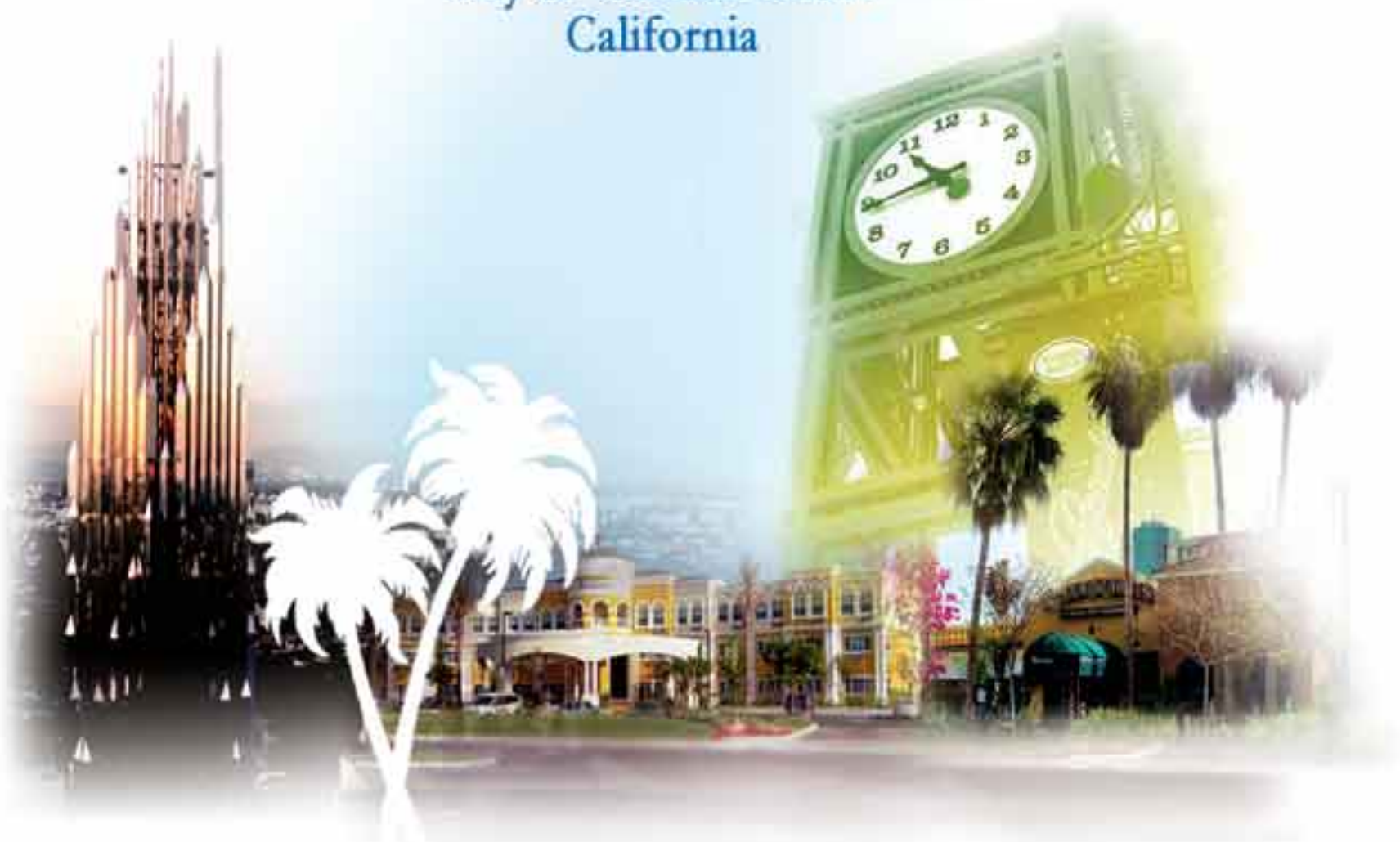


City of Garden Grove
California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2004 – June 30, 2005



City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2005

Department of Finance

Kingsley Okereke
Finance Director

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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Introductory Section



CITY OF GARDEN GROVE

William J. Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Harry J. Krebs
Council Member

Mark Leyes
Council Member

Janet Nguyen
Council Member

November 1, 2005

The Honorable Mayor and City Council
City of Garden Grove, California

Transmitted through the City Manager

Your Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year ended June 30, 2005. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and presented in a manner which fairly represents the financial position, and changes in financial position of the City as measured by the financial activity of its governmental activities, business type activities, each major fund, and the remaining aggregate fund information, and that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Moreland & Associates, Inc., independent auditors for the City of Garden Grove. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The City of Garden Grove's independent audit is an element of a more comprehensive, federally mandated "Single Audit", which has been established to meet the specific needs and requirements of federal grantor agencies. Single Audit standards require the independent auditor to report on the audited government's internal controls and compliance with legal requirements while focusing on administration of federal grant awards. Satisfying these requirements are duties required of the independent auditor, which are in addition to their report on the fair presentation of the financial

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Transmittal Letter 04-05 CAFR
November 1, 2005

statements. These "Single Audit" reports are available for the City of Garden Grove, as a separately issued report, upon a request to the Finance Director.

GAAP requires that management provide a narrative introduction, overview, 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 Garden Grove's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Garden Grove

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles with a population of 172,042. It is the fourth largest City in Orange County and the twenty-first largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued with efforts continuing through the 1980's and 1990's, and into the 2000's. There has been significant benefit from quality construction projects and an improved economic base as the results of these activities.

The City encompasses an area of 17.8 square miles and is the largest general law city in the State of California. It has the Council-Manager form of government, with the Mayor elected at large for a two-year term, and four council members elected at large for four-year staggered terms. The City Council engages the City Manager and City Attorney. The City Manager has the responsibility for hiring the department heads and for administering the City's programs in accordance with the policies adopted by the Council.

Garden Grove is a full service city. The services provided by the City include police, fire, paramedic, street maintenance, park maintenance, water, sewer, refuse, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. Also included in the City's overall operations are the Garden Grove Agency for Community Development, Garden Grove Housing Authority, and Garden Grove Sanitary District. Additional information is available on these blended component units in note 1a - c, in the notes to the financial statements.

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various public budget review sessions, as necessary,

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and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures and is balanced by fund. The level of appropriations is controlled by the City Council for each fund. The City Manager is authorized to transfer appropriations within a fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year-end unless specifically approved for carry-over to the subsequent year by resolution of the City Council.

Local Economy and Economic Outlook

During the 2004-05 fiscal year, the national, and much of California economy, showed solid signs of growth. Although most of the mixed economic signals of the past few years are still present, California economic growth last year was solidly above three percent. California Taxable sales grew a full 10% (year over year) in the fourth quarter of 2004. Housing activities grew and prices continued to rise. The State payroll workforce increased by 1.7% over last year. State revenues also grew substantially during the 2004-05 fiscal year.

While the growth in the state government revenue is not expected to last, its impact in FY 04-05 and FY 05-06 were enormous. Revenues at the state level returned to the high levels experienced during the 2001 Internet bubble. This alleviated the budget pressures of previous years and enabled the state to make good on its promises to the local governments.

However, this resurgence in revenue growth in state general fund revenues was reportedly, and in large part, a result of the state amnesty program rather than any sustainable economic expansion. Hence, the recent state's budget problems are by no means permanently solved, which in turn may leave local governments, such as the City of Garden Grove, vulnerable to additional state takeaways in the future. While the passage of Proposition 1A in 2004 makes this more difficult, it is not impossible.

The Orange County economy also continued to show solid signs of growth over the past year. Unemployment dropped, incomes increased, consumer spending increased, and interest rates, while increasing, have remained low, supporting a prolonged expansion of the real estate market. In line with local economic conditions, the City's economic expansion continued into its eleventh consecutive year. These economic gains are reflected in the solid increases realized in the City's sales tax, property tax, VLF, and hotel tax revenues. While inflation was not a major concern during this period, there were increases in the cost of goods and services such as energy, steel, and wages. Additionally, the Federal Reserve Bank adjusted the short-term interest rate several times over the year in attempt to preempt inflation. All these factors impacted the City's economic situation.

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In addition to the overall local economic conditions, a primary reason for the City's economic growth is the result of community redevelopment activities and a strong regional market for all types of community development. In the past five years, the City has attracted major retail stores and facilitated the construction of seven new hotels; all of which are now fully operational. These efforts have had a profound effect on the City's economic base, which is focused on retail sales and tourism. The effects have been augmented by strong growth in property taxes from rising property values and a strong residential resale market. The City continues to stimulate this market with improvements to infrastructure, code enforcement, pro-active public safety services, and community promotion programs.

Except for the uncertainty relating to the threat of expensive new mandates and funding shifts from other levels of governments for the next several years, the outlook for the City's revenues looks favorable, with steady but measured growth projected for sales tax, property tax, and transient occupancy taxes. In the longer term, economic growth will be provided and sustained from community development and redevelopment activities. Garden Grove will continue to take advantage of its strategic location in North-Central Orange County near major tourist attractions, convention facilities, and its close proximity to major employment opportunities. The trend toward improving efficiency in operations, by using the latest computer hardware and software, will continue. New systems, such as the new geographical information system, will provide much greater availability of location information for the City's law enforcement, public works, water and sewer utilities, and community development activities. The City will continue to pursue and consider cooperative ventures with other public agencies and the private sector in its efforts to control and reduce the costs of services. Compliance with new rules, regulations, and procedures has always been the highest priority in the past, and will continue to be in the future.

Cash Management

The Finance Director is responsible for investing all temporarily idle cash in accordance with the State Government Code and the City's approved investment policy. In order to maximize yield, all City funds are pooled and interest is allocated back to the funds on a proportionate basis. During the year, the City achieved a yield of 2.28 percent on its portfolio investments compare to 1.64 percent in prior fiscal year. At year end, cash, deposits, and investments included the following proportions of aggregate cash invested: United States Government Securities, 80 percent, and Local Agency Investment Fund of the State of California, 20 percent. Cash Management investments continue to be managed by providing for the required levels of security and liquidity, while providing for the highest level of yield available within the City's Investment Policy Guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible.

The Honorable Mayor and Council
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November 1, 2005

Bond proceeds are not commingled with the portfolio, but are invested pursuant to the bond indentures. Consequently, earnings and yield on bond proceeds are not reflected in the previously stated figures.

For the year ended June 30, 2005, the City has implemented the provisions of GASB 40, *Deposit and Investment Risk Disclosure*. This statement establishes and modifies disclosure requirements related to investment and deposit risks. Accordingly, the note disclosure on cash and investments has been revised to conform to the provision of GASB Statement No. 40.

Risk Management

The City uses a combination of commercial insurance and self-insurance programs to finance its exposure to various forms of loss resulting from damage to City owned property, workers compensation, and tort liabilities.

To protect the City's real and personal property, commercial, all risk, earthquake, and flood insurance are purchased at replacement value levels. A Commercial Crime policy is purchased to satisfy the honesty and fidelity bond requirements of the Municipal Code and following City Council direction. Tort liabilities arising from municipal operations were funded through a program that self-insured the first \$2 million of each loss. Commercial excess liability insurance was purchased thereafter, to \$10 million on a "per occurrence basis", to protect against catastrophic events. The program is funded at the 90 percent confidence level and includes incurred but not reported losses (IBNR).

A self-insured program is also maintained for workers compensation losses and carries a \$1 million, per occurrence, retention level. Excess workers compensation insurance coverage is placed with a joint powers authority for losses over \$1 million and up to \$150 million per occurrence. All losses, including IBNR, were funded at the 90% confidence level based upon actuarial studies completed biannually. A third party administrator administers all claims on behalf of the City of Garden Grove.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Garden Grove the Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. In order to receive this award, a governmental unit must publish an easy-to-read and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. Also, the California Society of Municipal Finance Officers (CSMFO) awarded the Certificate for

The Honorable Mayor and Council
Transmittal Letter 04-05 CAFR
November 1, 2005

Outstanding Financial Reporting to the City for the fiscal year ended June 30, 2004.

Acknowledgments

Preparation of the City's Annual Financial Report, in a timely manner, is an undertaking that requires the dedicated efforts of many of the staff in the Finance Department and other City departments. I would like to express my appreciation to all City and Finance department staff who assisted in, and contributed to, its preparation. I particularly would like to commend the Finance Department - Accounting Division team that led this effort. Finally, I would also like to thank the Mayor, the City Council, Board members, the City Manager, and the Central Management team of the City for their continued interest and support in planning and conducting the financial operations of the City in a professional and progressive manner.

A handwritten signature in black ink, reading "Kingsley Okereke". The signature is fluid and cursive, with the first name "Kingsley" written in a larger, more prominent script than the last name "Okereke".

