>	<u>(488,848)</u>	<u>534,022</u>	<u>(12,688,515)</u>
Net depreciable assets	<u>7,037,411</u>	<u>1,350,615</u>	<u>-</u>	<u>8,388,026</u>
Capital assets not depreciated:				
Land	123,076	-	-	123,076
Construction in progress	<u>4,043,439</u>	<u>567,538</u>	<u>(1,496,249)</u>	<u>3,114,728</u>
	<u>4,166,515</u>	<u>567,538</u>	<u>(1,496,249)</u>	<u>3,237,804</u>
Capital assets, net	<u>\$11,203,926</u>	<u>1,918,153</u>	<u>(1,496,249)</u>	<u>11,625,830</u>

Depreciation expense in the amount of \$488,848 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, 2011 (including unamortized discounts and refunding costs) are as follows:

Governmental activities:	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Compensated absences payable	\$ 2,348,041	42,994	(170,311)	2,220,724	161,076	2,059,648
Claims and judgments	3,168,683	1,236,334	(1,333,495)	3,071,522	1,035,453	2,036,069
Capital lease obligations	1,124,313	-	(225,258)	899,055	222,096	676,959
Notes payable	16,536,398	-	(16,536,398)	-	-	-
1998 Tax Allocation Bonds	10,065,000	-	(1,510,000)	8,555,000	1,570,000	6,985,000
2003 Certificates of Participation	<u>10,730,000</u>	<u>-</u>	<u>(470,000)</u>	<u>10,260,000</u>	<u>485,000</u>	<u>9,775,000</u>
Total governmental long-term liabilities	<u>\$43,972,435</u>	<u>1,279,328</u>	<u>(20,245,462)</u>	<u>25,006,301</u>	<u>3,473,625</u>	<u>21,532,676</u>

Governmental compensated absences are generally liquidated by the general fund.

Changes in long-term liabilities for business-type activities for the year ended June 30, 2011 are as follows:

Business-type activities:	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Compensated absences payable	\$ 119,699	-	(29,973)	89,726	22,467	67,259
Notes payable	<u>724,912</u>	<u>-</u>	<u>(44,989)</u>	<u>679,923</u>	<u>46,564</u>	<u>633,359</u>
Business-type long-term liabilities	<u>\$ 844,611</u>	<u>-</u>	<u>(74,962)</u>	<u>769,649</u>	<u>69,031</u>	<u>700,618</u>

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

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(6) Notes Payable

Business-type activities:

The Water Utility Fund of the City entered into an agreement with the Orange County Water District (OCWD) in a joint effort to improve water supply facilities. This agreement is for the construction of a groundwater production well, including a pump, motor and ancillary surface facilities, in the City of Fountain Valley. At June 30, 2011 the amount outstanding on the loan is \$679,923. 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, 2011 are as follows:

Year Ending <u>June 30,</u>	<u>Loans Payable OCWD</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 46,564	23,797
2013	48,194	22,168
2014	49,880	20,481
2015	51,626	18,735
2016	53,433	16,928
2017	55,303	15,058
2018	57,239	13,122
2019	59,242	11,119
2020	61,315	9,046
2021	63,462	6,899
2022	65,683	4,678
2023	<u>67,982</u>	<u>2,379</u>
Total	<u>\$679,923</u>	<u>164,410</u>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(7) Obligations Under Capital Leases

The City of Fountain Valley has entered into various 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:

<u>Description</u>	<u>Date of Agreement</u>	<u>Monthly Installment</u>	<u>Interest Rate</u>	<u>Commencing</u>	<u>Terminating</u>	<u>Acquisition Cost</u>
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
Folder inserting equipment	June 3, 2008	\$617	8%	7/1/2008	6/1/2012	\$24,131
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, 2011 was \$899,055.

The calculation of the present value of the future lease payments is as follows:

<u>Amount of future lease payments For the year ending June 30,</u>	<u>Governmental Activities Amount</u>
2012	\$ 264,168
2013	252,510
2014	252,510
2015	127,854
2016	<u>114,945</u>
Subtotal	<u>1,011,987</u>
Less: amount representing interest	<u>(112,932)</u>
Present value of future lease payments	<u>\$ 899,055</u>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(8) Bonds Payable

Governmental activities:

1998 Tax Allocation Bonds:

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

The required reserve for the Tax Allocation Bonds is \$1,967,310 and as of June 30, 2011 the reserve was fully funded. The amount of bonds outstanding at June 30, 2011 is \$8,555,000.

Annual requirements to amortize outstanding bonds as of June 30, 2011 are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$1,570,000	392,380
2013	1,640,000	323,300
2014	1,715,000	249,500
2015	1,775,000	170,610
2016	<u>1,855,000</u>	<u>87,185</u>
Total	<u>\$8,555,000</u>	<u>1,222,975</u>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(9) Certificates of Participation

2003 Multiple Capital Facilities

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

Future requirements to amortize outstanding certificates of participation as of June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 485,000	396,736
2013	500,000	381,711
2014	515,000	363,661
2015	535,000	344,400
2016	550,000	325,814
2017	570,000	305,929
2018	590,000	284,606
2019	615,000	260,859
2020	640,000	235,375
2021	665,000	209,275
2022	690,000	182,175
2023	720,000	153,975
2024	750,000	124,575
2025	775,000	92,137
2026	810,000	56,475
2027	<u>850,000</u>	<u>19,125</u>
Totals	<u>\$10,260,000</u>	<u>3,736,828</u>

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(10) Claims and Judgments

Self-Insurance:

At June 30, 2011, 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.

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 2010-11 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.

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(10) Claims and Judgments, (Continued)

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.

Changes in the claims and judgments payable amounts in fiscal years ended June 30, 2010 and 2011 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>
2009-10	2,457,771	1,309,808	(598,896)	3,168,683
2010-11	3,168,683	1,236,334	(1,333,495)	3,071,522

(11) 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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(11) Other Post Employment Benefits (Continued)

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

*Eligibility:* Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Retirees and beneficiaries receiving benefits	151	118	269
Active plan members	<u>121</u>	<u>97</u>	<u>218</u>
Total	<u>272</u>	<u>215</u>	<u>487</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 2010-11, the City contributed \$1,271,842 to the plan for current premiums and also contributed \$5,329,185 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:

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

(11) Other Post Employment Benefits (Continued)

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$1,129,000	1,580,000	2,709,000
Interest on net OPEB obligation	71,266	99,734	171,000
Adjustments to annual required contributions	<u>(115,995)</u>	<u>(168,005)</u>	<u>(284,000)</u>
Annual OPEB cost (expense)	1,084,271	1,511,729	2,596,000
Contributions made (including premiums paid)	<u>(3,064,960)</u>	<u>(3,536,067)</u>	<u>(6,601,027)</u>
Decrease in net OPEB obligation	(1,980,689)	(2,024,338)	(4,005,027)
Net OPEB obligation-beginning of year	<u>704,886</u>	<u>2,170,768</u>	<u>2,875,654</u>
Net OPEB obligation (asset)-end of year	<u>\$ (1,275,803)</u>	<u>146,430</u>	<u>(1,129,373)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011 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>
6/30/09	\$2,446,000	41.8%	1,423,271
6/30/10	2,482,000	43.3%	2,875,654
6/30/11	2,596,000	254.2%	(1,129,373)

*Funded Status and Funding Progress.* The funded status of the plan as of January 1, 2010, is presented on the following page.

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(11) Other Post Employment Benefits (Continued)

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 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)
1/01/08	\$0	34,287	34,287	0%	17,998	190.50%
1/01/10	0	34,244	34,244	0%	17,041	200.95%

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(12) 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.

The City is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2011 Miscellaneous Tier 1 is 14.780% and Miscellaneous Tier 2 is 7.995%. The rate is 23.756% for safety participants of annual covered payroll. The Safety-Police Tier 2 is 15.592% The City's contributions to the Miscellaneous plan for the years ending June 30, 2009, 2010, and 2011 were \$1,255,614, \$1,168,833, and \$1,169,360, 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, 2009, 2010, and 2011 were \$2,189,092, \$2,279,732, and \$2,342,776, 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.

(13) 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

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(13) Defined Contribution Pension Plan (PARS), (Continued)

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, 2011, the City's payroll covered by the plan was \$458,113 and the City made employer contributions of \$17,179 (3.75% of current covered payroll).

(14) 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	\$ 6,346,221 (a)
General Fund	Housing Set-Aside	97,695
	Industrial Redevelopment Area	
General Fund	Capital Projects Fund	190,787
General Fund	Water Utility Fund	766,063
Non-Major Governmental Funds	General Fund	326,591
	Industrial Redevelopment Area	
Non-Major Governmental Funds	Debt Service Fund	411,145
	Industrial Redevelopment Area	
Non-Major Governmental Funds	Capital Projects Fund	1,421,707 (b)
Non-Major Governmental Funds	Housing Set-Aside	7,001,917 (c)
Non-Major Governmental Funds	Non-Major Governmental Funds	176,907
Non-Major Governmental Funds	Water Utility Fund	48,793
	Industrial Redevelopment Area	
Water Utility Fund	Capital Projects Fund	30,240
Water Utility Fund	Solid Waste Fund	<u>133,612</u>
	Total	<u>\$ 16,951,678</u>

(a) The City Center Redevelopment project area was closed during the year and \$5,655,513 of surplus funds were transferred to the General Fund. See note 18 for additional information. Transfers In to the General Fund also include \$439,571 from the Gas Tax fund to reimburse eligible expenditures.

(b) The Industrial Redevelopment Area Capital Projects Fund transferred \$1,375,025 to the Traffic Improvement fund to reimburse eligible expenditures. Other transfers were to the Gas Tax Fund to reimburse eligible expenditures.

(c) The Housing Set-Aside fund transferred land held for resale and other assets to establish the Housing Authority. See note 18 for additional information.