Kingsley Okereke
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garden Grove,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Garden Grove



*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

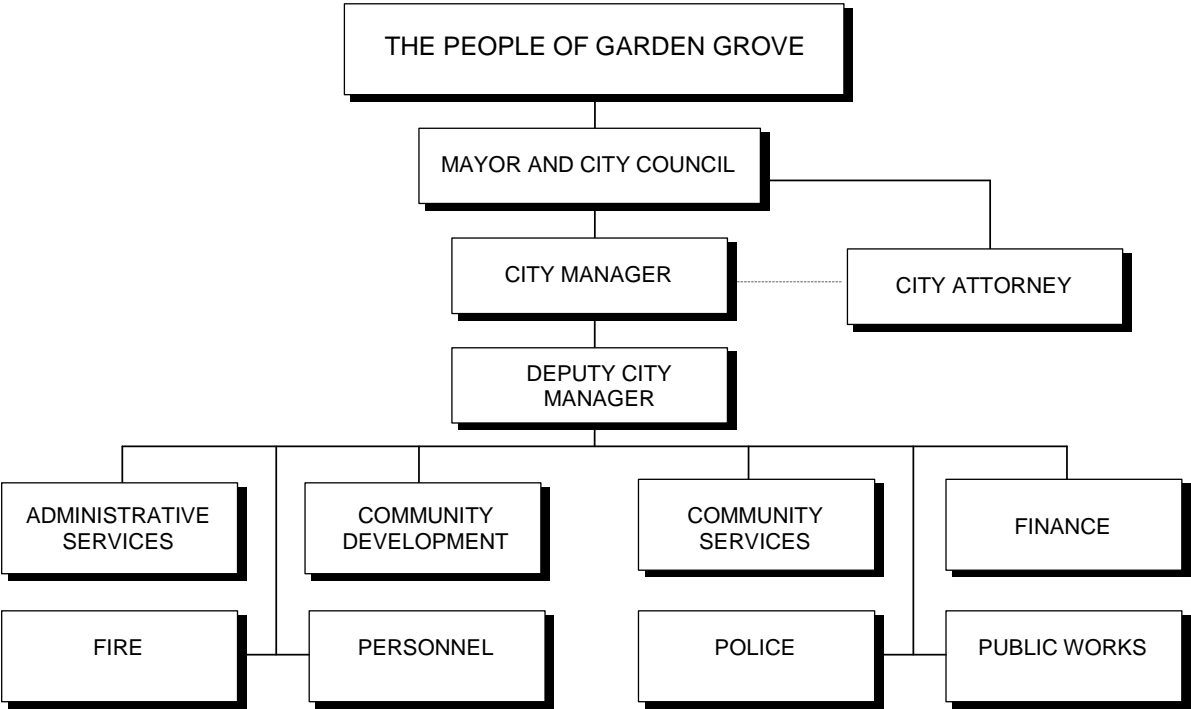
February 24, 2005

William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

CITY OF GARDEN GROVE



7/05

CITY OF GARDEN GROVE

CITY COUNCIL

William Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Mark Leyes
Councilman

Harry Krebs
Councilman

Janet Nguyen
Councilman

CITY OFFICIALS

Matthew J. Fertal
City Manager

Les Jones
Deputy City Manager

John Shaw
City Attorney

Kingsley Okereke
Finance Director

Kathy Porter
Administrative Services Director

Keith Osborn
Fire Chief

Susan Emery
Community Development Director

Steven A. Larson
Personnel Director

Cal Rietzel
Community Services Director

Joseph Polisar
Police Chief

Keith Jones
Public Works Director

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Financial Section

September 23, 2005

The Honorable City Council of
the City of Garden Grove, 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 Garden Grove, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garden Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Garden Grove, California, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2005 on our consideration of the City of Garden Grove 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.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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's basic financial statements. The accompanying introductory section, the major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor 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 section 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.

1 *Moreland & Associates, Inc.*

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Garden Grove, we offer readers of the City of Garden Grove's financial statements this narrative overview and analysis of the financial activities of the City of Garden Grove for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The net assets of the City of Garden Grove for the fiscal year ended June 30, 2005 totaled \$789.904 million. Of this amount, \$18.087 million is unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Garden Grove's governmental funds reported combined ending fund balances of \$102.327 million, an increase of \$8.161 million over the prior year balance.
- The unreserved deficit amount of \$17.916 million reported in the Community Project Capital Projects fund is as a result of capital project acquisitions and improvements funded with long-term debt and intercity loans.
- The City of Garden Grove's total debt decreased by \$0.849 million through repayment of debt outstanding during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

These discussions and analysis are intended to serve as an introduction to the City of Garden Grove's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Garden Grove's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Garden Grove'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 focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the

City include fire, police, traffic safety, public right of way, drainage, community buildings, community services, parks and greenbelts, community planning and development, and municipal support. The business-type activities of the City include a Water Utility, Sewage Collection, Solid Waste Disposal, and Mobile home Parks operation.

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 of Garden Grove, 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 two categories: governmental funds and proprietary 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 Garden Grove maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Housing Authority special revenue fund, Community Project debt service fund, 2002 Capital Improvement debt service fund, Community Project capital projects fund, Low Income Housing capital projects fund and 2003 Tax Allocation fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Generally, the City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the General fund and the Housing Authority special revenue fund as required supplemental information, and for all other governmental funds in other supplemental information, to demonstrate compliance with the budget.

Proprietary funds. The City of Garden Grove maintains four different types of proprietary (enterprise) funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Utility, Sewage Collection, Solid Waste Disposal and Mobile Home Parks operations.

The City also uses internal service enterprise funds to account for its Workers' Compensation fund, Fleet Management fund, Employee Benefit fund, Information Systems fund, Warehouse Operations fund, Telephone Systems fund and Risk Management fund. Because all of the internal service funds provide services that predominantly benefit

governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary funds reports provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Water Utility, Sewage Collection, Solid Waste Disposal and Mobile Home Parks operations, all of which are considered to be major funds of the City.

Conversely, all the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in 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

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the budgetary comparison reports.

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 case of the City of Garden Grove, assets exceeded liabilities by \$789.904 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (92.29%) reflects its investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Government activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 222.9	\$ 210.6	\$ 7.7	\$ 10.7	\$ 230.6	\$ 221.3
Capital assets	673.2	673.0	89.0	88.6	762.2	761.6
Total assets	<u>896.1</u>	<u>883.6</u>	<u>96.7</u>	<u>99.3</u>	<u>992.8</u>	<u>982.9</u>
Long-term liabilities	106.6	107.1	28.5	29.3	135.1	136.4
Other liabilities	62.7	64.3	5.1	6.8	67.8	71.1
Total liabilities	<u>169.3</u>	<u>171.4</u>	<u>33.6</u>	<u>36.1</u>	<u>202.9</u>	<u>207.5</u>
Net assets	<u>\$ 726.8</u>	<u>\$ 712.2</u>	<u>\$ 63.1</u>	<u>\$ 63.2</u>	<u>\$ 789.9</u>	<u>\$ 775.4</u>
Invested in capital assets, net of related debt	668.4	669.4	60.5	59.3	728.9	728.7
Restricted	42.9	40.2	-	-	42.9	40.2
Unrestricted	15.5	2.6	2.6	3.9	18.1	6.5
Total net assets	<u>\$ 726.8</u>	<u>\$ 712.2</u>	<u>\$ 63.1</u>	<u>\$ 63.2</u>	<u>\$ 789.9</u>	<u>\$ 775.4</u>

An additional portion of the City's net assets, \$42.863 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$18.087 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Garden Grove 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. The same situation held true for the prior fiscal year.

The City's net assets increased \$14.529 million over the prior fiscal year end balance. The improved net asset was largely as a result of revenues (\$172.668 million) exceeding expenditure (\$158.564 million) at the close of the fiscal year. The revenue increases are due to the early receipt of the State VLF loan payback, and the continuing economic growth driven increases in hotel tax, sales tax and property tax revenues.

City of Garden Grove, Change in Net Assets (in millions)						
	Government activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 11.7	\$ 11.4	\$ 30.2	\$ 31.0	\$ 41.9	\$ 42.4
Operating grants and contributions	38.3	38.3	0.6	0.5	38.9	38.8
Capital grants and contributions	7.4	3.1	0.3	0.4	7.7	3.5
General revenues:						
Sales taxes	19.5	18.6	-	-	19.5	18.6
Property taxes	31.1	27.5	-	-	31.1	27.5
Other taxes	28.8	20.6	-	-	28.8	20.6
Earning on investments	4.0	2.4	0.4	0.3	4.4	2.7
Other	0.8	1.3	-	-	0.8	1.3
Total revenues	<u>141.6</u>	<u>123.2</u>	<u>31.5</u>	<u>32.2</u>	<u>173.1</u>	<u>155.4</u>
Expenses:						
Fire	16.3	14.1	-	-	16.3	14.1
Police	33.5	29.1	-	-	33.5	29.1
Traffic safety	2.3	2.5	-	-	2.3	2.5
Public right of way	13.9	12.4	-	-	13.9	12.4
Drainage	0.9	1.4	-	-	0.9	1.4
Community buildings	1.8	2.6	-	-	1.8	2.6
Community services	3.4	3.3	-	-	3.4	3.3
Parks and greenbelts	1.5	1.4	-	-	1.5	1.4
Community planning and development	40.8	36.7	-	-	40.8	36.7
Municipal support	7.0	5.2	-	-	7.0	5.2
Long-term debt	5.6	8.0	-	-	5.6	8.0
Water utility	-	-	20.0	19.1	20.0	19.1
Sewage collection	-	-	3.7	2.9	3.7	2.9
Solid waste disposal	-	-	6.3	6.7	6.3	6.7
Mobile home parks	-	-	1.5	1.5	1.5	1.5
Total expenses	<u>127.0</u>	<u>116.7</u>	<u>31.5</u>	<u>30.2</u>	<u>158.5</u>	<u>146.9</u>
Change in net assets	14.6	6.5	-	2.0	14.6	8.5
Net assets, July 1	712.2	705.7	63.1	61.2	775.3	766.9
Net assets, June 30	<u>\$ 726.8</u>	<u>\$ 712.2</u>	<u>\$ 63.1</u>	<u>\$ 63.2</u>	<u>\$ 789.9</u>	<u>\$ 775.4</u>

Governmental Activities. The City of Garden Grove governmental activities net assets increased by \$14.579 million for the year ended June 30, 2005. Key elements of this increase are as follows:

- Property taxes revenue increased by \$3.602 million, primarily due to increase in property value.
- Other taxes increased by \$8.165 million, primarily due to the early receipt of the State VLF loan payback and significant increases in hotel tax revenues.
- Capital grants revenue increased by \$4.343 million due to increased grants receipts and commitments related to transportation and parks from other governmental agencies

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services:

- Fire and police expenditures increased by \$2.240 million and \$4.441 million respectively mainly as a result of in retirement costs.
- Community planning and development expenditures increased by \$4.105 million largely due to land acquisitions for redevelopment purposes by the Agency for Community Development.
- Municipal support increased by \$1.743 million mainly due to the increase of ERAF expenditures during 2004-05.
- Interest and other charges decreased by \$2.432 million due to repayments of outstanding debts, and bond refunding in prior years that significantly lowered debt service payments.

Business-type activities. Business-type activities decreased the City of Garden Grove's net assets by \$50,698. Key element in this decrease is as follows:

The Water Utility fund showed a decline in revenue of \$0.430 million in spite of a commodities rate adjustment of 6 cents per billing unit implemented on July 1, 2004. This was mainly due to water conservation practices plus the effects of a relatively wet year, which reduced water consumption significantly. Furthermore, water production costs and other fixed costs continued to increase, resulting a \$1.863 million decrease in net assets. The decrease in Water Utility fund was offset with gains in the Sewage Collection, Solid Waste Disposal and Mobile Home Parks funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Garden Grove uses fund accounting to ensure and demonstrate 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 *spend-able* 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.

At the end of the current fiscal year, the City of Garden Grove's governmental funds reported combined ending fund balances of \$102.328 million, an increase of \$8.161 million in comparison with the prior year. The unreserved surplus of \$1.822 million consists of a surplus in both the General fund (\$19.122 million), Special Revenue funds (\$0.720 million), Debt Service Fund (\$4,863) with an offset by a deficit in the Community Development Capital Projects fund (\$18.025 million). The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows: 1) to liquidate contracts and purchase orders of the prior period (\$14.161 million), 2) to reserve out the cost of land held for resale (\$29.809 million), 3) to reserve out an amount to cover intercity loans receivable (\$38.096 million), 4) to pay debt service (\$5.692 million), 5) to fund prior period continuing projects (\$10.925 million), and 6) to reserve out a variety of other restricted purposes (\$1.821 million).

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the current fiscal year, unreserved fund balance of the general fund was \$19.122 million, while total fund balance reached \$60.747 million.

The increase in the fund balance was due to significant growth in taxes revenues over last year, which included an increase of \$0.937 million in sales taxes, an increase of \$1.795 million in transient occupancy taxes, and an increase of \$6.896 in total Vehicle License Fees (VLF) received including the early pay back of VLF gap loan \$2.881 million. The increase in General fund revenues was offset with moderate increase in expenditures, which resulted in a net fund balance increase over last year of \$11.763 million.

- **Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$0.310 million due to the continued growth in the Section 8 federal housing program. This program shows no fund balances or reserves at year-end.
- **Community Project debt service fund.** The Community Project debt service fund, which provides an accounting of resources used to pay principal and interest on the Agency's Tax Allocation Bonds, ended the year with a reserve equal to the amount of debt due in the next fiscal year.
- **2002 Capital Improvement Project debt service fund.** The 2002 Capital Improvement debt service fund provides an accounting of the money held by fiscal agent in connection with the issuance of the Certificates of Participation, Series A in 2002. The total reduction in fund balance for the current year was \$3.296 million to a balance of \$5.415 million at year-end. The current year transfers were used to provide funding for acquisition of land and capital improvements in the Harbor Corridor development area of the City by the Community Project capital projects fund.
- **Community Project capital projects fund.** The Community Project capital projects fund provides an accounting for the City's redevelopment projects within the "Community Project Area". The agency is currently involved in the acquisition of land and capital improvements in the Harbor Corridor development area of the City. These acquisitions and improvements have been funded by proceeds of long term debt and intercity loans, which have had the effect of increasing the unreserved portion of the fund balance to a deficit of \$17.916 million. The total fund balance in the current year was \$2.385 million. The reserved balance increased by \$2.971 million due primarily to an increase in the land held for resale.
- **Low Income Housing capital projects fund.** The Low Income Housing capital projects fund accounts for the proceeds of the 20 percent set-aside of tax increment revenues for the City's redevelopment Agency. The reserved fund balance decreased by \$0.330 million. The fund incurred a significant increase in expenditure due primarily to the repayments for the purchase of Brookhurst Triangle property, in the amount of \$1.767 million, and the payment of \$1.528 million ERAF on behalf of the Redevelopment Agency.
- **2003 Tax Allocation capital projects fund.** The 2003 Tax Allocation capital projects fund accounts for capital projects, as well as the principal and interest on the 2003 Tax Allocation Refunding Bonds within the Agency for Community Development Community project area.

- **Proprietary funds.** All of the City's proprietary funds are considered major funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility fund at the end of the year amounted to deficit (\$6.478 million). For the Sewage Collection fund, unrestricted net assets was \$4.180 million, Solid Waste Disposal fund was \$0.928 million and Mobile Home Parks fund was \$3.329 million. Other factors concerning the finances of these funds are also addressed in the discussion of the City of Garden Grove business-type activities.

MAJOR FUND BUDGETARY HIGHLIGHTS

General fund. There were no changes between the original budget and the final amended budget.

CAPITAL ASSET AND LONG TERM DEBT

Capital assets. The City of Garden Grove's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$762.226 million (net of accumulated depreciation). This investment in capital assets includes land, street, sewer, water and storm drain systems, buildings and structures, machinery and equipment and construction in progress, reported as net of related accumulated depreciation.

The implementation of GASB Statement 34 required the City to perform an inventory of its capital assets. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital asset reporting requirements. In fiscal year ended June 30, 2002, all infrastructure and capital assets were reported. In fiscal year ended June 30, 2003, the estimated value of converted street land was reported.

	Government activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 405.7	\$ 405.3	\$ 13.2	\$ 13.2	\$ 418.9	\$ 418.5
Construction in progress	5.1	3.0	2.8	1.6	7.9	4.6
Infrastructure	234.2	237.0	72.9	73.7	307.1	310.7
Building and structures	17.8	15.7	-	-	17.8	15.7
Machinery and equipment	10.4	12.0	0.1	0.1	10.5	12.1
Total capital assets	<u>\$ 673.2</u>	<u>\$ 673.0</u>	<u>\$ 89.0</u>	<u>\$ 88.6</u>	<u>\$ 762.2</u>	<u>\$ 761.6</u>

Major capital asset improvements and additions during the current fiscal year included the following:

- A variety of street widening and expansion projects including reconstruction of existing streets for \$6.062 million and construction in progress for \$2.045 million.
- A retrofit heating and air conditioning systems for City government building of \$1.689 million.

Additional information on the City of Garden Grove's capital assets can be found in the financial statements note 6 of this report.

Long term debt. At the end of the current fiscal year, the City of Garden Grove had total debt outstanding of \$129.877 million. The City's total debt decreased by \$1.626 million during the current fiscal year due to repayments.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation (\$8,764,450,747). The current debt limitation for the City of Garden Grove is \$328.667 million. There are no outstanding general obligation bonds for the City.

Additional information on the City of Garden Grove's long-term debt can be found in the financial statements Note 10 of this report.

	Government activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Tax allocation bonds	\$ 57.0	\$ 57.0	\$ -	\$ -	\$ 57.0	\$ 57.0
Certificates of participation	22.3	22.8	12.6	13.0	34.9	35.8
Agreements payable	17.4	19.0	-	-	17.4	19.0
Capital lease purchase	4.7	3.4	-	-	4.7	3.4
Water revenue bonds	-	-	16.4	16.3	16.4	16.3
Total net assets	<u>\$ 101.4</u>	<u>\$ 102.2</u>	<u>\$ 29.0</u>	<u>\$ 29.3</u>	<u>\$ 130.4</u>	<u>\$ 131.5</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Although most of the mixed economic signals of the past few years are still present, California economic growth last year was solidly above three percent. During the current fiscal year the City's unemployment rate actually increased to 5.2% from the previous year's rate of 4.2%. However, in line with local economic conditions, the City's economic expansion continued into its eleventh consecutive year. These economic gains are reflected in the solid increases realized in the City's sales tax, property tax, VLF, and hotel tax revenues.
- The 2005-06 budget was balanced using a large fund-balance carry-over from 2004-05, which included the money from the State's repayment of the Vehicle License Fee loan. Additional balancing measures will almost certainly be needed in the future due to the continuing revenue/expenditure imbalance in the City's budget.
- The City has one more year of the two-year diversion of property taxes from the City, as well as the Agency and Sanitary District. The impact on the City is about \$1.5 million. In addition, the "triple flip" swap of sales tax revenues for ERAF revenues that was used to secure State bond funding, and the backfilling of vehicle license fee funding from the State General Fund continue to distort the City's revenue flow and make revenue projections more difficult than previously.
- Although the budget was completely balanced, it does not provide complete funding in certain areas. The budget has deficiencies in asphalt maintenance of \$2 million, concrete maintenance of \$2.5 million, tree maintenance of \$156,000, and public facility and infrastructure depreciation of \$12 million.
- Financial uncertainty relating to the City's local economy is not as significant of an issue because a steady growth is anticipated for the near future. Except for the uncertainty relating to the threat of expensive new mandates and funding shifts from other levels of governments for the next several years, the outlook for the City's revenues looks favorable, with steady but measured growth projected for sales tax,

property tax, and transient occupancy taxes. In the longer term, economic growth will be provided and sustained from community development and redevelopment activities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Garden Grove'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 Garden Grove, Office of the Finance Director, 11222 Acacia Parkway, Garden Grove, CA. 92840.

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Basic Financial Statements

**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 116,892,938	\$ 10,510,082	\$ 127,403,020
Cash and investments with fiscal agents	11,400,529	2,482,807	13,883,336
Receivables, net	16,928,268	5,063,667	21,991,935
Internal balances	11,226,550	(11,226,550)	-
Notes receivable	32,537,266	131,251	32,668,517
Inventory	346,907	-	346,907
Land held for resale	29,809,435	-	29,809,435
Prepaid items	1,965,530	-	1,965,530
Deposits	53,500	15,000	68,500
Total current assets	<u>221,160,923</u>	<u>6,976,257</u>	<u>228,137,180</u>
Noncurrent assets:			
Deferred issuance costs	1,760,536	754,684	2,515,220
Capital assets:			
Land	405,652,056	13,171,305	418,823,361
Construction in progress	5,088,193	2,787,715	7,875,908
Depreciable infrastructure, net	234,290,499	72,937,014	307,227,513
Depreciable buildings and structures, net	17,831,225	-	17,831,225
Depreciable equipment, net	10,341,794	125,719	10,467,513
Total noncurrent assets	<u>674,964,303</u>	<u>89,776,437</u>	<u>764,740,740</u>
Total assets	<u>896,125,226</u>	<u>96,752,694</u>	<u>992,877,920</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	11,800,039	3,785,011	15,585,050
Refundable deposits	2,925,422	323,532	3,248,954
Unearned revenue	23,669,373	1,019,418	24,688,791
Claims payable	23,114,882	-	23,114,882
Unamortized premium	1,232,812	-	1,232,812
Total current liabilities	<u>62,742,528</u>	<u>5,127,961</u>	<u>67,870,489</u>
Noncurrent liabilities:			
Due within one year	5,634,656	1,025,000	6,659,656
Due in more than one year	95,726,123	27,490,780	123,216,903
Accrued compensated absences:			
Due within one year	522,662	-	522,662
Due in more than one year	4,703,960	-	4,703,960
Total noncurrent liabilities	<u>106,587,401</u>	<u>28,515,780</u>	<u>135,103,181</u>
Total liabilities	<u>169,329,929</u>	<u>33,643,741</u>	<u>202,973,670</u>
NET ASSETS			
Invested in capital assets, net of related debt	668,448,152	60,505,973	728,954,125
Restricted for:			
Debt service	5,697,374	-	5,697,374
Low income housing	18,583,888	-	18,583,888
Streets and roads	11,668,839	-	11,668,839
Other purposes	6,912,678	-	6,912,678
Unrestricted	15,484,366	2,602,980	18,087,346
Total net assets	<u>\$ 726,795,297</u>	<u>\$ 63,108,953</u>	<u>\$ 789,904,250</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF GARDEN GROVE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Fire	\$ 16,287,872	\$ 662,923	\$ -
Police	33,519,138	3,143,996	1,200,591
Traffic safety	2,308,858	1,323,513	102,802
Public right of way	13,909,984	413,291	5,610,520
Drainage	871,110	-	-
Community buildings	1,818,100	-	-
Community services	3,377,318	923,134	696,451
Parks and greenbelts	1,526,093	1,372,355	65,562
Community planning and development	40,820,009	1,878,531	29,853,887
Municipal support	6,966,641	1,973,800	812,690
Interest on long term debt	5,585,358	-	-
Total governmental activities	<u>126,990,481</u>	<u>11,691,543</u>	<u>38,342,503</u>
Business-type activities:			
Water utility	20,065,912	17,898,613	15,103
Sewage collection	3,671,576	3,449,950	342,600
Solid waste disposal	6,338,342	6,861,403	229,227
Mobile home parks	1,498,071	2,063,483	8,503
Total business-type activities	<u>31,573,901</u>	<u>30,273,449</u>	<u>595,433</u>
Total	<u><u>\$ 158,564,382</u></u>	<u><u>\$ 41,964,992</u></u>	<u><u>\$ 38,937,936</u></u>

General revenues:

Taxes:

- Sales taxes
- Property taxes, levied for general purposes
- Franchise taxes
- Business operation taxes
- Transient occupancy taxes
- Motor vehicle taxes
- Earning on investments
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets-July 1

Net assets-June 30

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (15,624,949)	\$ -	\$ (15,624,949)
-	(29,174,551)	-	(29,174,551)
212,799	(669,744)	-	(669,744)
3,999,703	(3,886,470)	-	(3,886,470)
476,560	(394,550)	-	(394,550)
-	(1,818,100)	-	(1,818,100)
-	(1,757,733)	-	(1,757,733)
2,492,723	2,404,547	-	2,404,547
259,971	(8,827,620)	-	(8,827,620)
-	(4,180,151)	-	(4,180,151)
-	(5,585,358)	-	(5,585,358)
<u>7,441,756</u>	<u>(69,514,679)</u>	<u>-</u>	<u>(69,514,679)</u>
57,400	-	(2,094,796)	(2,094,796)
159,680	-	280,654	280,654
55,890	-	808,178	808,178
26,564	-	600,479	600,479
<u>299,534</u>	<u>-</u>	<u>(405,485)</u>	<u>(405,485)</u>
<u>\$ 7,741,290</u>	<u>(69,514,679)</u>	<u>(405,485)</u>	<u>(69,920,164)</u>
	19,492,358	-	19,492,358
	31,069,962	-	31,069,962
	2,088,276	-	2,088,276
	2,349,706	-	2,349,706
	9,820,457	-	9,820,457
	14,494,383	-	14,494,383
	3,963,206	424,787	4,387,993
	745,734	-	745,734
	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
	<u>84,094,082</u>	<u>354,787</u>	<u>84,448,869</u>
	14,579,403	(50,698)	14,528,705
	<u>712,215,894</u>	<u>63,159,651</u>	<u>775,375,545</u>
	<u>\$ 726,795,297</u>	<u>\$ 63,108,953</u>	<u>\$ 789,904,250</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2005**