CITY OF FOUNTAIN VALLEY  
Notes to the Basic Financial Statements

(Continued)

(15) Advances To and From Other Funds

Advances to other and from other funds at June 30, 2011 are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
Housing Set-Aside	Industrial Redevelopment Area Debt Service Fund	\$ 3,364,450 (d)
Housing Set-Aside	Non Major Governmental Funds	3,175,000 (e)
Non Major Governmental Funds	Industrial Redevelopment Area Debt Service Fund	10,260,000 (f)
General Fund	Water Enterprise Fund	<u>2,101,000 (g)</u>
	Total	<u>\$18,900,450</u>

- (d) Advance from the Housing Set Aside Fund to help pay for the 2009-2010 Supplemental Education Revenue Augmentation Fund (SERAF) payment.
- (e) Advance of low/mod income funds to the Housing Authority.
- (f) Advance to the Industrial Redevelopment Area Debt Service Fund to repay the Agency's portion of the 2003 Certificate of Participation (COP's) for funding of the Miles Square Park expansion.
- (g) 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.

(16) Loans Receivable

The City has outstanding rehabilitation and first time home buyer loans totaling \$2,414,073 to qualified applicants. Loans receivable of \$2,125,569 is recorded in the Housing Set-Aside Capital Projects Fund; \$196,498 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.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(16) Loans Receivable, (Continued)

On February 6, 1996, the City loaned the Olson Company \$975,000 for the development of fifteen moderate-income single family detached homes. The loan consists of two parts: \$525,000 (\$35,000 per home) to be repaid to the City upon the sale of the homes and \$450,000 to be passed on to the individual homeowners as 30-year loans of \$30,000 each. The 30-year loans accrue no interest for the first 10 years and thereafter will accrue at 5% simple interest. Each \$30,000 loan will become due and payable to the City if the homeowner resells the property to a family that does not qualify under the income limits or if they sell the home above a qualified purchase price. In the event the loan becomes due, the City will be paid \$30,000 plus the greater of a 10% annual interest rate or its share in the equity of the property. Due to the long-term nature of this note, the City deferred recognition of revenues until payments are received in the fund financial statements. At June 30, 2011, the outstanding balance is \$73,669.

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, 2011 is \$5,606,071.

(17) Budgetary Compliance

Funds where expenditures exceeded appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$38,174,634	41,003,267	(2,828,633)
Industrial Redevelopment Area Capital Projects	\$1,738,758	1,827,133	(88,375)

## CITY OF FOUNTAIN VALLEY

### Notes to the Basic Financial Statements

(Continued)

#### (18) Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 26 also allows the State Controller to review the actions of redevelopment agencies since January 1, 2011 to determine whether asset transfers were contractually committed to third parties. If the assets were not contractually committed, the State Controller could order the assets to be returned to the Agency.

Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter.

The Fountain Valley Agency for Community Development proactively responded to anticipated changes in Redevelopment law by approving the following actions:

- On February 15, 2011, to preserve the ability to provide affordable housing activities within the City of Fountain Valley, the Board of Directors approved the creation of a Housing Authority.
- On March 8, 2011, the Board of Directors approved the closure of the City Center project area because it had ceased to function. HSC Section 33604 states that "if any agency ceases to function, any surplus funds existing after payment of all its obligations and indebtedness shall vest in the community". As a result, a \$5,655,513 transfer of surplus funds to the City is reflected in accompanying financial statements.
- On March 8, 2011, the Board of Directors approved a transfer of \$3,851,917 of land held for resale and a transfer of \$3,150,000 from the Housing Set-Aside Fund to the Housing Authority.
- On March 8, 2011, the Board of Directors approved a loan of up to \$12,700,000 of non-housing funds from the Fountain Valley Agency for Community Development to the Housing Authority. As of June 30, 2011 the Agency loaned the Housing Authority a total of \$3,175,000. This is recorded as an advance to the City of Fountain Valley Housing Authority on the Statement of Net Assets. The loan accrues interest at the rate of interest earned by the Agency on other short-term investments of the Agency and is due within fifty five years from the date of the loan.

Upon review of the above mentioned transactions through an audit process conducted by the County of Orange, the State Controller may have the authority to require the assets to be repaid to the Agency.

CITY OF FOUNTAIN VALLEY

Notes to the Basic Financial Statements

(Continued)

(18) Recent Changes in Legislation Affecting California Redevelopment Agencies, (Cont.)

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.” In December 2011, the California Supreme Court upheld AB X1 26.

Each agency must adopt an Enforceable Obligation Payment Schedule prior to January 31, 2012. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26. The Enforceable Obligation Payment Schedule is required to be audited and then reviewed by an Oversight Committee that will determine how the redevelopment agency’s current resources will be distributed.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon future events.

(19) Restatement of Fund Balance/Net Assets

The City implemented GASB 54 in the fiscal year ended June 30, 2011, which redefines the governmental fund types, including only allowing Special Revenue funds to be reported when the primary source of revenue for the fund is either restricted or committed, as defined in note 1. As a result, the City made certain reclassifications of fund types to implement the standard. The prior year comparative columns in the accompanying financial statements have been modified to reflect this change for purposes of comparability.

The following schedules summarize the effects of the above-described restatements to the Fund Financial Statements:

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

(19) Restatement of Fund Balance/Net Assets, (Continued)

Governmental Funds

	<u>Fund Financials</u>		<u>Governmental Activities</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Statement of Activities</u>
Fund balance / net assets at beginning of year, as previously reported	\$ 40,594,052	29,495,999	184,922,197
Restatement to close the Park Improvement Fund into the the General Fund	25,520	(25,520)	-
Restatement to move the Solid Waste Fund from a special revenue fund to a proprietary fund	-	(341,006)	(341,006)
Restatement to move Agency Funds to Governmental Funds	<u>446,612</u>	<u>373,619</u>	<u>820,231</u>
Fund balance / net assets at beginning of year, as restated	<u>\$41,066,184</u>	<u>29,503,092</u>	<u>185,401,422</u>

Proprietary Funds

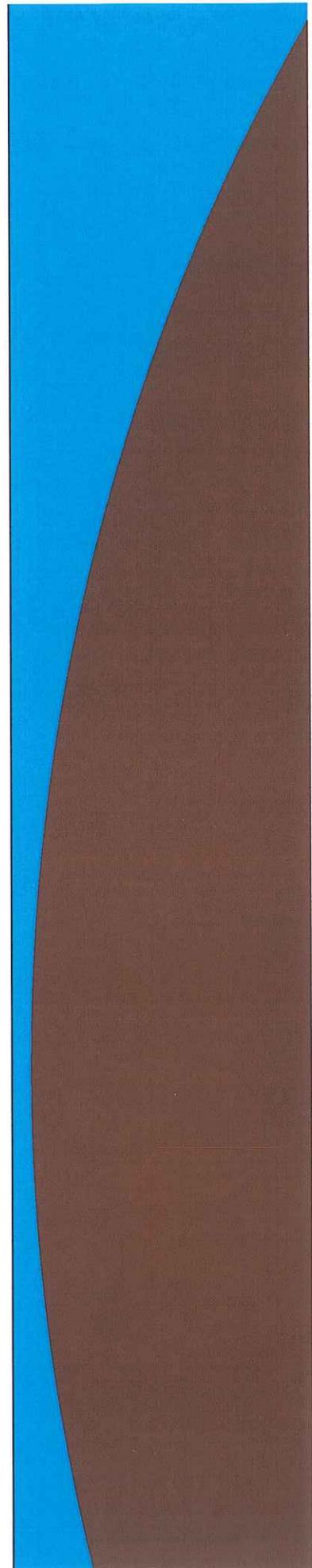
	<u>Fund Financials</u>	<u>Business-type Activities</u>
	<u>Solid Waste Fund</u>	<u>Statement of Activities</u>
Fund balance / net assets at beginning of year, as previously reported	\$ -	16,308,782
Restatement to move the Solid Waste Fund from a special revenue to a proprietary fund	<u>341,006</u>	<u>341,006</u>
Fund balance / net assets at beginning of year, as restated	<u>\$ 341,006</u>	<u>16,649,788</u>

*City of Fountain Valley*

*Required  
Supplementary  
Information*



*Ellis Park*





## CITY OF FOUNTAIN VALLEY

### Notes to the Required Supplementary Information

Year ended June 30, 2011

#### (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 2011 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 12" — will be flagged for identification purposes, however will be excluded from the budgetary section of the report. These distress locations are potential hazards and should be considered for future maintenance.
- ½" to 1"— will be flagged for grinding maintenance.
- 1" to 2"— will be flagged for ramping maintenance.
- >2" caused by a tree — will be flagged as ramp maintenance until the tree is removed. Then the City will remove the deficient sidewalk and/or curbs and gutter.

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

Curbs and Gutters

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

CITY OF FOUNTAIN VALLEY  
Notes to the Required Supplementary Information  
(Continued)

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

Comparison of Needed-to-Actual Maintenance/Preservation

FY 2010-2011

Sidewalks, Curbs and Gutters

Budgeted	\$ 877,700
Actual	221,177

Roadway Classification

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

CITY OF FOUNTAIN VALLEY  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2011

	Budget		Actual	Variance- Positive (Negative)	Prior Year Actual
	Original	Final			
<b>Revenues:</b>					
Taxes	\$ 20,855,000	20,855,000	21,441,304	586,304	20,399,713
Licenses and permits	1,479,300	1,479,300	1,597,034	117,734	1,510,769
Fines and penalties	448,500	843,500	915,314	71,814	810,868
Investment income	762,000	762,000	446,106	(315,894)	731,294
Rental income	1,357,000	1,357,000	1,488,521	131,521	1,377,236
Intergovernmental	4,413,000	5,115,059	4,668,470	(446,589)	5,376,161
Charges for services	3,630,700	3,630,700	3,733,490	102,790	3,410,176
Miscellaneous	267,660	425,427	2,001,148	1,575,721	1,046,852
<b>Total revenues</b>	<u>33,213,160</u>	<u>34,467,986</u>	<u>36,291,387</u>	<u>1,823,401</u>	<u>34,663,069</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,528,326	2,609,269	2,941,070	(331,801)	2,471,709
Public safety	22,452,047	23,834,774	28,336,185	(4,501,411)	23,141,613
Transportation	4,596,595	4,647,070	5,190,629	(543,559)	4,999,346
Community development	2,065,729	2,069,225	2,418,313	(349,088)	1,809,018
Community services	1,667,229	1,842,655	1,973,726	(131,071)	1,736,105
Capital outlay	289,978	2,990,232	511,524	2,478,708	106,731
<b>Debt service:</b>					
Principal	218,393	181,456	225,258	(43,802)	209,536
<b>Total expenditures</b>	<u>33,818,297</u>	<u>38,174,681</u>	<u>41,596,705</u>	<u>(3,422,024)</u>	<u>34,474,058</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(605,137)</u>	<u>(3,706,695)</u>	<u>(5,305,318)</u>	<u>(1,598,623)</u>	<u>189,011</u>
<b>Other financing sources (uses):</b>					
Transfers in	1,568,000	6,640,529	7,400,766	760,237	816,241
Transfers out	(722,000)	(4,307,793)	(326,591)	3,981,202	(2,296,221)
Issuance of long term debt	-	-	-	-	112,882
<b>Total other financing sources (uses)</b>	<u>846,000</u>	<u>2,332,736</u>	<u>7,074,175</u>	<u>4,741,439</u>	<u>(1,367,098)</u>
<b>Net change in fund balances</b>	<u>240,863</u>	<u>(1,373,959)</u>	<u>1,768,857</u>	<u>3,142,816</u>	<u>(1,178,087)</u>
<b>Fund balances at beginning of year, as restated (note 19)</b>	<u>41,066,184</u>	<u>41,066,184</u>	<u>41,066,184</u>	<u>-</u>	<u>41,797,660</u>
<b>Fund balances at end of year</b>	<u>\$ 41,307,047</u>	<u>39,692,225</u>	<u>42,835,041</u>	<u>3,142,816</u>	<u>40,619,573</u>

## NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

Housing Authority – Used for low to moderate income housing projects and programs.

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 DEBT SERVICE FUNDS

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

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

## NON-MAJOR CAPITAL PROJECTS FUNDS

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

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

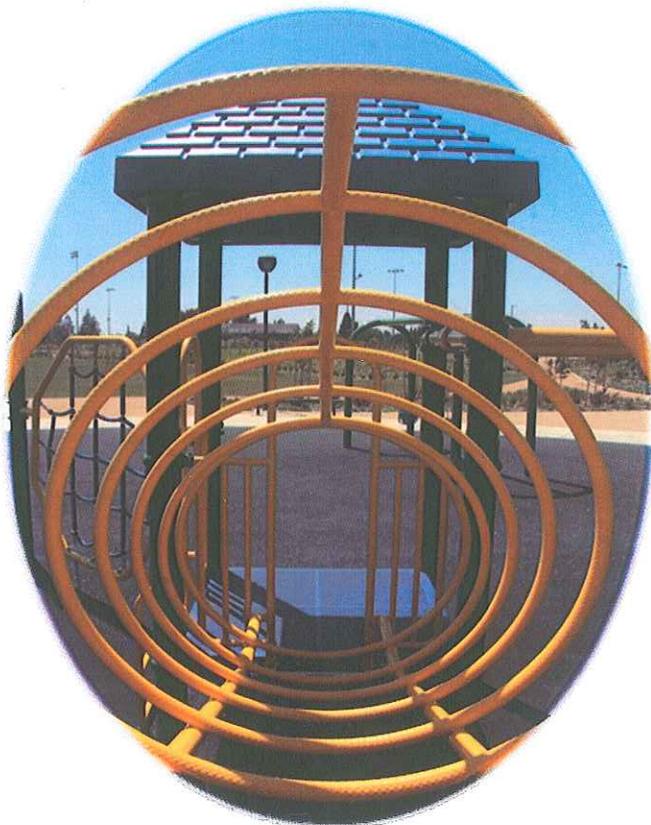
Fountain Valley Financing Authority - To account for the construction of certain improvements associated with the issuance of the 2003 Certificates of Participation.

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

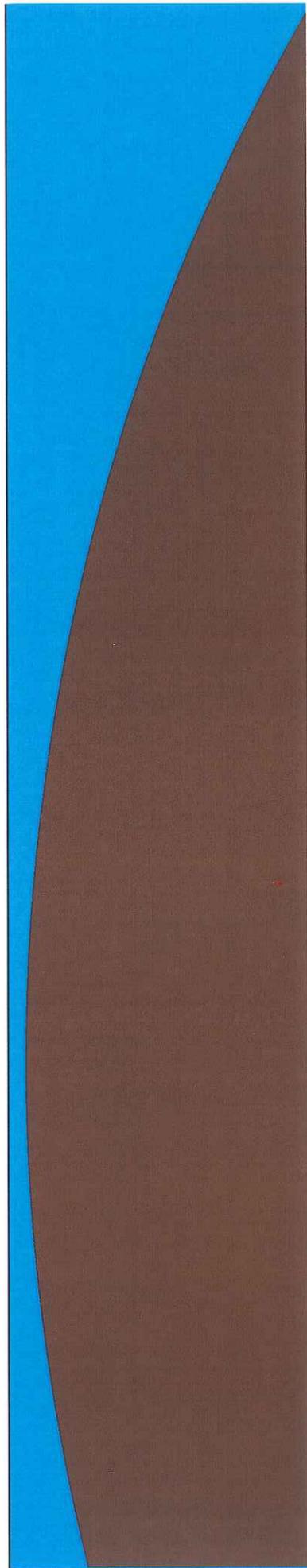
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*City of Fountain Valley*

*Supplementary  
Schedules*



*The Fountain Valley Recreation Center*





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CITY OF FOUNTAIN VALLEY  
 Nonmajor Governmental Funds  
 Combining Balance Sheet

June 30, 2011

	Special Revenue Funds				
	Criminal Activities	Traffic Congestion Relief	Gas Tax	Abandoned Vehicle Abatement	Housing Authority
<u>Assets</u>					
Cash and investments	\$ 419,597	-	4,181,225	92,075	6,333,252
Restricted assets:					
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	35,194	-	159,859	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	1,875	-	-
Advances to other funds	-	-	-	-	-
Land held for resale	-	-	-	-	3,851,917
	<u>\$ 454,791</u>	<u>-</u>	<u>4,342,959</u>	<u>92,075</u>	<u>10,185,169</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 10,152	-	140,253	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	3,807	-	-	-	-
Advances from other funds	-	-	-	-	3,175,000
	<u>13,959</u>	<u>-</u>	<u>140,253</u>	<u>-</u>	<u>3,175,000</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted for:					
Public safety	440,832	-	-	-	-
Transportation	-	-	4,202,706	92,075	-
Housing	-	-	-	-	7,010,169
Community development	-	-	-	-	-
Assigned	-	-	-	-	-
	<u>440,832</u>	<u>-</u>	<u>4,202,706</u>	<u>92,075</u>	<u>7,010,169</u>
Total liabilities and fund balances	<u>\$ 454,791</u>	<u>-</u>	<u>4,342,959</u>	<u>92,075</u>	<u>10,185,169</u>

Special Revenue Funds					Debt Service Funds	
Traffic Improvement	Pollution Reduction	Home Grant	Measure M2	Community Development Block Grant	Fountain Valley Financing Authority	City Center Redevelopment Area
1,528,665	311,083	180,435	-	45,301	-	-
-	-	-	-	-	889,590	-
249,952	14,106	-	56,933	79,179	-	-
-	-	92,006	-	196,498	-	-
-	-	-	-	-	-	-
-	-	-	-	-	10,260,000	-
-	-	-	-	-	-	-
<u>1,778,617</u>	<u>325,189</u>	<u>272,441</u>	<u>56,933</u>	<u>320,978</u>	<u>11,149,590</u>	<u>-</u>
4,001	-	-	-	25,425	-	-
-	-	-	-	-	-	-
-	-	92,006	-	236,871	-	-
-	-	-	-	-	-	-
<u>4,001</u>	<u>-</u>	<u>92,006</u>	<u>-</u>	<u>262,296</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	10,260,000	-
-	325,189	-	-	-	-	-
1,774,616	-	-	56,933	-	-	-
-	-	180,435	-	-	-	-
-	-	-	-	58,682	-	-
-	-	-	-	-	889,590	-
<u>1,774,616</u>	<u>325,189</u>	<u>180,435</u>	<u>56,933</u>	<u>58,682</u>	<u>11,149,590</u>	<u>-</u>
<u>1,778,617</u>	<u>325,189</u>	<u>272,441</u>	<u>56,933</u>	<u>320,978</u>	<u>11,149,590</u>	<u>-</u>

(Continued)

CITY OF FOUNTAIN VALLEY  
Nonmajor Governmental Funds  
Combining Balance Sheet

(Continued)