	General Fund	Special Revenue Fund	Debt Service Fund
		Housing Authority	Community Project
ASSETS			
Cash and cash investments	\$ 21,226,526	\$ 305,837	\$ -
Cash and cash investments with fiscal agents	910,886	-	-
Taxes receivable	6,388,689	-	278,101
Accounts receivable	2,876,365	-	-
Interest receivable	222,892	-	-
Intergovernmental receivable	-	37,685	-
Due from other funds	-	-	-
Notes receivable	299,199	-	-
Intercity loans receivable	38,840,440	-	-
Land held for resale, net	-	-	-
Prepaid items	-	1,701,788	-
Deposits	13,500	-	-
Total assets	<u>\$ 70,778,497</u>	<u>\$ 2,045,310</u>	<u>\$ 278,101</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,637,157	\$ 70,539	\$ -
Other accrued liabilities	1,598,942	57,534	-
Refundable deposits	1,870,160	442,376	-
Due to other funds	-	1,474,861	150
Deferred revenue	1,925,548	-	-
Intercity loans payable	-	-	-
Total liabilities	<u>10,031,807</u>	<u>2,045,310</u>	<u>150</u>
Fund balances			
Reserved for:			
Encumbrances	166,885	-	-
Property tax lawsuit	500,000	-	-
Building improvements	1,300,000	-	-
Intercity loans receivable	38,096,155	-	-
Continuing projects	762,109	-	-
Land held for resale	-	-	-
Contractual commitments	785,796	-	-
Debt service	-	-	277,951
Deposits	13,500	-	-
Unreserved, reported in:			
General fund	19,122,245	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital project funds	-	-	-
Total fund balances	<u>60,746,690</u>	<u>-</u>	<u>277,951</u>
Total liabilities and fund balances	<u>\$ 70,778,497</u>	<u>\$ 2,045,310</u>	<u>\$ 278,101</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Fund 2002 Capital Improvement Project	Capital Projects Funds			Nonmajor Governmental Fund	Total Governmental Funds
	Community Project	Low Income Housing	2003 Tax Allocation		
\$ -	\$ 10,755,542	\$ 670,459	\$ 2,569,378	\$ 18,358,469	\$ 53,886,211
5,697,014	-	-	4,792,629	-	11,400,529
-	-	70,741	-	358,984	7,096,515
-	84,542	24,715	-	402,288	3,387,910
-	73,576	-	314	66,824	363,606
-	-	-	-	4,677,294	4,714,979
-	611,546	-	-	-	611,546
-	24,293,072	3,026,472	-	4,918,523	32,537,266
-	-	2,399,510	-	-	41,239,950
-	20,118,421	9,415,124	-	275,890	29,809,435
-	-	-	3,007	-	1,704,795
-	-	-	-	7,900	21,400
<u>\$ 5,697,014</u>	<u>\$ 55,936,699</u>	<u>\$ 15,607,021</u>	<u>\$ 7,365,328</u>	<u>\$ 29,066,172</u>	<u>\$ 186,774,142</u>
\$ -	\$ -	\$ 21,007	\$ -	\$ 1,514,779	\$ 6,243,482
-	-	17,453	-	719,987	2,393,916
-	572,671	100	-	40,115	2,925,422
282,454	-	520,933	-	3,937,047	6,215,445
-	24,293,072	3,026,472	-	8,736,385	37,981,477
-	28,686,402	-	-	-	28,686,402
<u>282,454</u>	<u>53,552,145</u>	<u>3,585,965</u>	<u>-</u>	<u>14,948,313</u>	<u>84,446,144</u>
-	-	-	-	3,283,464	3,450,349
-	-	-	-	-	500,000
-	-	-	-	-	1,300,000
-	-	-	-	-	38,096,155
-	182,279	46,189	-	9,934,703	10,925,280
-	20,118,421	9,415,124	-	275,890	29,809,435
-	-	2,559,743	7,365,328	-	10,710,867
5,414,560	-	-	-	-	5,692,511
-	-	-	-	7,900	21,400
-	-	-	-	-	19,122,245
-	-	-	-	720,091	720,091
-	-	-	-	4,863	4,863
-	(17,916,146)	-	-	(109,052)	(18,025,198)
<u>5,414,560</u>	<u>2,384,554</u>	<u>12,021,056</u>	<u>7,365,328</u>	<u>14,117,859</u>	<u>102,327,998</u>
<u>\$ 5,697,014</u>	<u>\$ 55,936,699</u>	<u>\$ 15,607,021</u>	<u>\$ 7,365,328</u>	<u>\$ 29,066,172</u>	<u>\$ 186,774,142</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 102,327,998
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	673,203,767
Certain notes receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.	14,312,104
Certain long-term payables are not due and payable in the current period and therefore are not reported as governmental fund liabilities.	(300,000)
Internal service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service funds net assets are	39,431,275
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	<u>(102,179,847)</u>
Net assets of governmental activities	<u><u>\$ 726,795,297</u></u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
		<u>Housing Authority</u>	<u>Community Project</u>
REVENUES			
Taxes	\$ 60,589,811	\$ -	\$ 14,607,268
Licenses and permits	1,342,031	-	-
Fines, forfeits and penalties	2,262,889	-	-
Investment earnings	2,764,761	34	12
Charges for current services	7,132,144	-	-
From other agencies	510,697	23,485,039	-
Other revenues	950,237	8,272	-
Total revenues	<u>75,552,570</u>	<u>23,493,345</u>	<u>14,607,280</u>
EXPENDITURES			
Current:			
Fire	15,845,034	-	-
Police	31,331,982	-	-
Traffic safety	1,257,096	-	-
Public right of way	2,654,425	-	-
Community buildings	2,088,488	-	-
Community services	1,344,627	-	-
Parks and greenbelts	512,399	-	-
Community planning and development	2,866,311	23,464,462	-
Municipal support	6,284,665	28,883	129,620
Capital outlay:			
Police	-	-	-
Traffic safety	-	-	-
Public right of way	1,073,327	-	-
Drainage	-	-	-
Community buildings	1,999,217	-	-
Parks and greenbelts	600,000	-	-
Community planning and development	-	-	-
Municipal support	-	-	-
Debt service:			
Principal retirement	734,112	-	-
Interest and other charges	242,156	-	2,763,704
Total expenditures	<u>68,833,839</u>	<u>23,493,345</u>	<u>2,893,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,718,731</u>	<u>-</u>	<u>11,713,956</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	4,303,487	-	-
Transfer out	(1,705,574)	-	(11,555,942)
Issuance of debt	2,446,844	-	-
Total other financing sources (uses)	<u>5,044,757</u>	<u>-</u>	<u>(11,555,942)</u>
Net change in fund balances	11,763,488	-	158,014
Fund balances, July 1	<u>48,983,202</u>	<u>-</u>	<u>119,937</u>
Fund balances, June 30	<u>\$ 60,746,690</u>	<u>\$ -</u>	<u>\$ 277,951</u>

The notes to the financial statements are an integral part of this statement.

Debt Service Fund 2002 Capital Improvement Project	Capital Projects Funds			Nonmajor Governmental Fund	Total Governmental Funds
	Community Project	Low Income Housing	2003 Tax Allocation		
\$ -	\$ -	\$ 3,725,975	\$ -	\$ 884,926	\$ 79,807,980
-	-	-	-	38,029	1,380,060
-	-	-	-	59,745	2,322,634
100,586	878,252	22,077	300,883	342,709	4,409,314
-	101	-	-	3,707,176	10,839,421
-	-	-	-	15,020,273	39,016,009
-	482,834	744,351	-	601,970	2,787,664
100,586	1,361,187	4,492,403	300,883	20,654,828	140,563,082
-	-	-	-	29,498	15,874,532
-	-	-	-	1,204,944	32,536,926
-	-	-	-	1,422,566	2,679,662
-	-	-	-	1,578,140	4,232,565
-	-	-	-	-	2,088,488
-	-	-	-	2,002,527	3,347,154
-	-	-	-	947,129	1,459,528
-	-	-	-	2,598,250	28,929,023
-	-	-	-	184,919	6,628,087
-	-	-	-	606,890	606,890
-	-	-	-	790,665	790,665
-	18,063	-	-	4,928,096	6,019,486
-	-	-	-	590,727	590,727
-	11,430	-	-	-	2,010,647
-	-	-	-	2,896,565	3,496,565
-	8,872,717	1,279,354	-	4,017,402	14,169,473
-	288,710	67,105	-	-	355,815
-	1,619,878	1,966,388	-	530,000	4,850,378
-	2,092,031	44,754	-	764,174	5,906,819
-	12,902,829	3,357,601	-	25,092,492	136,573,430
100,586	(11,541,642)	1,134,802	300,883	(4,437,664)	3,989,652
-	14,663,779	58,660	-	3,810,103	22,836,029
(3,396,559)	(3,590,768)	(1,523,830)	-	(893,356)	(22,666,029)
-	1,554,590	-	-	-	4,001,434
(3,396,559)	12,627,601	(1,465,170)	-	2,916,747	4,171,434
(3,295,973)	1,085,959	(330,368)	300,883	(1,520,917)	8,161,086
8,710,533	1,298,595	12,351,424	7,064,445	15,638,776	94,166,912
\$ 5,414,560	\$ 2,384,554	\$ 12,021,056	\$ 7,365,328	\$ 14,117,859	\$ 102,327,998

**CITY OF GARDEN GROVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 8,161,086
Governmental funds report capital outlays 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 capital expense exceeded depreciation in the current period.	980,488
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,170,405
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(300,000)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.	1,705,147
Loans are recorded as expenditures in the governmental funds when issued. Repayment on these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions has any effect on net assets.	<u>2,862,277</u>
Net assets of governmental activities	<u><u>\$ 14,579,403</u></u>

The notes to the financial statements are an integral part of this statement.

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

	Business-Type Activities	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 3,626,794	\$ 4,104,987
Cash and cash investments with fiscal agents	1,338,541	-
Taxes receivable	-	42,792
Accounts receivable	2,990,980	385,364
Interest receivable	27,592	29,243
Due from other funds	-	-
Notes receivable	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Prepaid expense	-	-
Deposits	15,000	-
Total current assets	<u>8,748,907</u>	<u>4,562,386</u>
Noncurrent assets:		
Deferred issuance costs	295,700	-
Deferred refunding costs	683,082	-
Capital assets:		
Land	1,470,305	6,000
Construction in progress	-	2,787,715
Depreciable infrastructure, net	48,018,406	24,918,608
Depreciable equipment, net	77,197	22,691
Total noncurrent assets	<u>50,544,690</u>	<u>27,735,014</u>
Total assets	<u>59,293,597</u>	<u>32,297,400</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,431,088	49,776
Accrued compensated absences	-	-
Accrued interest payable	27,660	-
Other current liabilities	130,989	324,581
Claims payable	-	-
Refundable deposits	312,177	8,384
Deferred revenue	-	-
Intercity loans payable	13,303,548	-
Current portion of long-term obligations	<u>635,000</u>	<u>-</u>
Total current liabilities	<u>16,840,462</u>	<u>382,741</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations		
Revenue bonds payable	15,975,714	-
Certificates of participation payable	-	-
Total noncurrent liabilities	<u>15,975,714</u>	<u>-</u>
Total liabilities	<u>32,816,176</u>	<u>382,741</u>
NET ASSETS		
Invested in capital assets, net of related debt	32,955,194	27,735,014
Unrestricted	<u>(6,477,773)</u>	<u>4,179,645</u>
Total net assets	<u>\$ 26,477,421</u>	<u>\$ 31,914,659</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

-Enterprise Funds			Governmental
Solid Waste Disposal	Mobile Home Parks	Total	Activities - Internal Service Funds
\$ 788,112	\$ 1,990,189	\$ 10,510,082	\$ 63,006,727
-	1,144,266	2,482,807	-
46,979	-	89,771	-
1,505,078	24,003	4,905,425	1,124,935
-	11,636	68,471	240,323
-	-	-	5,603,899
-	131,251	131,251	-
-	-	750,000	-
-	-	-	346,907
-	-	-	260,735
-	-	15,000	32,100
<u>2,340,169</u>	<u>3,301,345</u>	<u>18,952,807</u>	<u>70,615,626</u>
-	458,984	754,684	-
-	-	683,082	-
-	11,695,000	13,171,305	-
-	-	2,787,715	-
-	-	72,937,014	-
4,950	20,881	125,719	5,567,527
<u>4,950</u>	<u>12,174,865</u>	<u>90,459,519</u>	<u>5,567,527</u>
<u>2,345,119</u>	<u>15,476,210</u>	<u>109,412,326</u>	<u>76,183,153</u>
513,048	-	2,993,912	1,221,053
-	-	-	5,226,622
-	298,229	325,889	-
9,640	-	465,210	294,796
-	-	-	23,114,882
2,010	961	323,532	-
887,064	132,354	1,019,418	-
-	-	13,303,548	-
-	390,000	1,025,000	-
<u>1,411,762</u>	<u>821,544</u>	<u>19,456,509</u>	<u>29,857,353</u>
-	-	15,975,714	-
-	12,198,148	12,198,148	-
-	12,198,148	28,173,862	-
<u>1,411,762</u>	<u>13,019,692</u>	<u>47,630,371</u>	<u>29,857,353</u>
4,950	(872,267)	59,822,891	5,567,527
928,407	3,328,785	1,959,064	40,758,273
<u>\$ 933,357</u>	<u>\$ 2,456,518</u>	<u>61,781,955</u>	<u>\$ 46,325,800</u>
		1,326,998	
		<u>\$ 63,108,953</u>	

CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	17,870,540	-
Mobile home parks operation	-	-
Solid waste disposal fees	-	-
Property assessments	-	1,648,591
Sewer user fees	-	2,072,583
Other	15,103	39,313
Total operating revenues	<u>17,885,643</u>	<u>3,760,487</u>
Operating expenses:		
Salaries and wages	3,274,802	865,865
Contractual services	3,524,329	1,035,745
Liability claims	-	-
Materials and supplies	442,044	96,947
Water production expenses	9,568,599	-
Mobile home parks on-site operations	-	-
Depreciation	1,729,041	846,624
Amortization	40,329	-
Total operating expenses	<u>18,579,144</u>	<u>2,845,181</u>
Operating income (loss)	<u>(693,501)</u>	<u>915,306</u>
Nonoperating revenues (expenses):		
Investment income	260,071	128,092
Loss on disposal of assets	-	-
Other nonoperating revenues	-	-
State educational revenue augmentation fund	-	(826,395)
Interest expense	(1,486,768)	-
Total nonoperating revenues (expenses)	<u>(1,226,697)</u>	<u>(698,303)</u>
Income (loss) before contributions and transfers	(1,920,198)	217,003
Capital contributions	57,400	159,680
Transfers out	-	-
Change in net assets	(1,862,798)	376,683
Total net assets, July 1	<u>28,340,219</u>	<u>31,537,976</u>
Total net assets, June 30	<u>\$ 26,477,421</u>	<u>\$ 31,914,659</u>

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.
Change in net assets of business-type activities.

The notes to the financial statements are an integral part of this statement.