	Capital Projects Funds				Totals	
	Drainage	Sewer Assessment	Fountain Valley	City Center	2011	2010
			Financing Authority	Redevelopment Area		
<u>Assets</u>						
Cash and investments	152,495	4,678,175	-	-	17,922,303	16,550,092
Restricted assets:						
Cash and investments with fiscal agent	-	-	1,644,116	-	2,533,706	2,533,537
Receivables:						
Accounts	-	99,550	-	-	694,773	1,266,473
Notes	-	-	-	-	288,504	312,513
Due from other funds	-	-	-	-	1,875	52,536
Advances to other funds	-	-	-	-	10,260,000	10,730,000
Land held for resale	-	-	-	-	3,851,917	-
Total assets	<u>152,495</u>	<u>4,777,725</u>	<u>1,644,116</u>	<u>-</u>	<u>35,553,078</u>	<u>31,445,151</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	-	218,322	-	-	398,153	1,418,081
Due to other funds	-	-	2,442	-	2,442	2,442
Deferred revenue	-	-	-	-	332,684	895,155
Advances from other funds	-	-	-	-	3,175,000	-
Total liabilities	<u>-</u>	<u>218,322</u>	<u>2,442</u>	<u>-</u>	<u>3,908,279</u>	<u>2,315,678</u>
Fund balances:						
Nonspendable	-	-	-	-	10,260,000	10,730,000
Restricted for:						
Public safety	-	-	-	-	766,021	330,765
Transportation	-	-	-	-	6,126,330	5,031,670
Housing	-	-	-	-	7,190,604	171,664
Community development	-	-	-	-	58,682	5,712,665
Assigned	<u>152,495</u>	<u>4,559,403</u>	<u>1,641,674</u>	<u>-</u>	<u>7,243,162</u>	<u>7,152,709</u>
Total fund balances	<u>152,495</u>	<u>4,559,403</u>	<u>1,641,674</u>	<u>-</u>	<u>31,644,799</u>	<u>29,129,473</u>
Total liabilities and fund balances	<u>152,495</u>	<u>4,777,725</u>	<u>1,644,116</u>	<u>-</u>	<u>35,553,078</u>	<u>31,445,151</u>

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CITY OF FOUNTAIN VALLEY  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2011

	Special Revenue Funds				
	Criminal Activities	Traffic Congestion Relief	Gas Tax	Abandoned Vehicle Abatement	Housing Authority
<b>Revenues:</b>					
Investment income	\$ 266	1,276	34,990	426	8,252
Intergovernmental	290,481	-	1,529,372	27,666	-
Charges for services	-	-	-	-	-
Miscellaneous	11,601	-	-	-	-
Total revenues	<u>302,348</u>	<u>1,276</u>	<u>1,564,362</u>	<u>28,092</u>	<u>8,252</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	266,090	-	-	-	-
Transportation	-	-	605,834	-	-
Community development	-	-	-	-	-
Community services	-	-	-	40,556	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>266,090</u>	<u>-</u>	<u>605,834</u>	<u>40,556</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,258</u>	<u>1,276</u>	<u>958,528</u>	<u>(12,464)</u>	<u>8,252</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	418,156	104,539	7,001,917
Transfers out	-	(149,422)	(453,041)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(149,422)</u>	<u>(34,885)</u>	<u>104,539</u>	<u>7,001,917</u>
Net change in fund balances	36,258	(148,146)	923,643	92,075	7,010,169
Fund balances at beginning of year, as restated (note 19)	<u>404,574</u>	<u>148,146</u>	<u>3,279,063</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ 440,832</u>	<u>-</u>	<u>4,202,706</u>	<u>92,075</u>	<u>7,010,169</u>

Special Revenue Funds					Debt Service Funds	
Traffic Improvement	Pollution Reduction	Home Grant	Measure M2	Community Development Block Grant	Fountain Valley Financing Authority	City Center Redevelopment Area
14,311	3,448	4,139	-	6,915	29	-
1,783,597	64,510	-	56,933	377,336	-	-
15,473	-	-	-	-	-	-
186,104	-	4,632	-	19,527	-	-
<u>1,999,485</u>	<u>67,958</u>	<u>8,771</u>	<u>56,933</u>	<u>403,778</u>	<u>29</u>	<u>-</u>
-	-	-	-	-	-	-
-	10,569	-	-	-	-	-
3,214,628	-	-	-	-	-	-
-	-	-	-	402,248	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	470,000	-
-	-	-	-	-	411,060	-
<u>3,214,628</u>	<u>10,569</u>	<u>-</u>	<u>-</u>	<u>402,248</u>	<u>881,060</u>	<u>-</u>
(1,215,143)	57,389	8,771	56,933	1,530	(881,031)	-
1,451,217	-	-	-	-	411,231	-
(65,919)	(32,010)	-	-	-	(86)	(1,939,677)
<u>1,385,298</u>	<u>(32,010)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,145</u>	<u>(1,939,677)</u>
170,155	25,379	8,771	56,933	1,530	(469,886)	(1,939,677)
<u>1,604,461</u>	<u>299,810</u>	<u>171,664</u>	<u>-</u>	<u>57,152</u>	<u>11,619,476</u>	<u>1,939,677</u>
<u>1,774,616</u>	<u>325,189</u>	<u>180,435</u>	<u>56,933</u>	<u>58,682</u>	<u>11,149,590</u>	<u>-</u>

(Continued)

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

	Capital Projects Funds				Totals	
	Drainage	Sewer Assessment	Fountain Valley	City Center	2011	2010
			Financing Authority	Redevelopment Area		
<b>Revenues:</b>						
Investment income	-	45,237	55	-	119,344	180,049
Intergovernmental	-	-	-	-	4,129,895	3,791,145
Charges for services	4,826	1,459,301	-	-	1,479,600	1,513,590
Miscellaneous	-	-	-	-	221,864	152,566
<b>Total revenues</b>	<b>4,826</b>	<b>1,504,538</b>	<b>55</b>	<b>-</b>	<b>5,950,703</b>	<b>5,637,350</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	-	-	-	-	2,442
Public safety	-	-	-	-	276,659	336,428
Transportation	-	-	-	-	3,820,462	4,082,594
Community development	-	715,969	-	-	1,118,217	933,201
Community services	-	-	-	-	40,556	-
Capital outlay	77,893	458,081	-	-	535,974	665,884
<b>Debt service:</b>						
Principal	-	-	-	-	470,000	459,999
Interest	-	-	-	-	411,060	423,861
<b>Total expenditures</b>	<b>77,893</b>	<b>1,174,050</b>	<b>-</b>	<b>-</b>	<b>6,672,928</b>	<b>6,904,409</b>
Excess (deficiency) of revenues over (under) expenditures	(73,067)	330,488	55	-	(722,225)	(1,267,059)
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	9,387,060	3,002,577
Transfers out	-	(167,137)	-	(3,715,836)	(6,523,128)	(1,043,706)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(167,137)</b>	<b>-</b>	<b>(3,715,836)</b>	<b>2,863,932</b>	<b>1,958,871</b>
<b>Net change in fund balances</b>	<b>(73,067)</b>	<b>163,351</b>	<b>55</b>	<b>(3,715,836)</b>	<b>2,141,707</b>	<b>691,812</b>
<b>Fund balances at beginning of year, as restated</b>	<b>225,562</b>	<b>4,396,052</b>	<b>1,641,619</b>	<b>3,715,836</b>	<b>29,503,092</b>	<b>28,437,661</b>
<b>Fund balances at end of year</b>	<b>152,495</b>	<b>4,559,403</b>	<b>1,641,674</b>	<b>-</b>	<b>31,644,799</b>	<b>29,129,473</b>

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 7,438,320	7,484,250	45,930	7,477,138
Investment income	<u>100,000</u>	<u>13,265</u>	<u>(86,735)</u>	<u>23,081</u>
Total revenues	<u>7,538,320</u>	<u>7,497,515</u>	<u>(40,805)</u>	<u>7,500,219</u>
Expenditures:				
Debt service:				
Principal	1,967,310	1,510,000	457,310	1,445,000
Interest	650,000	692,203	(42,203)	1,337,296
Pass-through payments	<u>1,788,500</u>	<u>1,888,001</u>	<u>(99,501)</u>	<u>4,536,093</u>
Total expenditures	<u>4,405,810</u>	<u>4,090,204</u>	<u>315,606</u>	<u>7,318,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,132,510</u>	<u>3,407,311</u>	<u>274,801</u>	<u>181,830</u>
Other financing sources (uses):				
Transfer out	(881,061)	(411,145)	469,916	(208,797)
Issuance of long term debt	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(431,061)</u>	<u>(411,145)</u>	<u>19,916</u>	<u>(208,797)</u>
Net change in fund balances	2,701,449	2,996,166	294,717	(26,967)
Fund balances at beginning of year, as restated	<u>18,586,576</u>	<u>18,586,576</u>	<u>-</u>	<u>18,613,543</u>
Fund balances at end of year	<u>\$ 21,288,025</u>	<u>21,582,742</u>	<u>294,717</u>	<u>18,586,576</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, 2011

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 800,000	358,359	(441,641)	650,781
Miscellaneous income	-	-	-	225
Total revenues	800,000	358,359	(441,641)	651,006
Expenditures:				
Current:				
General government	1,218,758	1,458,689	(239,931)	1,386,742
Community development	520,000	368,444	151,556	501,326
Total expenditures	1,738,758	1,827,133	(88,375)	1,888,068
Excess (deficiency) of revenues over (under) expenditures	(938,758)	(1,468,774)	(530,016)	(1,237,062)
Other financing sources (uses):				
Transfers out	(16,521,129)	(1,642,734)	14,878,395	(454,732)
Total other financing sources (uses)	(16,521,129)	(1,642,734)	14,878,395	(454,732)
Net change in fund balances	(17,459,887)	(3,111,508)	14,348,379	(1,691,794)
Fund balances at beginning of year	9,721,227	9,721,227	-	11,413,021
Fund balances at end of year	\$ (7,738,660)	6,609,719	14,348,379	9,721,227

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, 2011

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 1,867,680	1,871,062	3,382	1,869,284
Investment income	125,000	282,459	157,459	294,105
Miscellaneous	-	400,933	400,933	19,586
Total revenues	1,992,680	2,554,454	561,774	2,182,975
Expenditures:				
Current:				
General government	32,335	31,361	974	32,635
Community development	4,026,310	753,604	3,272,706	863,636
Total expenditures	4,058,645	784,965	3,273,680	896,271
Excess (deficiency) of revenues over (under) expenditures	(2,065,965)	1,769,489	3,835,454	-
Other financing sources (uses):				
Transfers out	(97,695)	(7,099,612)	(7,001,917)	-
Total other financing sources (uses)	(97,695)	(7,099,612)	(7,001,917)	-
Net change in fund balances	(2,163,660)	(5,330,123)	(3,166,463)	1,286,704
Fund balances at beginning of year	16,964,412	16,964,412	-	15,677,708
Fund balances at end of year	\$ 14,800,752	11,634,289	(3,166,463)	16,964,412

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 100	266	166	-
Intergovernmental	323,589	290,481	(33,108)	252,406
Miscellaneous	<u>15,000</u>	<u>11,601</u>	<u>(3,399)</u>	<u>10,014</u>
 Total revenues	 <u>338,689</u>	 <u>302,348</u>	 <u>(36,341)</u>	 <u>262,420</u>
 <b>Expenditures:</b>				
Current:				
Public safety	<u>328,688</u>	<u>266,090</u>	<u>62,598</u>	<u>262,401</u>
 Total expenditures	 <u>328,688</u>	 <u>266,090</u>	 <u>62,598</u>	 <u>262,401</u>
 Net change in fund balances	 10,000	 36,258	 26,258	 19
 Fund balances at beginning of year	 <u>404,574</u>	 <u>404,574</u>	 <u>-</u>	 <u>30,936</u>
 Fund balances at end of year	 <u>\$ 414,574</u>	 <u>440,832</u>	 <u>26,258</u>	 <u>30,955</u>

CITY OF FOUNTAIN VALLEY  
Traffic Congestion Relief Special Revenue Fund

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

Year ended June 30, 2011

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	1,276	1,276	2,362
Intergovernmental	-	-	-	528,376
Total revenues	-	1,276	1,276	530,738
Other financing sources (uses):				
Transfers out	(600,364)	(149,422)	450,942	(518,201)
Total other financing sources (uses)	(600,364)	(149,422)	450,942	(518,201)
Net change in fund balances	(600,364)	(148,146)	452,218	12,537
Fund balances at beginning of year	148,146	148,146	-	135,609
Fund balances at end of year	\$ (452,218)	-	452,218	148,146

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 56,000	34,990	(21,010)	47,559
Intergovernmental	2,547,386	1,529,372	(1,018,014)	1,075,456
Miscellaneous	-	-	-	55,049
<b>Total revenues</b>	<u>2,603,386</u>	<u>1,564,362</u>	<u>(1,039,024)</u>	<u>1,178,064</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Transportation	<u>3,621,476</u>	<u>605,834</u>	<u>3,015,642</u>	<u>1,957,620</u>
<b>Total expenditures</b>	<u>3,621,476</u>	<u>605,834</u>	<u>3,015,642</u>	<u>1,957,620</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,018,090)</u>	<u>958,528</u>	<u>1,976,618</u>	<u>(779,556)</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,309,117	418,156	(890,961)	873,664
Transfers out	<u>(450,000)</u>	<u>(453,041)</u>	<u>(3,041)</u>	<u>(425,355)</u>
<b>Total other financing sources (uses)</b>	<u>859,117</u>	<u>(34,885)</u>	<u>(894,002)</u>	<u>448,309</u>
<b>Net change in fund balances</b>	<u>(158,973)</u>	<u>923,643</u>	<u>1,082,616</u>	<u>(331,247)</u>
<b>Fund balances at beginning of year</b>	<u>3,279,063</u>	<u>3,279,063</u>	<u>-</u>	<u>3,610,310</u>
<b>Fund balances at end of year</b>	<u>\$ 3,120,090</u>	<u>4,202,706</u>	<u>1,082,616</u>	<u>3,279,063</u>

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, 2011

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
<b>Revenues:</b>				
Investment income	\$ 1,357,000	426	(1,356,574)	-
Intergovernmental	25,000	27,666	2,666	-
Total revenues	1,382,000	28,092	(1,353,908)	-
<b>Expenditures:</b>				
Transportation	-	-	-	-
Community services	115,169	40,556	74,613	-
Total expenditures	115,169	40,556	74,613	-
Excess (deficiency) of revenues over (under) expenditures	1,266,831	(12,464)	(1,279,295)	-
<b>Other financing sources (uses):</b>				
Transfers in	-	104,539	104,539	-
Total other financing sources (uses)	-	104,539	104,539	-
Net change in fund balances	1,266,831	92,075	(1,174,756)	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ 1,266,831	92,075	(1,174,756)	-

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	8,252	8,252	-
Total revenues	-	8,252	8,252	-
Excess (deficiency) of revenues over (under) expenditures	-	8,252	8,252	-
Other financing sources (uses):				
Transfers in	-	7,001,917	7,001,917	-
Total other financing sources (uses)	-	7,001,917	7,001,917	-
Net change in fund balances	-	7,010,169	7,010,169	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>7,010,169</u>	<u>7,010,169</u>	<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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 16,000	14,311	(1,689)	22,890
Intergovernmental	1,997,607	1,783,597	(214,010)	1,471,803
Charges for services	10,000	15,473	5,473	-
Miscellaneous	<u>-</u>	<u>186,104</u>	<u>186,104</u>	<u>6,458</u>
Total revenues	<u>2,023,607</u>	<u>1,999,485</u>	<u>(24,122)</u>	<u>1,501,151</u>
Expenditures:				
Current:				
Transportation	<u>4,756,372</u>	<u>3,214,628</u>	<u>1,541,744</u>	<u>2,124,974</u>
Total expenditures	<u>4,756,372</u>	<u>3,214,628</u>	<u>1,541,744</u>	<u>2,124,974</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,732,765)</u>	<u>(1,215,143)</u>	<u>1,517,622</u>	<u>(623,823)</u>
Other financing sources (uses):				
Transfers in	1,809,684	1,451,217	(358,467)	304,778
Transfers out	<u>(65,919)</u>	<u>(65,919)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,743,765</u>	<u>1,385,298</u>	<u>(358,467)</u>	<u>304,778</u>
Net change in fund balances	(989,000)	170,155	1,159,155	(319,045)
Fund balances at beginning of year	<u>1,604,461</u>	<u>1,604,461</u>	<u>-</u>	<u>1,923,506</u>
Fund balances at end of year	<u>\$ 615,461</u>	<u>1,774,616</u>	<u>1,159,155</u>	<u>1,604,461</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 1,000	3,448	2,448	4,629
Intergovernmental	65,000	64,510	(490)	66,023
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>66,000</u>	<u>67,958</u>	<u>1,958</u>	<u>70,652</u>
Expenditures:				
Current:				
Public safety	<u>12,033</u>	<u>10,569</u>	<u>1,464</u>	<u>74,027</u>
Total expenditures	<u>12,033</u>	<u>10,569</u>	<u>1,464</u>	<u>74,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,967</u>	<u>57,389</u>	<u>3,422</u>	<u>(3,375)</u>
Other financing sources (uses):				
Transfers out	<u>(80,010)</u>	<u>(32,010)</u>	<u>48,000</u>	<u>(40,460)</u>
Total other financing sources (uses)	<u>(80,010)</u>	<u>(32,010)</u>	<u>48,000</u>	<u>(40,460)</u>
Net change in fund balances	(26,043)	25,379	48,494	(43,835)
Fund balances at beginning of year	<u>299,810</u>	<u>299,810</u>	<u>-</u>	<u>343,645</u>
Fund balances at end of year	<u>\$ 273,767</u>	<u>325,189</u>	<u>48,494</u>	<u>299,810</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, 2011

	Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ -	4,139	4,139	2,193
Miscellaneous	-	4,632	4,632	74,558
Total revenues	-	8,771	8,771	76,751
Expenditures:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	8,771	8,771	76,751
Fund balances at beginning of year	171,664	171,664	-	94,913
Fund balances at end of year	\$ 171,664	180,435	8,771	171,664

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	-	-	-
Intergovernmental	-	56,933	56,933	-
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	56,933	56,933	-
	<u>-</u>	<u>56,933</u>	<u>56,933</u>	<u>-</u>
Expenditures:				
Current:				
Community development	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	56,933	56,933	-
Fund balances at beginning of year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	\$ -	56,933	56,933	-
	<u>-</u>	<u>56,933</u>	<u>56,933</u>	<u>-</u>

CITY OF FOUNTAIN VALLEY  
Community Development Block Grant Special Revenue Fund

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

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	6,915	6,915	648
Intergovernmental	379,662	377,336	(2,326)	397,081
Miscellaneous	-	19,527	19,527	6,487
	<u>379,662</u>	<u>403,778</u>	<u>24,116</u>	<u>404,216</u>
Total revenues				
Expenditures:				
Current:				
Community development	<u>549,662</u>	<u>402,248</u>	<u>147,414</u>	<u>404,216</u>
Total expenditures	<u>549,662</u>	<u>402,248</u>	<u>147,414</u>	<u>404,216</u>
Net change in fund balances	(170,000)	1,530	171,530	-
Fund balances at beginning of year	<u>57,152</u>	<u>57,152</u>	<u>-</u>	<u>57,152</u>
Fund balances at end of year	<u>\$ (112,848)</u>	<u>58,682</u>	<u>171,530</u>	<u>57,152</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
<b>Revenues:</b>				
Investment income	\$ 26,500	29	(26,471)	123
Total revenues	<u>26,500</u>	<u>29</u>	<u>(26,471)</u>	<u>123</u>
<b>Expenditures:</b>				
Debt service:				
Principal	411,061	470,000	(58,939)	459,999
Interest	<u>470,000</u>	<u>411,060</u>	<u>58,940</u>	<u>423,861</u>
Total expenditures	<u>881,061</u>	<u>881,060</u>	<u>1</u>	<u>883,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(854,561)</u>	<u>(881,031)</u>	<u>(26,470)</u>	<u>(883,737)</u>
<b>Other financing sources (uses):</b>				
Transfers in	828,061	411,231	(416,830)	883,583
Transfers out	<u>26,500</u>	<u>(86)</u>	<u>(26,586)</u>	<u>-</u>
Total other financing sources (uses)	<u>854,561</u>	<u>411,145</u>	<u>(443,416)</u>	<u>883,583</u>
Net change in fund balances	-	(469,886)	(469,886)	(154)
Fund balances at beginning of year	<u>11,619,476</u>	<u>11,619,476</u>	<u>-</u>	<u>11,619,630</u>
Fund balances at end of year	<u>\$ 11,619,476</u>	<u>11,149,590</u>	<u>(469,886)</u>	<u>11,619,476</u>