-Enterprise Funds			Governmental
Solid Waste Disposal	Mobile Home Parks	Total	Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 31,884,047
-	-	17,870,540	-
-	2,071,986	2,071,986	-
6,861,403	-	6,861,403	-
227,184	-	1,875,775	-
-	-	2,072,583	-
2,043	-	56,459	-
<u>7,090,630</u>	<u>2,071,986</u>	<u>30,808,746</u>	<u>31,884,047</u>
263,396	-	4,404,063	12,875,381
5,958,396	-	10,518,470	9,535,538
-	-	-	6,022,382
3,310	-	542,301	1,584,030
-	-	9,568,599	-
-	751,956	751,956	-
550	550	2,576,765	1,017,796
-	28,119	68,448	-
<u>6,225,652</u>	<u>780,625</u>	<u>28,430,602</u>	<u>31,035,127</u>
<u>864,978</u>	<u>1,291,361</u>	<u>2,378,144</u>	<u>848,920</u>
-	54,051	442,214	902,521
-	-	-	(20,723)
55,890	26,564	82,454	89
(112,690)	-	(939,085)	-
-	(717,446)	(2,204,214)	-
<u>(56,800)</u>	<u>(636,831)</u>	<u>(2,618,631)</u>	<u>881,887</u>
808,178	654,530	(240,487)	1,730,807
-	-	217,080	117,049
-	(70,000)	(70,000)	(100,000)
808,178	584,530	(93,407)	1,747,856
125,179	1,871,988		44,577,944
<u>\$ 933,357</u>	<u>\$ 2,456,518</u>		<u>\$ 46,325,800</u>
		42,709	
		<u>\$ (50,698)</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 18,096,662	\$ 3,651,162
Payments to suppliers	(14,417,561)	(1,709,067)
Payments to employees	(3,274,802)	(865,865)
Internal activity-payments to/from other funds	-	-
Net cash provided by operating activities	<u>404,299</u>	<u>1,076,230</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Other receipts/payments	-	(826,395)
Operating subsidies and transfers to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(826,395)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Notes receivable payments	-	-
Rental of city property	-	-
Purchases of capital assets	(1,094,712)	(1,888,425)
Proceeds from disposal of capital assets	-	-
Principal paid on capital debt	(435,000)	-
Interest paid on capital debt	(1,486,768)	-
Capital contribution	57,400	159,680
Net cash provided (used) by capital and related financing activities	<u>(2,959,080)</u>	<u>(1,728,745)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>260,071</u>	<u>128,092</u>
Net cash provided by investing activities	<u>260,071</u>	<u>128,092</u>
Net increase (decrease) in cash and cash equivalents	(2,294,710)	(1,350,818)
Cash and cash equivalents, July 1	<u>7,260,045</u>	<u>5,455,805</u>
Cash and cash equivalents, June 30	<u>\$ 4,965,335</u>	<u>\$ 4,104,987</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Total	
\$ 6,350,239	\$ 2,089,788	\$ 30,187,851	\$ 30,852,226
(6,131,841)	(787,007)	(23,045,476)	(13,412,922)
(263,396)	-	(4,404,063)	(12,530,487)
-	-	-	(1,716,858)
<u>(44,998)</u>	<u>1,302,781</u>	<u>2,738,312</u>	<u>3,191,959</u>
(112,690)	-	(939,085)	89
-	(70,000)	(70,000)	17,049
<u>(112,690)</u>	<u>(70,000)</u>	<u>(1,009,085)</u>	<u>17,138</u>
-	26,564	26,564	-
55,890	-	55,890	-
-	(19,781)	(3,002,918)	(181,220)
-	-	-	(20,723)
-	(370,000)	(805,000)	-
-	(717,446)	(2,204,214)	-
-	-	217,080	-
<u>55,890</u>	<u>(1,080,663)</u>	<u>(5,712,598)</u>	<u>(201,943)</u>
-	54,051	442,214	857,847
-	54,051	442,214	857,847
(101,798)	206,169	(3,541,157)	3,865,001
<u>889,910</u>	<u>2,928,286</u>	<u>16,534,046</u>	<u>59,141,726</u>
<u>\$ 788,112</u>	<u>\$ 3,134,455</u>	<u>\$ 12,992,889</u>	<u>\$ 63,006,727</u>

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (693,501)	\$ 915,306
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,729,041	846,624
Amortization expense	40,329	-
Decrease (increase) in taxes receivable	-	(17,465)
Decrease (increase) in accounts receivable	210,109	(94,219)
Decrease (increase) in accrued interest receivable	910	2,359
Decrease (increase) in notes receivable	-	-
Decrease (increase) in due to/from other funds	-	-
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Increase (decrease) in accounts payable	(865,821)	(868,092)
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued interest payable	(71,354)	-
Increase (decrease) in intercity loan payable	32,479	-
Increase (decrease) in other accrued liabilities	17,092	291,716
Increase (decrease) in refundable deposits	5,015	1
Increase (decrease) in claims payable	-	-
Increase (decrease) in deferred revenue	-	-
Total adjustments	<u>1,097,800</u>	<u>160,924</u>
Net cash provided by operating activities	<u>\$ 404,299</u>	<u>\$ 1,076,230</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Total	
<u>\$ 864,978</u>	<u>\$ 1,291,361</u>	<u>\$ 2,378,144</u>	<u>\$ 848,920</u>
550	550	2,576,765	1,017,797
-	28,119	68,448	-
(3,635)	-	(21,100)	-
(736,756)	(5,238)	(626,104)	(1,031,821)
-	(3,532)	(263)	-
-	26,572	26,572	-
-	-	-	(1,716,858)
-	-	-	23,125
-	-	-	206,483
(210,648)	-	(1,944,561)	(523,329)
-	-	-	344,894
-	(8,479)	(79,833)	-
-	-	32,479	-
2,123	-	310,931	(4,835)
2,010	-	7,026	-
-	(26,572)	(26,572)	4,027,583
36,380	-	36,380	-
<u>(909,976)</u>	<u>11,420</u>	<u>360,168</u>	<u>2,343,039</u>
<u>\$ (44,998)</u>	<u>\$ 1,302,781</u>	<u>\$ 2,738,312</u>	<u>\$ 3,191,959</u>

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2005**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Garden Grove (the "City") was incorporated June 18, 1956 as a general law full service city. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, and paramedics), highways and streets, social services, culture and recreation, parks, planning, zoning, housing, water, solid waste collection and disposal, sewage services and general administration.

1. Reporting entity

Accounting principles, generally accepted in the United States of America, require that this financial statement present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (e.g. the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The component units discussed in this note are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended component units:

- a. The Garden Grove Agency for Community Development (the "Agency") was established in November 1970 pursuant to California Community Redevelopment Laws and is reported as a capital project fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the agency budget, and the City provides staffing.
- b. The Garden Grove Housing Authority (the "Housing Authority") was established in October 1975, pursuant to the provisions of the Housing and Community Development Act of 1974 and is reported as a special revenue fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Housing Authority budget, and the City provides staffing.
- c. The Garden Grove Sanitary District (the "Sanitary District") began its operations in 1924 as a special district operating under the authority of the State of California. The Health and Safety Code of California (the Sanitary District Act of 1923) is the governing law. The Sanitary District provides portions of the cities of Garden Grove, Fountain Valley, Westminster and County of Orange unincorporated areas with sewage collection services, maintenance and cleaning of sewage collection lines, inspection of sewage lines built within the district by developers and the provision for trash and solid waste collection and disposal for residents and commercial establishments. The district became a subsidiary district and component unit of the city of Garden Grove on May 30, 1997. The Sanitary District is reported as two enterprise funds, the Sewage Collection enterprise fund and Solid Waste Disposal enterprise fund as if it were part of the primary City government because the City Council, although acting in a different

Notes to Basic Financial Statements (Continued)

capacity, is the governing board. Council members approve the Sanitary District budget and the City provides staffing.

Complete financial statements of these individual component units can be obtained from: The City of Garden Grove Finance Department, 11222 Acacia Parkway, Garden Grove, California 92840.

All components of the reporting entity are reported on a July 1 through June 30 fiscal year.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, 2) operating grants and contributions that are restricted to meeting the operational requirement of a particular function or segment and 3) capital grants and contributions that are restricted to meeting the capital requirement of a particular function or segment and other miscellaneous revenues that directly benefit a particular function.. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General fund

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Housing Authority special revenue fund

The Housing Authority special revenue fund accounts for the revenues and expenditures pertaining to the federal Section 8 Housing Program.

Community Project debt service fund

The Community Project debt service fund is used to account for resources provided to pay principal and interest on the Agency for Community Development project debt.

2002 Capital Improvement Project debt service fund

This fund accounts for the money held by fiscal agent in connection with the 2002-Series A Certificates of Participation issue.

Community Project capital projects fund

Capital projects within the Agency for Community Development Community project area are accounted for in this fund.

Low Income Housing capital projects fund

This fund records the 20% set-aside of tax increment revenue of the Agency for Community Development. In accordance with the State Health and Safety Code, this amount is used only for projects relating to low income housing within the project areas.

2003 Tax Allocation capital projects fund

This fund accounts for capital projects resulted from the 2003 Tax Allocation Refunding Bonds within the Agency for Community Development Community project area.

Notes to Basic Financial Statements (Continued)

The City reports the following major proprietary funds:

Water Utility fund

The purpose of this fund is to account for the City's water system. Resources of the fund are applied to construction, operation, maintenance and debt service obligations of the water system. Financing is provided by revenue of the water utility.

Sewage Collection fund

The Garden Grove Sanitary District comprises two funds, the Sewage Collection fund and the Solid Waste Disposal fund. Resources of the Sewage Collection fund are applied to the operation and maintenance of the City's sewer system.

Solid Waste Disposal fund

The Garden Grove Sanitary District comprises two funds, the Sewage Collection fund and the Solid Waste Disposal fund. The Solid Waste Disposal fund accounts for the operation of the trash and solid waste collections and disposal services.

Mobile Home Parks fund

The purpose of this fund is to account for the operation and debt service obligations of the Bahia Village and Emerald Isle mobile home parks located within the City. These mobile home parks were purchased as a way to help further the City's goal of preservation and protection of low and moderate-income housing.

Additionally, the City reports the following fund type:

Internal Service funds

The internal service funds account for workers' compensation, fleet management, employee benefits, information system, warehouse operations, telephone system, and risk management services provided to City departments on a cost reimbursement basis.

As a general rule the effect of inter fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the function concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) fines, forfeits and penalties, 3) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function and 4) other miscellaneous revenues that directly benefit a particular function and do not fit into any other category. General revenues include all taxes.

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

The City has elected, for all proprietary type activities, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, liabilities, and net assets or equity

a. Deposits and investments

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof) in accordance with GASB Statement No. 31. Interest income on investments is allocated to individual funds on the basis of monthly cash and investment balances.

The City's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For the year ended June 30, 2005, the City has implemented the provisions of GASB 40, *Deposit and Investment Risk Disclosures*. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

b. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Utility accounts are billed on a bi-monthly cyclical basis. Receivables are recorded at the time consumption is determined. Sanitary refuse collection accounts are billed quarterly, with the last quarterly billing completed in June covering June, July and August services. Unbilled receivables are recorded at year end to adjust for the billing cycle and are included as accounts receivables in the Water Utility and Sanitary District funds.

c. Taxes receivable

Property taxes in California are levied in accordance with Article 13A of the State Constitution at one percent of county wide assessed valuations. This one percent is allocated pursuant to state law to appropriate units of local government. In addition, a voter-approved property tax of two and one-half cents per hundred dollars actual value is levied against all property in the City for the purpose of providing emergency medical services.

Property tax revenue is recognized in the fiscal year for which taxes have been levied, provided that the revenue is collected in the current period or will be collected within 60 days thereafter.

The property tax calendar is as follows:

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

Taxes are collected by Orange County, and are remitted to the City periodically as follows (dates and percentages may vary slightly from year to year):

November 24, 2004	7% - 10%
December 10, 2004	20% - 25%
December 21, 2004	10% - 15%
January 21, 2005	4% - 7%
March 22, 2005	5% - 7%
April 21, 2005	15% - 20%
May 20, 2005	15% - 20%
July 15, 2005	1% - 2% (Collections through June 30)

d. Inventories, prepaid items and land held for resale

Inventory is valued at cost using the first in, first out (FIFO) method. Inventory in the proprietary funds consists of expendable supplies held for future consumption. The cost is recorded as an expense as inventory items are consumed.

Land held for resale is valued at lower of cost or estimated net realizable value at June 30, 2005 and is located in the City's redevelopment project area.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

e. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, medians, traffic signals, storm drains), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial,

Notes to Basic Financial Statements (Continued)

individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The net interest cost incurred in the financing of projects during the construction period is not capitalized.

Plant, infrastructure, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Street infrastructure	
Pavement	30
Curbs & gutters	50
Sidewalks	50
Medians	50
Traffic signals	20
Walls	50
Driveways	50
Storm drain infrastructure	50
Water infrastructure	
Fire hydrants	45
Pump stations	10
Reservoirs	65
Water mains	77
Water meters	25
Water pumps & meters	20
Wells	40
Sewer infrastructure	60
Vehicles	2-10
Furniture and equipment	10

f. Accrued compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, comp time and sick leave) in an internal service (Employee Benefit) fund. A calculated fringe benefit rate, which includes accrued compensated absences, is applied to all labor charges. The resulting funds are deposited into the Employee Benefits internal service fund and are set aside for corresponding liabilities.

g. Long term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds

Notes to Basic Financial Statements (Continued)

payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

h. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

i. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets reported in the *Statement of Net Assets* are as follows:

Land	\$	405,652,056
Construction in progress		5,088,193
Depreciable infrastructure, net		234,290,499
Depreciable buildings and park assets, net		17,831,225
Depreciable equipment, net		10,341,794
	\$	<u>673,203,767</u>

Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation, fleet management, employee benefits, information systems, warehouse operations, telephone system, and risk management to individual funds. The internal service funds are allocated primarily to the governmental activities.

Internal service funds net assets-beginning of year	\$	43,293,655
Change in net assets		1,705,147
Capital assets investment		(5,567,527)
	\$	<u>39,431,275</u>

One element of that reconciliation explains that "long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$102,179,847 adjustment are as follows:

Notes to Basic Financial Statements (Continued)

Tax allocation refunding bonds	\$	(57,025,000)
Certificates of participation		(22,325,000)
Agreements payable		(17,371,380)
Lease purchases		(4,639,399)
Accrued interest payable		(1,346,792)
Deferred charge for issuance costs (to be amortized over life of debt)		1,760,536
Unamortized bonds premium		(1,232,812)
	\$	<u>(102,179,847)</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures". However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay capitalization for year	\$	12,972,680
Current year governmental depreciation		(11,992,192)
	\$	<u>980,488</u>

Another element of that reconciliation states that "The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets". The details of this adjustment are as follows:

Debt issued or incurred:		
Agreements payable	\$	(2,068,490)
Lease purchase payments		(1,932,944)
Debt principal repayments:		
Certificates of participation		410,000
Agreements payable		3,729,943
Lease purchase payments		710,435
Amortization of issuance costs		(68,890)
Amortization of premium		49,313
Change in accrued interest		341,038
Total long term debt adjustment	\$	<u>1,170,405</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

Under Article XIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must be refunded to the taxpayers either through revised tax rates or revised fee schedules.

Notes to Basic Financial Statements (Continued)

The City budget report is prepared under the direction of the city manager in accordance with generally accepted accounting principles (GAAP) and the requirements of Municipal Code Section 2.08.150. Annual budgets are legally adopted for the general fund, debt service funds, special revenue funds, and capital projects funds. These funds are budgeted based on the modified accrual basis of accounting and include proposed expenditures and the means of financing them. The City Council approves the total budgeted appropriations and any amendments to total appropriations which may be required during the year. Revenues are budgeted by source, and expenditures are budgeted based by program.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by City Council.

During the year, the budget is used as a management information, planning and control device. To facilitate this process, encumbrances are recorded for commitments of the City to acquire materials, supplies and services under purchase order or contract. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All unexpended appropriations at year-end lapse, unless they are specifically designated by City Council Resolution.

2. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

<u>Fund</u>	<u>Type of Fund</u>	<u>Amount over Budget</u>
Community Project	Debt service fund	\$ 133,724
Community Project	Capital projects fund	360,827
Park Maintenance	Special revenue fund	115,311
		<u>\$ 609,862</u>

The unbudgeted expenditures in Community Project debt service fund were funded by current year revenues. The unbudgeted expenditures in Community Project capital projects fund were funded by available fund balance. The unbudgeted expenditures in Park Maintenance special revenue fund were funded by transfers from General Fund.

3. Deficit fund equity

The following funds had a deficit at June 30, 2005:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Self Supporting Revenue	Special revenue fund	\$ 71,628
Federal Employment Grants	Special revenue fund	3,143
Other Grants and Contributions (OGC)	Special revenue fund	2,804,834
2002 Capital Improvement Projects	Capital projects fund	109,052
		<u>\$ 2,988,657</u>

All the deficits are expected to be eliminated with future revenues and transfers. In the case of the OGC special revenue fund deficit of \$2.8 million, qualified and committed State and Federal grant reimbursements will be used to offset the deficits.

4. Tax increment financing - Agency for Community Development

Under provisions of the California Constitution and the City's redevelopment plan, taxes levied by any taxing agency on all taxable property in the project area, when collected, are divided as follows:

An amount each year, equal to the current tax rates applied to the assessed valuation (within the project area) prior to the adoption of the redevelopment plan, is paid into the funds of the respective taxing agencies.

Taxes received over and above that amount as computed above are deposited in the debt service funds of the Agency. The plan calls for a 20 percent set-aside of tax increment revenue for low-income housing. In accordance with the Health and Safety Code, these funds have been placed in the Low Income Housing capital projects fund, to be used for replacement or improvement of low-income housing.

5. Reimbursement agreements

There is a written reimbursement agreement between the City and the Agency for Community Development stating that funds needed for Agency expenditures are to be advanced by the City's general fund. The debt service funds receive tax increment money, which is only available for payment of debt; therefore, advances are repaid monthly by the debt service funds.

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 127,403,020
Cash and investments with fiscal agent	13,883,336
Total cash and investments	<u>\$ 141,286,356</u>

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 43,870
Deposits with financial institutions	3,097,188
Investments	138,145,298
Total cash and investments	<u>\$ 141,286,356</u>

Notes to Basic Financial Statements (Continued)

Investments Authorized by the City's Investment Policy

The table below identifies the **investment types** that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address **interest rate risk**, **credit 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 provision of the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment in One Issuer
Securities of the U.S. Government or its Agencies	5 years	None	None
Federal Home Loan Bank (FHLB)	5 years	None	None
Federal National Mortgage Association (FNMA)	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Certificates of Deposits (CD)	N/A	30%	5%
Bankers Acceptances	180 days	30%	10%
Negotiated Certificates of Deposit	N/A	30%	5%
Commercial Paper	10 days	15%	None
Repurchase Agreement (Overnight)	30 days	None	None
Passbook Savings Account	N/A	None	None

*Excluding amounts held by bond trustee that are not subject to City's investment policy.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the City's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury	None	None	None
Money Market Funds	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City generally holds all investments to maturity. In addition, the City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific imitations with respect to this metric.

Notes to Basic Financial Statements (Continued)

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 27,500,000	1.06
U.S. Agency Securities		
FHLB	48,500,000	2.37
FFCB	3,000,000	2.10
FNMA	19,965,000	2.05
Mortgage-backed Securities	18,678	0.50
Local Agency Investment Fund (LAIF)	25,283,913	0.50
Held by Fiscal Agent:		
Money Market Funds	<u>13,877,707</u>	0.50
Total	<u>\$ 138,145,298</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investment (including investments held by bond trustees) include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments

Federal agency securities with step up interest rates. The interest rates of these securities step up to various predetermined rates ranging from 2.25% to 8.00% at various call dates provided for each security. The market's assessment of the likelihood of the call option being exercised versus the interest rate stepping up creates fair values for these securities that are highly sensitive to changes in market demanded interest rates.

\$27,000,000

Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

18,678

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. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Notes to Basic Financial Statements (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury	\$ 27,500,000	N/A	\$ 27,500,000		
U.S. Agency Securities					
FHLB	48,500,000	N/A	48,500,000		
FFCB	3,000,000	N/A	3,000,000		
FNMA	19,965,000	N/A	19,965,000		
Local Agency Investment Fund	25,283,913	N/A			25,283,913
GNMA (mortgage backed securities)	18,678	N/A	18,678		
Held by fiscal agent:					
Money Market Funds	13,877,707	AAA		13,877,707	
Total	<u>\$ 138,145,298</u>		<u>\$ 98,983,678</u>	<u>\$ 13,877,707</u>	<u>\$ 25,283,913</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Investment Type
FHLB	U.S. Agency Securities	\$ 48,500,000
FNMA	U.S. Agency Securities	19,965,000
Held by fiscal agent:		
US Bank	Money Market Funds	7,405,090

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 of 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.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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

Notes to Basic Financial Statements (Continued)

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.

2. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate are as follows:

Governmental activities:

	General Fund	Housing Authority Special Revenue	Community Project Debt Service	Community Project Capital Projects	
Taxes receivable	\$ 6,388,689	\$ -	\$ 278,101	\$ -	
Accounts receivable	2,876,365	-	-	84,542	
Interest receivable	222,892	-	-	73,576	
Intergovernmental receivable	-	37,685	-	-	
	<u>\$ 9,487,946</u>	<u>\$ 37,685</u>	<u>\$ 278,101</u>	<u>\$ 158,118</u>	
	Low Income Housing Capital Projects	2003 Tax Allocation Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Governmental Activities Receivables
Taxes receivable	\$ 70,741	\$ -	\$ 358,984	\$ -	\$ 7,096,515
Accounts receivable	24,715	-	402,288	1,124,935	4,512,845
Interest receivable	-	314	66,824	240,323	603,929
Intergovernmental receivable	-	-	4,677,294	-	4,714,979
	<u>\$ 95,456</u>	<u>\$ 314</u>	<u>\$ 5,505,390</u>	<u>\$ 1,365,258</u>	<u>\$ 16,928,268</u>

Business-type activities:

	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile Home Parks Enterprise	Business-type Activities Receivables
Taxes receivable	\$ -	\$ 42,792	\$ 46,979	\$ -	\$ 89,771
Accounts receivable	2,990,980	385,364	1,505,078	24,003	4,905,425
Interest receivable	27,592	29,243	-	11,636	68,471
	<u>\$ 3,018,572</u>	<u>\$ 457,399</u>	<u>\$ 1,552,057</u>	<u>\$ 35,639</u>	<u>\$ 5,063,667</u>

3. Intercity loans receivable/payable at June 30, 2005 consisted of the following:

a. Loan from General fund to Water Utility fund

On July 1, 1998 the City established an intercity loan between the General fund and Water Utility fund in the amount of \$14,145,092 for the repayment from the Water Utility fund to the General fund of street damage repairs throughout the City that have been a benefit to the Water Utility. The loan accrues interest at 6.5% per annum. The balance will be repaid at amounts to be determined through the annual budget process.

\$13,303,548

b. Loans from General fund to Community Project capital projects fund:

The General Fund has loaned to the Community Project capital projects fund a total of \$6,175,791 to assist in funding the

Notes to Basic Financial Statements (Continued)

Agency's operating budget for the past four fiscal years. The loans accrue interest at a rate of 6.5% per annum. There is no set repayment schedule for these loans. However, the Agency repaid \$2 million to the General Fund during fiscal year 04/05. Interest of \$551,745 has accrued, and the outstanding principal and interest balance is \$3,847,875 at June 30, 2005. 3,847,875

c. Loan from the General fund to the Community Project capital projects fund:

On May 21, 1984 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the Agency agreed to reimburse the City \$2,405,511, plus any accruing unpaid interest at the annual rate of 10%, for capital improvements within the Agency's redevelopment area which were initially paid for by the General fund. On June 18, 1991, the City Council authorized a \$240,000 repayment of the principal, reducing the agreement amount to \$1,805,511. The loan has no fixed amortization date, with all unpaid interest being added to the principal. 3,723,513

d. Loan from the General fund to the Community Project capital projects fund:

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%, beginning March 1, 2005. Also, the Agency was responsible for making interest-only payments until March 1, 2005 on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which were used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739 issuance costs related to the Certificates of Participation. Beginning March 1, 2005, the Agency is responsible for principal and interest payment on the Certificates to the extent that the Agency has utilized Certificate proceeds. During the fiscal year ended June 30, 2005, the Agency received additional advances of \$3,589,099, which brings the total under this agreement to \$17,965,504 at June 30, 2005. As of June 30, 2005, the Agency made \$410,000 of principal payment and \$1,144,590 of interest payment. 17,965,504

e. Loan from the Water Utility fund to the Community Project capital projects fund:

The Community Project capital projects fund has a loan from the Water Utility fund in the amount of \$750,000. Interest is

Notes to Basic Financial Statements (Continued)

paid monthly at an annual rate of 10% and has no fixed amortization date. 750,000

f. Loan from Low Income Housing capital project fund to the Community Projects capital project fund:

The Community Project Capital projects fund has two loans from the Low Income Housing Capital Project fund, that they were used to make the fiscal year 2003-04 (\$871,616) and 2004-05 (\$1,527,894) mandated Educational Revenue Augmentation Fund payments. Interest is accrued annually for the respective loans based upon the City's investment rate of return of the prior year. The rate accrued on the loans for fiscal year 2003-04 was 2.30% and 2004-05 was 1.60%. Interest of \$24,468 and \$4,064 were accrued, and the combined outstanding principal and interest balance is \$2,399,510 at June 30, 2005. The loan is due in 10 years.

2,399,510

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$41,989,950

4. Notes receivable at June 30, 2005 consisted of the following:

a. Commercial rehabilitation:

The Garden Grove Agency for Community Development Community Project capital projects fund holds seven notes related to commercial property rehabilitation loans. The terms of each note vary by circumstance. Some of these loans allow for credits against the outstanding note balance based on net new sales tax and/or property tax generated from the site. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in the Community Project capital projects fund. Revenue will be recognized when received.

\$615,758

b. Property acquisitions-hotels:

The Garden Grove Agency for Community Development Community Project capital projects fund has entered into agreements with seven major hotels for the acquisition and development of property located at the corner of Chapman Avenue and Harbor Boulevard. All seven notes are due and payable within 10 to 14 years from date of note issuance subject to yearly assemblage credits against the outstanding principal balance based on generated revenues as outlined in the agreements. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in the Community Project capital projects fund. Revenue will be recognized when received.

20,998,227

Notes to Basic Financial Statements (Continued)

c. *Property acquisitions:*

The Garden Grove Agency for Community Development Community Project capital projects fund and other governmental funds have entered into agreements with various commercial businesses throughout the City for the purpose of assisting them in the acquisition and development of commercial property. Some of these loans allow for credits against the outstanding note balance based on either net new sales tax and/or new property tax generated at the business site. Since the note payments are not available for current expenditures, these note receivables are offset by deferred revenue in the Community Project capital projects fund. Revenue will be recognized when received.

2,422,960

d. *Trask Avenue relocation:*

A mortgage assistance program was established for residents displaced as a result of the Trask Avenue widening project. The Garden Grove Agency for Community Development has made four loans under this program to assist in the purchasing of new residences for those displaced. The loans are evidenced by promissory notes which are secured by second trust deeds on the replacement property. The terms of each note vary by circumstance. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in the Community Project capital projects fund (\$31,500) and Low Income Housing capital projects fund (\$33,653). Revenue will be recognized when payments are received.