CITY OF FOUNTAIN VALLEY  
City Center Redevelopment Area Debt Service Fund

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

Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	-	-	15,191
Total revenues	-	-	-	15,191
Excess (deficiency) of revenues over (under) expenditures	-	-	-	15,191
Other financing sources (uses):				
Transfers out	(1,939,677)	(1,939,677)	-	-
Total other financing sources (uses)	(1,939,677)	(1,939,677)	-	-
Net change in fund balances	(1,939,677)	(1,939,677)	-	15,191
Fund balances at beginning of year	1,939,677	1,939,677	-	1,924,486
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,939,677</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Charges for services	\$ 2,500	4,826	2,326	-
Total revenues	<u>2,500</u>	<u>4,826</u>	<u>2,326</u>	<u>-</u>
Expenditures:				
Current:				
Capital outlay	91,944	77,893	14,051	33,056
Total expenditures	<u>91,944</u>	<u>77,893</u>	<u>14,051</u>	<u>33,056</u>
Net change in fund balances	(89,444)	(73,067)	16,377	(33,056)
Fund balances at beginning of year	<u>225,562</u>	<u>225,562</u>	<u>-</u>	<u>258,618</u>
Fund balances at end of year	<u>\$ 136,118</u>	<u>152,495</u>	<u>16,377</u>	<u>225,562</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 58,000	45,237	(12,763)	55,128
Charges for services	<u>1,352,592</u>	<u>1,459,301</u>	<u>106,709</u>	<u>1,513,590</u>
Total revenues	<u>1,410,592</u>	<u>1,504,538</u>	<u>93,946</u>	<u>1,568,718</u>
Expenditures:				
Current:				
Community development	754,146	715,969	38,177	528,985
Capital outlay	<u>1,621,816</u>	<u>458,081</u>	<u>1,163,735</u>	<u>632,828</u>
Total expenditures	<u>2,375,962</u>	<u>1,174,050</u>	<u>1,201,912</u>	<u>1,161,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965,370)</u>	<u>330,488</u>	<u>1,295,858</u>	<u>406,905</u>
Other financing sources (uses):				
Transfers out	<u>(253,738)</u>	<u>(167,137)</u>	<u>86,601</u>	<u>(59,690)</u>
Total other financing sources (uses)	<u>(253,738)</u>	<u>(167,137)</u>	<u>86,601</u>	<u>(59,690)</u>
Net change in fund balances	(1,219,108)	163,351	1,382,459	347,215
Fund balances at beginning of year	<u>4,396,052</u>	<u>4,396,052</u>	<u>-</u>	<u>4,048,837</u>
Fund balances at end of year	<u>\$ 3,176,944</u>	<u>4,559,403</u>	<u>1,382,459</u>	<u>4,396,052</u>

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 17,000	55	(16,945)	225
Total revenues	<u>17,000</u>	<u>55</u>	<u>(16,945)</u>	<u>225</u>
Expenditures:				
Current:				
General government	1,400	-	1,400	2,442
Total expenditures	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>2,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,600</u>	<u>55</u>	<u>(15,545)</u>	<u>(2,217)</u>
Other financing sources (uses):				
Transfers in	-	-	-	940,552
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,552</u>
Net change in fund balances	15,600	55	(15,545)	938,335
Fund balances at beginning of year	<u>1,641,619</u>	<u>1,641,619</u>	<u>-</u>	<u>703,284</u>
Fund balances at end of year	<u>\$ 1,657,219</u>	<u>1,641,674</u>	<u>(15,545)</u>	<u>1,641,619</u>

CITY OF FOUNTAIN VALLEY  
City Center Redevelopment Area Capital Projects Fund

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

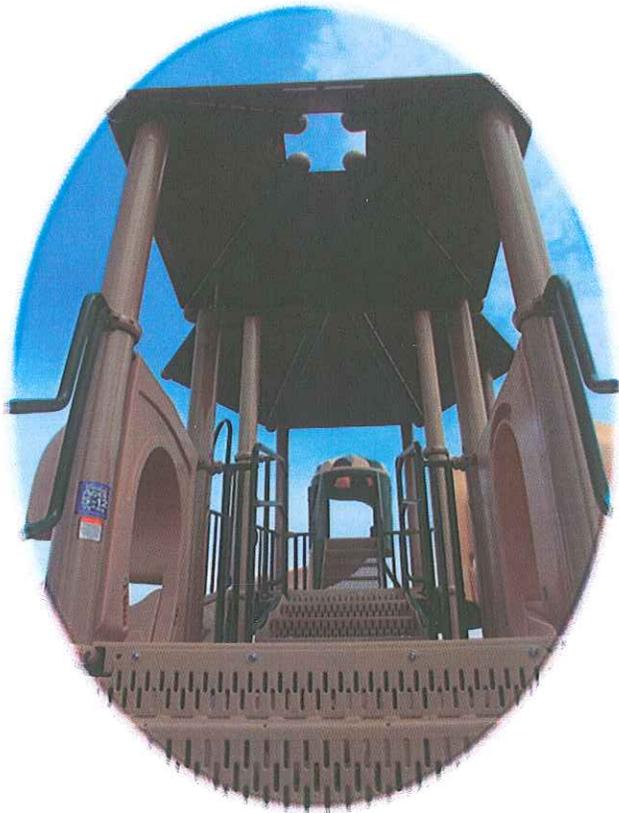
Year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ -	-	-	29,101
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,101</u>
Other financing sources (uses):				
Transfers out	<u>(3,715,836)</u>	<u>(3,715,836)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(3,715,836)</u>	<u>(3,715,836)</u>	<u>-</u>	<u>29,101</u>
Fund balances at beginning of year	<u>3,715,836</u>	<u>3,715,836</u>	<u>-</u>	<u>3,686,735</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,715,836</u></u>

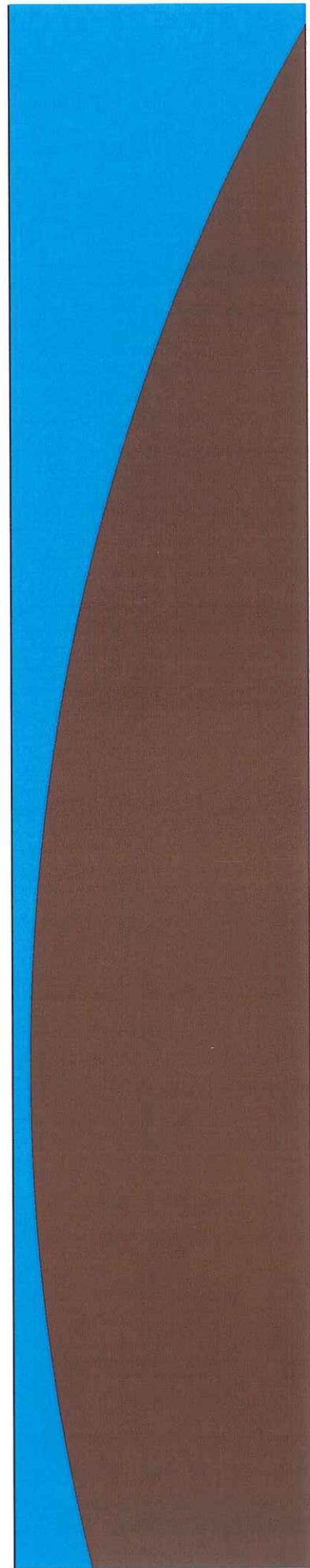
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*City of Fountain Valley*

*Agency Funds*



*McDowell Park*





CITY OF FOUNTAIN VALLEY  
Agency Fund

Combining Statement of Assets and Liabilities

Year ended June 30, 2011

	Agency Funds			Totals	
	Recreation Contract Program	Special Deposit and Receipt	Developer Agreements	2011	2010
<u>Assets</u>					
Cash and investments	\$ 2,805	388,639	414,542	805,986	1,324,811
<u>Liabilities</u>					
Deposits payable	\$ 2,805	388,639	414,542	805,986	1,324,811