65,153

e. *Rental rehabilitation:*

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and Community Project capital projects fund hold eight notes related to property rehabilitation loans, which have been used to assist developers in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents. Since these note repayments are not available for current expenditures, the notes receivable are offset by deferred revenue in the Low Income Housing capital projects fund (\$2,992,819) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received.

3,217,446

f. *Rental rehabilitation –Other governmental funds:*

The City has entered into thirteen Housing Rehabilitation Agreements utilizing CDBG HOME funds, which are reflected in other governmental funds. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing

Notes to Basic Financial Statements (Continued)

adequate low-income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in other governmental funds. Revenue will be recognized when received. 4,918,523

g. Affordable housing agreement – General fund:

The City has entered into an Affordable Housing Agreement with a developer wherein the developer has agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of 2 percent annually. Since the note repayments are not available for current expenditures, the note receivable is offset by deferred revenue in the General fund. Revenue will be recognized when received. 299,199

h. Reimbursement agreement:

The City of Garden Grove Mobile Home parks enterprise fund entered into an agreement with one of the City's mobile home park management services provider for space rent due based on a revenue guarantee contract agreement for the fiscal years 1993-1994 to 1997-1998 for a total amount of \$342,355, with interest accruing at 7% per annum. Monthly payment amounts are calculated based on the value of the free and discounted management services until February 27, 2007. Any principal and interest owing pursuant to this Note on February 28, 2007 will be forgiven in full. Since the note repayment is not available for current expenditures, this note receivable is offset by deferred revenue in the Mobile Home Parks enterprise fund. Revenue will be recognized when received. 131,251

TOTAL NOTES RECEIVABLE \$32,668,517

5. Inventories – Land held for resale

The Community Project capital projects fund, Low Income Housing capital projects fund, and other governmental funds land held for resale is an inventory of land purchased by the Agency for Community Development which is intended to be sold to developers. The land is carried at the lower of cost or market value.

Cost of land held for resale	\$ 29,854,287
Less: allowance for decline in value	<u>(44,852)</u>
Net value	<u><u>\$ 29,809,435</u></u>

Notes to Basic Financial Statements (Continued)

6. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 405,338,735	\$ 313,321	\$ -	\$ 405,652,056
Construction in progress	3,043,421	4,812,800	(2,768,028)	5,088,193
Total capital assets, not being depreciated	<u>408,382,156</u>	<u>5,126,121</u>	<u>(2,768,028)</u>	<u>410,740,249</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	316,209,005	6,061,872	-	322,270,877
Storm drain assets	66,755,964	1,527,832	-	68,283,796
Buildings and park assets	28,375,072	2,906,501	-	31,281,573
Furniture and equipment	23,127,041	332,815	(247,359)	23,212,497
Total capital assets, being depreciated:	<u>434,467,082</u>	<u>10,829,020</u>	<u>(247,359)</u>	<u>445,048,743</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(117,385,206)	(9,022,723)	-	(126,407,929)
Storm drain assets	(28,521,126)	(1,335,119)	-	(29,856,245)
Buildings and park assets	(12,678,732)	(771,616)	-	(13,450,348)
Furniture and equipment	(11,204,319)	(1,880,528)	214,144	(12,870,703)
Total accumulated depreciation	<u>(169,789,383)</u>	<u>(13,009,986)</u>	<u>214,144</u>	<u>(182,585,225)</u>
Total capital assets, being depreciated, net	<u>264,677,699</u>	<u>(2,180,966)</u>	<u>(33,215)</u>	<u>262,463,518</u>
Governmental activities capital assets, net	<u>\$ 673,059,855</u>	<u>\$ 2,945,155</u>	<u>\$ (2,801,243)</u>	<u>\$ 673,203,767</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 13,171,305	\$ -	\$ -	\$ 13,171,305
Construction in progress	1,613,084	1,174,631	-	2,787,715
Total capital assets, not being depreciated	<u>14,784,389</u>	<u>1,174,631</u>	<u>-</u>	<u>15,959,020</u>
Capital assets, being depreciated:				
Buildings and structures	99,096	-	-	99,096
Water system	78,151,425	1,110,319	-	79,261,744
Sewer system	59,601,385	713,793	-	60,315,178
Machinery and equipment	226,889	19,781	-	246,670
Total capital assets, being depreciated:	<u>138,078,795</u>	<u>1,843,893</u>	<u>-</u>	<u>139,922,688</u>
Less accumulated depreciated for:				
Buildings and structures	(99,096)	-	-	(99,096)
Water system	(29,529,172)	(1,714,167)	-	(31,243,339)
Sewer system	(34,552,713)	(843,856)	-	(35,396,569)
Machinery and equipment	(102,210)	(18,741)	-	(120,951)
Total accumulated depreciation	<u>(64,283,191)</u>	<u>(2,576,764)</u>	<u>-</u>	<u>(66,859,955)</u>
Total capital assets, being depreciated, net	<u>73,795,604</u>	<u>(732,871)</u>	<u>-</u>	<u>73,062,733</u>
Business-type activities capital assets, net	<u>\$ 88,579,993</u>	<u>\$ 441,760</u>	<u>\$ -</u>	<u>\$ 89,021,753</u>

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-type Activities
Fire	\$ 399,481	\$ -
Police	1,043,177	-
Traffic safety	399,264	-
Right of way	8,938,205	-
Drainage	1,336,902	-
Community buildings	343,827	-
Community services	185,323	-
Parks and greenbelts	204,843	-
Community development	77,639	-
Municipal support	81,325	-
Water	-	1,729,041
Sewer	-	847,173
Mobile home park	-	550
Total	\$ 13,009,986	\$ 2,576,764

7. Interfund receivables, payables, and transfers

a. The composition of interfund payable balances as of June 30, 2005 is as follows:

	Due From Other Funds	Due To Other Funds
Housing Authority special revenue	\$ -	\$ 1,474,861
Community Project debt service		150
2002 Capital Improvement Project debt service		282,454
Community Project capital projects	611,546	
Low Income Housing capital projects		520,933
Nonmajor governmental fund		3,937,047
Internal service	5,603,899	
Total	\$ 6,215,445	\$ 6,215,445

The interfund payable balances represent routine and temporary cash flow assistance from the Community Project capital projects fund and Workers' Compensation internal service fund until the amounts receivable are collected to reimburse eligible expenditures.

b. The composition of interfund transfer balances as of June 30, 2005 is as follows:

Transfer out:	General Fund	Transfer In			Total
		Community Project Capital Projects Fund	Low Income Housing Capital Projects Fund	Nonmajor Governmental	
General fund	\$ -	\$ 1,584,007	\$ -	\$ 121,567	\$ 1,705,574
Community Project debt service fund	-	11,555,942	-	-	11,555,942
2002 Capital Improvement Project debt service fund	3,396,559	-	-	-	3,396,559
Community Project capital projects fund	135,549	-	58,660	3,396,559	3,590,768
Low Income Housing capital projects fund	-	1,523,830	-	-	1,523,830
Mobile home park enterprise fund	70,000	-	-	-	70,000
Nonmajor governmental	601,379	-	-	291,977	893,356
Internal service funds	100,000	-	-	-	100,000
Total	\$ 4,303,487	\$ 14,663,779	\$ 58,660	\$ 3,810,103	\$ 22,836,029

Notes to Basic Financial Statements (Continued)

- Transfers between General Fund, Community Project capital projects fund, and Community Project debt service fund provided financing based on a reimbursement agreement between the Agency for Community Development and the City (see note C5).
- Transfers between General Fund, Community Project capital projects fund, 2002 Capital Improvement Project debt service fund, and 2002 Capital Improvement Project capital projects fund (a nonmajor governmental fund) were related to the advances received by the Agency (see note D3d).
- In addition, the General Fund provided funding to the Park Maintenance special revenue fund. And the General Fund received funding from the Golf Course special revenue fund, Mobile Home Park enterprise fund, and Employee Benefits internal service fund.
- Transfers between Community Projects and Low Income Housing capital projects funds were related to the intercity loan set up for the Education Revenue Augmentation Fund payment (see note D3f).
- Other transfers were minimal.

8. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, comp time off and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2005 is \$5,226,622.

Vacation accrues for all employee groups other than fire at 10 hours per month after 1 year of service, 12 hours per month after 9 years, and 14 hours per month after 14 years. The maximum an employee may accumulate is an amount equivalent to 2 full calendar years of service.

Annual leave accrues for all fireman at 17 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 25 hours per month after 9 years, and 28 hours per month after 14 years. The maximum a fireman may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours. Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$3,520,403 at June 30, 2005.

Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than fire. The City has adopted a policy for payment of unused sick leave benefits at time of retirement, miscellaneous and league employees can be paid 35% for all unused hours up to 1000, police employees 35% of up to 1,000 unused hours, and management employees 35% of all unused hours. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. Studies have indicated that only 25 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 25 percent of the total accumulated benefit, or \$1,706,219 at June 30, 2005.

A calculated fringe benefit rate, which includes accrued compensated absences, workers' compensation, retirement and medical benefits, is applied to all labor charges. The resulting funds are deposited into internal service funds and are set aside for

Notes to Basic Financial Statements (Continued)

corresponding liabilities, which are fully funded by sufficient cash and investment in that fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation, annual leave, benefits, and comp time	\$ 3,192,192	\$ 3,478,917	\$ (3,150,706)	\$ 3,520,403	\$ 352,040
Sick leave	1,689,536	989,421	(972,738)	1,706,219	170,622
	<u>\$ 4,881,728</u>	<u>\$ 4,468,338</u>	<u>\$ (4,123,444)</u>	<u>\$ 5,226,622</u>	<u>\$ 522,662</u>

9. Deferred revenue

The deferred revenue in the General fund in the amount of \$1,925,548 represents \$882,064 due from the State of California for mandated cost reimbursements, \$744,285 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund (see Note 3b), and \$299,199 for a developer's note receivable. Deferred revenue in the Community Project and Low Income Housing capital projects funds are associated with the notes receivable discussed in Note 4.

Certain federal, state and county grants have advanced funds for project expenditures. These funds are recorded in nonmajor governmental funds as deferred revenue. In addition, the City had incurred grant reimbursable expenditures totally \$2,619,503 that was recorded as deferred revenue in the Other Grants and Contributions special revenue fund.

The deferred revenue of \$887,064 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2005.

10. Changes in long term debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Tax allocation bonds	\$ 57,025,000	\$ -	\$ -	\$ 57,025,000	\$ -
Certificates of participation	22,735,000	-	(410,000)	22,325,000	430,000
Agreements payable	19,032,833	2,068,490	(3,729,943)	17,371,380	4,437,835
Lease purchase	3,416,890	1,932,944	(710,435)	4,639,399	766,821
Governmental activities long-term liabilities	<u>\$ 102,209,723</u>	<u>\$ 4,001,434</u>	<u>\$ (4,850,378)</u>	<u>\$ 101,360,779</u>	<u>\$ 5,634,656</u>
<u>Business-type activities</u>					
Water revenue bonds	\$ 16,845,000	\$ -	\$ (435,000)	\$ 16,410,000	\$ 635,000
Add: premium	211,279	-	(10,565)	200,714	-
Less: deferred amounts on refunding	(719,034)	-	35,952	(683,082)	-
Certificates of participation	13,010,000	-	(370,000)	12,640,000	390,000
Less: deferred amounts for issuance discounts	(54,707)	-	2,855	(51,852)	-
Business-type activities long- term liabilities	<u>\$ 29,292,538</u>	<u>\$ -</u>	<u>\$ (776,758)</u>	<u>\$ 28,515,780</u>	<u>\$ 1,025,000</u>

b. Governmental long-term debt at June 30, 2005 consisted of the following:

Tax allocation refunding bonds issue of 2003:

\$57,025,000 Tax allocation refunding bonds were issued on August 25, 2003. The bonds were issued for the purpose of (i) refunding the Agency's previously issued \$62,000,000 community project tax allocation bonds, Series 1993, which refunded the Agency's previously issued \$30,000,000 community project tax allocation bonds, Series 1996 and \$10,800,000 Community Center Project 1979 tax allocation bonds; and to (ii) finance additional redevelopment activities of the Agency. The refunding was undertaken to reduce total future debt service payments of \$6,716,767. The refunding also resulted in a net present value saving of \$6,370,670, or 12.50%. Principal payments ranging from \$1,625,000 to \$3,320,000 are due annually starting October 1, 2006 through the year 2022, and two lump sum payments of \$9,465,000 and \$8,375,000 due on October 1, 2024 and October 1, 2028 respectively. Interest is due semi-annually on October 1 and April 1, at rates ranging from 2.250% to 5.250%. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2005.

\$57,025,000

Certificates of participation:

\$22,735,000 City of Garden Grove Certificates of Participation, Series A of 2002, were executed to provide funds for the acquisition of land to assist certain redevelopment activity of the Garden Grove Agency for Community development and for other improvement projects of the Agency or the City. The Certificates represent fractional interests of the owners in the lease payments, for certain real property and improvements thereon, to be made by the City, as lessee, to the Garden Grove Public Financing Authority, as lessor, under a Lease/Purchase Agreement. The leased properties consist of Garden Grove Park, Willowick Golf Course, a municipal amphitheater, a community meeting center, fire station, and related land. Lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1, beginning March 1, 2005, and continuing until March 1, 2027. Interest is payable semiannually, beginning on September 1, 2002, with an interest rate ranging from 3.500% to 5.125% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2005.