CITY OF FOUNTAIN VALLEY  
Agency Fund

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2011

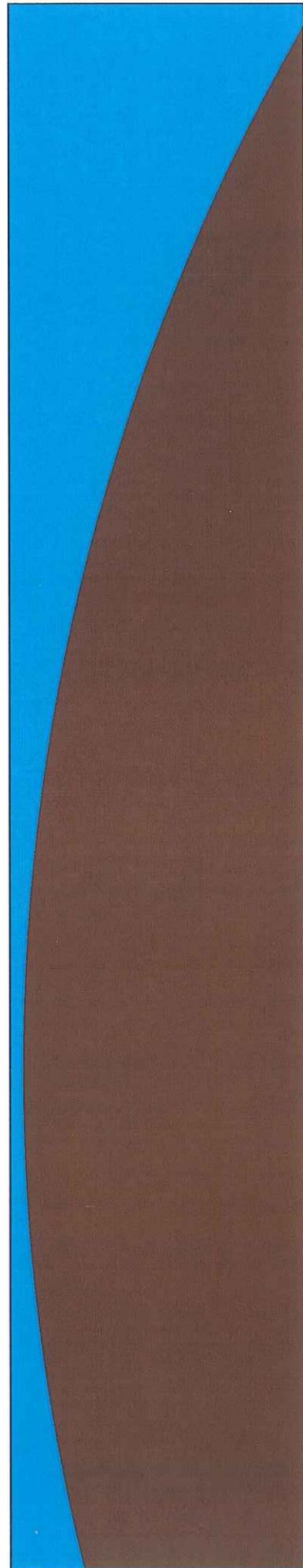
	<u>Balance at</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2011</u>
<u>RECREATION CONTRACT PROGRAM FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 100,323	475,542	(573,060)	2,805
<u>Liabilities</u>				
Deposits payable	\$ 100,323	775,934	(873,452)	2,805
<u>SPECIAL DEPOSIT AND RECEIPT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 1,028,848	969,999	(1,610,209)	388,638
<u>Liabilities</u>				
Deposits payable	\$ 1,028,848	1,149,912	(1,790,122)	388,638
<u>REIMBURSEMENT AGREEMENT FUND</u>				
<u>Assets</u>				
Cash and investments	\$ 195,640	1,603,410	(1,384,508)	414,542
<u>Liabilities</u>				
Deposits payable	\$ 195,640	909,671	(690,769)	414,542
<u>ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments	\$ 1,324,811	3,048,951	(3,567,777)	805,985
<u>Liabilities</u>				
Deposits payable	\$ 1,324,811	2,835,517	(3,354,343)	805,985

*City of Fountain Valley*

*Statistical Section*



*Mile Square Park*





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CITY OF FOUNTAIN VALLEY

Net Assets by Component

Last Six 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	
<u>2010</u>	<u>2011</u>
\$ 74,207,233	\$ 92,919,149
55,038,160	52,990,041
<u>56,156,029</u>	<u>60,549,852</u>
<u>\$ 185,401,422</u>	<u>\$ 206,459,042</u>
\$ 10,479,014	\$ 10,945,907
-	
<u>6,170,774</u>	<u>4,531,257</u>
<u>\$ 16,649,788</u>	<u>\$ 15,477,164</u>
\$ 84,686,247	\$ 103,865,056
55,038,160	52,990,041
<u>62,326,803</u>	<u>65,081,109</u>
<u>\$ 202,051,210</u>	<u>\$ 221,936,206</u>

CITY OF FOUNTAIN VALLEY  
Changes in Net Assets  
Last Six 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	<u>46,091,813</u>	<u>44,847,596</u>	<u>56,780,722</u>	<u>56,149,413</u>
Business-type activities:				
Water	8,859,328	8,990,486	8,946,570	7,530,478
Solid Waste	*	*	*	*
Total primary government expenses	<u>54,951,141</u>	<u>53,838,082</u>	<u>65,727,292</u>	<u>63,679,891</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	-	1,433,042	2,760,778	1,841,010
Public safety	5,926,408	2,525,676	2,931,907	2,619,078
Transportation	-	1,291,911	1,104,839	-
Community development	2,358,636	2,764,799	3,398,343	2,386,267
Community services	-	4,991,386	2,869,246	4,158,532
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	<u>11,472,789</u>	<u>17,067,556</u>	<u>26,461,938</u>	<u>20,209,435</u>
Business-type activities:				
Charges for services:				
Water	8,332,738	9,078,937	8,659,952	8,830,145
Solid Waste	*	*	*	*
Total primary government program revenues	<u>19,805,527</u>	<u>26,146,493</u>	<u>35,121,890</u>	<u>29,039,580</u>
Net revenues (expenses):				
Governmental activities	(34,619,024)	(27,780,040)	(30,318,784)	(35,939,978)
Business-type activities	(526,590)	88,451	(286,618)	1,299,667
Total net revenues (expenses)	<u>\$ (35,145,614)</u>	<u>\$ (27,691,589)</u>	<u>\$ (30,605,402)</u>	<u>\$ (34,640,311)</u>

\* Solid Waste Funds previously reported in governmental Activities

Fiscal Year	
2010	2011
\$ 4,389,509	\$ 2,288,544
25,294,734	26,634,914
10,842,575	9,535,081
3,638,224	4,546,691
4,789,810	2,198,738
1,446,472	1,058,808
<u>50,401,324</u>	<u>46,262,776</u>
10,752,153	9,464,335
2,985,275	2,859,051
<u>64,138,725</u>	<u>58,586,162</u>
1,986,574	1,799,114
2,261,734	2,145,255
-	-
2,696,944	2,764,100
3,085,631	1,416,509
-	-
4,500,691	20,306,778
2,478,423	380,511
<u>17,009,997</u>	<u>28,812,267</u>
8,634,443	10,550,050
3,001,822	3,007,925
<u>28,646,262</u>	<u>42,370,242</u>
(33,399,889)	(17,450,509)
(2,101,163)	1,234,589
<u>\$ (35,501,052)</u>	<u>\$ (16,215,920)</u>

(Continued)

CITY OF FOUNTAIN VALLEY  
Changes in Net Assets  
Last Six 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	<u>39,733,943</u>	<u>40,751,673</u>	<u>41,945,787</u>	<u>38,068,972</u>
Business-type activities:				
Investment income	299,804	431,197	454,799	251,659
Transfers	132,601	132,670	67,609	(344,796)
Total business-type activities	<u>432,405</u>	<u>563,867</u>	<u>522,408</u>	<u>(93,137)</u>
Total primary government	<u>40,166,348</u>	<u>41,315,540</u>	<u>42,468,195</u>	<u>37,975,835</u>
Changes in net 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	<u>\$ 5,020,734</u>	<u>\$ 13,623,951</u>	<u>\$ 11,862,793</u>	<u>\$ 3,335,524</u>

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

Fiscal Year	
2010	2011
\$ 13,753,615	\$ 16,259,507
1,660,650	1,710,195
9,179,402	10,328,426
616,375	732,375
4,623,154	4,792,704
-	-
2,003,963	1,222,953
-	-
-	2,489,616
-	577
208,667	971,776
<u>32,045,826</u>	<u>38,508,129</u>
120,820	82,403
318,176	(2,489,616)
<u>438,996</u>	<u>(2,407,213)</u>
<u>31,783,821</u>	<u>36,100,916</u>
(1,776,502)	21,057,620
(1,678,714)	(1,172,624)
<u>\$ (3,455,216)</u>	<u>\$ 19,884,996</u>

CITY OF FOUNTAIN VALLEY  
Fund Balances of Governmental Funds  
Last Six 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*
\$ -	\$ -
-	-
2,360,972	2,271,395
38,233,080	40,563,646
<u>\$ 40,594,052</u>	<u>\$ 42,835,041</u>

\$ -	\$ -
-	-
-	-
-	-
10,755,520	10,260,000
56,518,979	53,968,387
7,152,709	7,243,162
<u>\$ 74,427,208</u>	<u>\$ 71,471,549</u>

CITY OF FOUNTAIN VALLEY  
 Changes in Fund Balances of Governmental Funds  
 Last Six 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	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
<b>Total revenues</b>	<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	-	-	-	-
<b>Total expenditures</b>	<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	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(132,601)</u>	<u>478,618</u>	<u>389,932</u>	<u>(857,872)</u>
<b>Net change in fund balances</b>	<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
\$ 29,746,135	\$ 30,796,616
1,510,769	1,597,034
810,868	915,314
1,377,236	1,488,521
1,879,310	1,219,533
9,167,306	8,798,365
4,923,766	5,213,090
1,219,229	2,623,945
<u>50,634,619</u>	<u>52,652,418</u>
3,893,528	4,431,120
23,478,042	28,612,844
9,081,940	9,011,091
4,107,181	4,658,578
1,736,105	2,014,282
772,615	1,047,498
-	-
2,114,535	2,205,258
1,761,157	1,103,263
4,536,093	1,888,001
-	-
<u>51,481,196</u>	<u>54,971,935</u>
<u>(846,577)</u>	<u>(2,319,517)</u>
3,818,818	16,787,826
(4,003,456)	(16,003,210)
112,882	-
-	-
<u>(71,756)</u>	<u>784,616</u>
<u>\$ (918,333)</u>	<u>\$ (1,534,901)</u>
16.6%	9.6%

CITY OF FOUNTAIN VALLEY  
Assessed and Estimated Actual Values of Taxable Property  
Last Six 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

<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 Six Fiscal Years

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%

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</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	0.06570	0.06691	0.06371	0.06588
Huntington Beach High Sch 2004					
Bond #2004A	N/A	N/A	N/A	0.02999	0.02388
Coast Community College	N/A	N/A	0.00051	0.01383	0.01545
Metro Water District	0.00770	0.00770	0.00610	0.01371	0.00520
Orange County					
Huntington Beach High Sch 2004					
Bond #2005	N/A	N/A	N/A	0.00580	0.00151
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>1.07340</u>	<u>1.07352</u>	<u>1.12704</u>	<u>1.11192</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	0.00592	N/A	N/A	N/A	N/A
Huntington Beach High Sch 2004					
Bond #2004A	0.02197	0.02366	0.02522	0.02605	0.02617
Coast Community College	0.01599	0.01472	0.01673	0.17500	0.01754
Metro Water District	0.00470	0.00430	0.00430	0.00370	0.00370
Orange County					
Huntington Beach High Sch 2004					
Bond # 2005	0.00008	0.00232	0.00260	0.00265	0.00266
Huntington Beach High Sch 2004					
Bond # 2007	<u>N/A</u>	<u>0.00024</u>	<u>0.00159</u>	<u>0.00144</u>	<u>0.00143</u>
Total Direct Rate	<u><u>1.04866</u></u>	<u><u>1.04524</u></u>	<u><u>1.05044</u></u>	<u><u>1.20884</u></u>	<u><u>1.05150</u></u>

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

Taxpayer	2011		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Fountain Valley Regional Hospital	149,336,990	2.24%	108,190,625	2.48%
Orange Coast Memorial Medical Center	136,234,827	2.04%	N/A	N/A
JKS-CMFV LLC	57,744,316	0.86%	N/A	N/A
Fountain Valley City Center LLC (1)	54,200,000	0.81%	N/A	N/A
Hyundai Motor America (1)	52,463,578	0.79%	26,850,769	0.61%
Fountain Valley Senior Housing LLC	37,300,680	0.56%	32,592,132	0.75%
17665 Newhope Manufacturing LLC	25,855,790	0.39%	24,817,696	0.57%
Costco Wholesale Corporation	23,438,812	0.35%	N/A	N/A
Chandler Real Properties (12)	23,338,117	0.35%	N/A	N/A
Fountain Valley Plaza Properties LLC	19,500,000	0.29%	N/A	N/A
Priceland Properties International	15,867,906	0.24%	13,838,765	0.32%
FV Showroom Partners I LLC (4)	15,080,594	0.23%	N/A	N/A
JKS-SF LLC (5)	14,439,214	0.22%	63,208,984	1.45%
JKS-Corning LLC (1)	12,121,076	0.18%	N/A	N/A
	<u>\$ 636,921,900</u>	<u>8.98%</u>	<u>\$ 269,498,971</u>	<u>6.17%</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
2005	6,523,530	6,467,157	99.14%	68,976	6,536,133	100.19%
2006	7,137,294	7,188,146	100.71%	86,440	7,274,586	101.92%
2007	7,597,511	7,501,066	98.73%	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%

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 Six 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

*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 Six Fiscal Years

Fiscal Year Ended June 30	Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
	Loans Payable			
2007	850,955	47,572,399	*	829
2007	850,955	45,677,557	*	795
2008	810,377	45,628,941	*	788
2009	768,379	45,373,523	*	778
2010	724,912	42,056,277	*	716
2011	679,923	20,393,978	*	369

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

Fiscal Year Ended June 30	Tax Allocation Bonds	Percent of Assessed Value <sup>1</sup>	Per Capita
2006	15,520,000	0.28%	272
2007	14,235,000	0.23%	248
2008	11,635,000	0.18%	202
2009	11,190,000	0.17%	193
2010	10,730,000	0.16%	183
2011	10,260,000	0.15%	185

*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, 2011

2010-2011 City Assessed Valuation	\$	6,981,312,734
Redevelopment Agency Incremental Valuation		1,063,707,479
Adjusted Total Assessed Valuation	<u>\$</u>	<u>5,917,605,255</u>

	<u>% Applicable (1)</u>	<u>Total Debt Debt 6/30/11</u>	<u>City's Share of Debt 6/30/2011</u>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Metropolitan Water District	0.331%	227,670,000	753,588
Coast Community College District	6.483%	326,768,867	21,184,426
Rancho Santiago Community College District	0.390%	309,908,025	1,208,641
Garden Grove Unified School District	10.914%	130,000,160	14,188,217
Huntington Beach Union High School District	12.655%	227,824,998	28,831,253
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u>1,222,172,050</u>	<u>66,166,125</u>
 <b><u>Ratios to 2010-11 Assessed Valuation:</u></b>			
Total Overlapping Tax and Assessment Debt.....	0.95%		
 <b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
Orange County General Fund Obligations	1.584%	316,898,000	5,019,664
Orange County Pension Obligations	1.584%	54,682,497	866,171
Orange County Board of Education Certificates of Participation	1.584%	19,000,000	300,960
Municipal Water District of Orange County Water Facilities Corporation	1.868%	14,120,000	263,762
Huntington Beach Union High School District Certificates of Participation	12.655%	59,776,090	7,564,664
Fountain Valley School District Certificates of Participation	71.231%	10,800,000	7,692,948
Ocean View School District Certificates of Participation	1.120%	6,650,000	74,480
<b>City of Fountain Valley Certificates of Participation</b>	<b>100.000%</b>	<b>10,260,000</b>	<b>10,260,000</b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<u>32,042,649</u>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			263,762
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<u>\$ 31,778,887</u>
<b>TOTAL DIRECT DEBT</b>			<b>\$ 10,260,000</b>
<b>TOTAL GROSS COMBINED TOTAL DEBT</b>			<b>\$ 87,948,774</b>
<b>TOTAL NET COMBINED TOTAL DEBT</b>			<b>\$ 87,685,012</b>
 <b>GROSS COMBINED TOTAL DEBT</b>			 <b>\$ 98,208,774 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 97,945,012</b>

<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:**

<b>a</b>	
Gross Combined Total Debt.....	1.66%
Net Combined Total Debt.....	1.66%

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0**

AB: (\$425)

CITY OF FOUNTAIN VALLEY

Legal Debt Margin Information

Last Six Fiscal Years

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

*The City of Fountain Valley has elected to show only 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 Six Fiscal Years

	<u>2010</u>	<u>2011</u>
Assessed valuation	\$ 6,770,384,059	\$ 6,981,312,734
Debt limit percentage	<u>15%</u>	<u>15%</u>
Debt limit	1,015,557,609	1,047,196,910
Total net debt applicable to limit: General obligation bonds	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 1,015,557,609</u>	<u>\$ 1,047,196,910</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%

CITY OF FOUNTAIN VALLEY

Pledged-Revenue Coverage

Last Six 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

*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.

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

Calendar Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2002	55,736	111,205	37,981	4.1%
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%

Sources:

- (1) California State Department of Finance/ 2011 U.S Bureau of Labor Statistics: City of F.V.
- (2) California Dept. of Transportation-Division of Planning (data shown is forecasted for Orange County)
- (3) State of California Employment Development Department/U.S. Bureau of Labor Statistics
- \* 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	2011		2002	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Fountain Valley Regional Hospital	1,632	6.83%	1,679	N/A
Orange Coast Memorial Medical Center	1,211	5.07%	664	N/A
Kingston Technology Corporation	807	3.38%	786	N/A
Memorial Health Services	628	2.63%	N/A	N/A
Surefire, LLC	536	2.24%	N/A	N/A
Hyundai Motor America	366	1.53%	342	N/A
Ceridian Tax Service, Inc.	363	1.52%	492	N/A
Costco Wholesale, #411	356	1.49%	368	N/A
Fry's Electronics Inc.	295	1.23%	296	N/A
Manor Care of Fountain Valley	221	0.92%	N/A	N/A
D-Link Systems, Inc.	207	0.87%	N/A	N/A
Hyundai Capital America	189	0.79%	N/A	N/A

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

Source: City of Fountain Valley; Business License Division

CITY OF FOUNTAIN VALLEY

Full-time City Employees  
by Department

Last Ten Fiscal Years

Department	Full-Time Employees as of June 30, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration	4	4	4	4	3	3	3	3	2	2
City Clerk	4	4	4	4	3	3	3	3	1	1
Finance	13	14	14	14	14	15	15	12	11	11
Information Services	*	*	*	*	*	*	*	3	3	3
Personnel	4	4	4	4	4	4	4	4	3.5	3.5
Planning/Building	9	9	9	9	9	9	9	9	8	8
Public Works	10	10	10	10	10	10	10	10	9	9
Field Services	49	50	50	50	48	48	45	45	32	31.5
Fire	47	47	50	50	47	47	47	47	43	43
Police	92	92	92	92	90	89	89	89	78	78
Community Services	6	6	6	6	6	6	6	6	4	5
Utilities (Water & Sewer)	14	14	14	14	17	17	21	21	21	22
Total	<u>252</u>	<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>

Source: City of Fountain Valley: Finance Department: Authorized List, June 2011

\* 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				
	2003	2004	2005	2006	2007
Police:					
Arrests	1,884	1,780	1,736	1,764	2,380
Parking citations issued	10,633	10,336	11,230	10,134	12,532
Fire:					
Number of emergency calls	7,298	4,152	4,142	4,064	4,247
Inspections	9,746	11,487	13,700	14,000	16,033
Public works:					
Street resurfacing (miles)	20	24	20	20	22
Parks and recreation:					
Number of recreation classes	742	856	629	738	752
Number of facility rentals	N/A	184	151	289	172
Water:					
New connections	N/A	N/A	1,306	1,046	1,119
Average daily consumption (thousands of gallons)	N/A	N/A	12,209	12,230	10,340

Source: City of Fountain Valley

*Continued*

CITY OF FOUNTAIN VALLEY

Operating Indicators  
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Police:				
Arrests	2,230	2,134	2,037	1,779
Parking citations issued	11,534	10,550	9,562	8,143
Fire:				
Number of emergency calls	4,661	5,042	4,260	4,260
Inspections (Fire & Building)	12,890	11,582	13,346	16,126
Public works:				
Street resurfacing (miles)	26	14	11	11
Parks and recreation:				
Number of recreation classes	1,098	-	1,140	1,169
Number of facility rentals	184	-	453	1,760
Water:				
New connections	1,027	1,080	1,512	1,228
Average daily consumption (thousands of gallons)	10,064	8,866	8,222	7,995

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.00	141.00	141.30	141.30	141.30
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	45	47	49	49	53
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	183.80
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000

\*\*Streetlights are owned by So Cal Edison

Source: City of Fountain Valley

*Continued*

CITY OF FOUNTAIN VALLEY

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year				
	2007	2008	2009	2010	2011
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Public works:					
Streets (miles)	141.30	141.30	144.20	165.00	165.00
**Streetlights	N/A	N/A	N/A	N/A	N/A
Traffic signals	52	52	53	53	53
Parks and recreation:					
Parks	19	19	20	20	20
Community centers	2	2	2	2	2
Water:					
Water mains (miles)	184.00	184.00	185.00	185.00	187.00
Maximum daily capacity (thousands of gallons)	18,000,000	18,000,000	18,000,000	18,000,000	12,500,000

\*\*Streetlights are owned by So Cal Edison

Source: City of Fountain Valley

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