\$22,325,000

Agreements payable:

\$13,500,000 Agency for Community Development capital facilities agreement with the Garden Grove Unified School

Notes to Basic Financial Statements (Continued)

District to finance the acquisition or lease of real property for schools and/or the planning, construction and completion of other capital improvements, structures, buildings, and facilities of benefit to the project area in accordance with sections 33401 and 33445 of the community redevelopment law. Payments are due in future annual amounts of \$1,000,000 through 2007. Additional amounts due based on percentages of project area tax increment are not included as long-term debt because these amounts are not fixed and are based on increased tax increment revenue.	\$2,000,000
\$13,580,000 Federal Housing and Community Development Section 108 Loan for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The Agency for Community Development has pledged future tax increment funds to satisfy the City's obligations under this loan agreement. Principal payments ranging from \$460,000 to \$1,200,000 are due annually on August 1 through the year 2016. Interest is due semi-annually on February 1 and August 1.	10,190,000
\$265,000 real property purchase. On July 3, 2001 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$265,000, bearing interest at an annual rate of 7.25%. Equal payments are due annually until paid off on July 3, 2006.	106,000
\$3,000,000 real property purchase. On June 9, 2003 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$3,000,000. The loan has an annual interest rate of 6%, with interest payments being paid monthly. One payment in amount of \$1,000,000 shall be due on or before the first anniversary of the date of the note. The remaining unpaid portion shall be due and payable on or before the third anniversary of the date of the note.	2,000,000
\$300,000 capital improvement loan. On November 6, 2002 the City received an energy efficiency loan from the California Energy Commission to assist in the funding of an energy retrofit project. The loan has an annual interest rate of 4% with payments due semi-annually due until the loan is paid off on December 22, 2013.	244,014
\$829,159 real property purchase. On March 13, 2002 the Agency for Community Development entered into a real property purchase and sale agreement wherein the Agency assumed the balance on an existing promissory note bearing interest at an annual rate of 8.5%. Equal monthly payments in the amount of \$7,355 will continue until February 13, 2016 when all unpaid principal and interest will be due and payable.	762,876

Notes to Basic Financial Statements (Continued)

On July 15, 2004, the Agency for Community Development entered into an agreement in the amount of \$1,554,590, for the development on the west side of Harbor Blvd. The loan has no specific due date, rather the first repayment of \$750,000 is due at the commencement of construction, and the second repayment of \$804,590 is due at completion of construction.

1,554,590

\$513,900 capital improvement loan. On July 27, 2004 the City received an energy efficiency loan from the California Energy Commission to assist in the funding of the second energy retrofit project. The loan has an annual interest rate of 3.95% with payments due semi-annually, in the amount of \$24,201, through June 22, 2018.

513,900

Total agreements payable

\$17,371,380

Lease purchases:

\$3,410,000 Countywide Public Financing Authority 1996 Revenue Bonds for the purpose of purchasing an 800 MHZ county wide communications system in a joint operating agreement with 8 participating county entities. The City of Garden Grove's share is financed over a 10 year period through a public leaseback of the Police building. Principal payments ranging from \$345,000 to \$420,000 are due annually on August 1 through the year 2006. Interest is due annually on February 1 at rates ranging from 4.1% to 5.3%.

\$815,181

\$2,449,937 Lease purchase of retrofit heating and air conditioning systems for City government buildings. Quarterly payments range from \$32,768 to \$80,927 including interest at 5.35% through September 2014.

2,067,198

In August 2004, the City entered into a capital lease arrangement to purchase a fire truck for \$776,203. The interest rate is 3.29% with a monthly payment of \$14,009 through to July 2009.

641,517

In September 2004, the City entered into a lease purchase arrangement in the amount of \$1,156,741 for the retrofit of certain heating and air conditioning system of City government buildings. The interest rate is 4.51% with a quarterly payment of \$26,634 through to August 2019.

1,115,503

Total lease purchases

4,639,399

TOTAL GOVERNMENTAL LONG TERM DEBT

\$101,360,779

Notes to Basic Financial Statements (Continued)

c. Proprietary long-term debt at June 30, 2005 consisted of the following items:

Revenue bonds payable - Water enterprise fund:

\$16,845,000 Refunding Revenue Bonds, Series 2004, were issued on April 20, 2004, for a current refunding of \$20,495,000 of the Water Revenue Bonds, Series 1993. The refunding was undertaken to reduce total future debt service payments of \$2,354,695. The refunding also resulted in a net present value saving of \$1,573,925, or 9.51%. Deferred refunding cost of \$719,034 was incurred during the refunding, which is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt.

The City's previously issued \$20,495,000 water revenue bonds, series 1993, was originally issued to finance the construction of water storage and transmission facilities, and certain other city water systems. Principal payments for the Series 2004 Revenue Bonds range from \$435,000 to \$1,165,000 due annually on December 15, 2004 through 2023. Interest is due semi-annually on June 15 and December 15, at rates ranging from 2.000% to 5.000% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2005.

Unamortized bond premium fees	200,714
Unamortized deferred refunding cost	<u>(683,082)</u>
Total revenue bonds payable	<u>\$15,927,632</u>

Revenue bonds payable debt service coverage:

The Utility covenants that rates and charges for the water service will be sufficient to yield net revenues equal to 125% of the debt service coming due and payable during the next succeeding bond year. The following analysis shows the test result for compliance with this covenant:

Operating revenues	\$ 17,885,643
Non-operating revenues	<u>260,071</u>
Gross revenue	18,145,714
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(16,809,774)</u>
Net revenues	<u>\$ 1,335,940</u>
Debt service requirement for next bond year: \$1,292,500 x 125%	<u>\$ 1,615,625</u>

For the fiscal year ended June 30, 2005, the City did not meet the required 125 percent debt service coverage with respect to the Water Refunding Revenue bonds, Series 2004. Consistent with the provisions of the related Installment Agreement, the City has set water rates (7 cents per billing unit commodities adjustment increase)

Notes to Basic Financial Statements (Continued)

effective July 1, 2005 at a level deemed necessary to provide for requisite water production costs, and yield enough net revenue to comply with the 125 percent debt service coverage for the fiscal year ending June 30 2006.

Certificates of Participation – Mobile Home enterprise fund:

\$15,645,000 1993 Certificates of Participation (Bahia Village/Emerald Isle Project) were issued on August 26, 1993. Proceeds from the sale of the certificates were used to finance the acquisition by the Garden Grove Housing Authority of certain real property constituting two Mobile Home parks within the City (excluding the Mobile Homes in such parks): Bahia Village Mobile Home Park located at 13096 Blackbird Street and Emerald Isle Mobile Home Park located at 13741 Clinton Street. The City is obligated under a lease agreement with the Garden Grove Housing Authority to make lease payments and additional rental payments from any source of legally available funds, as the rental for the right to the use and possession of the projects. Principal payments ranging from \$330,000 to \$1,045,000 are due annually on August 1 through the year 2023. Interest is due semiannually on August 1 and February 1 at rates ranging from 4.0% to 5.7%. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2005.

12,640,000

Unamortized COP discount fee

(51,852)

Total certificates of participation

12,588,148

TOTAL PROPRIETARY LONG TERM DEBT

28,515,780

TOTAL LONG TERM DEBT

\$129,876,559

d. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2005, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2006	\$ -	\$ 2,759,550	\$ 2,759,550
2007	1,625,000	2,741,269	4,366,269
2008	1,660,000	2,698,088	4,358,088
2009	1,710,000	2,647,537	4,357,537
2010	1,765,000	2,577,763	4,342,763
2011-2015	10,115,000	11,573,200	21,688,200
2016-2020	12,840,000	8,733,675	21,573,675
2021-2025	18,935,000	5,209,862	24,144,862
2026-2030	8,375,000	2,121,000	10,496,000
Total	\$ 57,025,000	\$ 41,061,944	\$ 98,086,944

Notes to Basic Financial Statements (Continued)

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2006	\$ 430,000	\$ 1,130,240	\$ 1,560,240
2007	440,000	1,115,190	1,555,190
2008	460,000	1,099,790	1,559,790
2009	470,000	1,081,390	1,551,390
2010	500,000	1,062,590	1,562,590
2011-2015	2,815,000	4,971,775	7,786,775
2016-2020	3,580,000	4,209,519	7,789,519
2121-2025	4,665,000	3,114,762	7,779,762
2026-2030	6,075,000	1,710,219	7,785,219
2031-2032	2,890,000	223,963	3,113,963
Total	\$ 22,325,000	\$ 19,719,438	\$ 42,044,438

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2006	\$ 4,437,835	\$ 849,367	\$ 5,287,202
2007	2,551,232	673,020	3,224,252
2008	738,209	628,289	1,366,498
2009	793,208	584,099	1,377,307
2010	848,463	536,089	1,384,552
2011-2015	5,121,841	1,807,403	6,929,244
2016-2019	2,880,592	189,772	3,070,364
Total	\$ 17,371,380	\$ 5,268,039	\$ 22,639,419

Year Ending June 30	Lease Purchase Agreements		
	Principal	Interest	Total
2006	\$ 766,821	\$ 208,174	\$ 974,995
2007	810,951	169,991	980,942
2008	411,041	141,259	552,300
2009	432,143	122,694	554,837
2010	298,071	105,243	403,314
2011-2015	1,510,250	283,267	1,793,517
2016-2020	410,122	42,842	452,964
Total	\$ 4,639,399	\$ 1,073,470	\$ 5,712,869

e. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2005, including interest payments, are as follows.

Year Ending June 30	2004 Water Revenue Bonds		
	Principal	Interest	Total
2006	\$ 635,000	\$ 657,500	\$ 1,292,500
2007	645,000	644,700	1,289,700
2008	665,000	629,937	1,294,937
2009	675,000	612,344	1,287,344
2010	695,000	592,638	1,287,638
2011-2015	3,855,000	2,565,462	6,420,462
2016-2020	4,700,000	1,682,394	6,382,394
2021-2024	4,540,000	462,500	5,002,500
Total	\$ 16,410,000	\$ 7,847,475	\$ 24,257,475

Year Ending June 30	1993 Mobile Home Park Certificate of Participation		
	Principal	Interest	Total
2006	\$ 390,000	\$ 705,025	\$ 1,095,025
2007	410,000	683,025	1,093,025
2008	435,000	659,788	1,094,788
2009	455,000	635,312	1,090,312
2010	485,000	609,099	1,094,099
2011-2015	2,850,000	2,592,064	5,442,064
2016-2020	3,760,000	1,658,415	5,418,415
2021-2024	3,855,000	454,717	4,309,717
Total	\$ 12,640,000	\$ 7,997,445	\$ 20,637,445

11. Reserves of fund equity

a. Amounts reserved for encumbrances are commitments for materials and services on purchase orders.

- b. Amount reserved for property tax lawsuits represents an amount reserved for an anticipated property tax revenue reduction if the outcome of a lawsuit currently in litigation against the County of Orange is unfavorable.
- c. Amount reserved for building improvements represents an amount reserved for anticipated building upgrades to city hall.
- d. Amounts reserved for intercity loans indicate that repayments are not available as a resource to meet expenditures of the current year.
- e. Amounts reserved for continuing projects are unexpended appropriations on incomplete capital improvement projects which have been carried forward into the new fiscal year.
- f. The reserve for land held for resale in the capital projects funds is equal to the amount of land inventory available for sale to developers for development purposes in future years.
- g. Amounts reserved for contractual commitments represent commitments for future year expenditures against the current balance available.
- h. Amount reserved for debt service is the amount equal to the amount of debt due on the Tax Allocation Bonds during the next fiscal year
- i. Amounts reserved for deposits represents an amount reserved to cover refunding of deposits.

12. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1,000,000, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a joint powers authority for losses from \$1,000,000 up to \$150,000,000 per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$15,976,957, (\$4,756,469 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2005, which has been included under other accrued liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first \$2.0 million of each occurrence. Excess liability insurance is carried thereafter to \$10 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund. The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2005, in the amount of \$7,137,925 (\$2,229,464 estimated to be due within one year), which has been included under other accrued liabilities in the Risk Management internal service fund.

Notes to Basic Financial Statements (Continued)

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2005. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments. Changes in the aggregate liability for claims for fiscal year ended June 30, 2005 and June 30, 2004 are as follows:

	2005	2004
<u>Worker's Compensation</u>		
Liability, July 1	\$ 13,393,111	\$ 12,816,413
Changes in estimates	7,113,817	3,397,201
Claim payments	<u>(4,529,971)</u>	<u>(2,820,503)</u>
Liability, June 30	<u>\$ 15,976,957</u>	<u>\$ 13,393,111</u>
<u>Risk Management</u>		
Liability, July 1	\$ 5,694,187	\$ 7,408,844
Changes in estimates	3,567,037	(1,269,874)
Claim payments	<u>(2,123,299)</u>	<u>(444,783)</u>
Liability, June 30	<u>\$ 7,137,925</u>	<u>\$ 5,694,187</u>

13. Public Employees Retirement System

a. Plan description

The City of Garden Grove's defined benefit pension plans, the Miscellaneous Plan of the City of Garden Grove and the Safety Plan of the City of Garden Grove, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the City of Garden Grove and the Safety Plan of the City of Garden Grove are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), and agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Funding policy

Active plan members in the miscellaneous plan of the City are required to contribute 7% of their annual covered salary for a 2% at 55 retirement plan. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2005 was 4.439% for miscellaneous employees and 28.514% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Notes to Basic Financial Statements (Continued)

c. Annual pension cost

For the fiscal year ended June 30, 2005 the City of Garden Grove's annual pension cost of \$9,801,968 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2005 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members. Both (a) and (b) include an inflation component of 3.00%.

<u>FYE</u>	<u>Annual Pension Cost</u>	<u>% of Annual Person Cost Contribution</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 5,717,914	100%	0
6/30/2004	\$ 6,721,017	100%	0
6/30/2005	\$ 9,801,968	100%	0

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

14. Postemployment benefits

In addition to the pension benefit described in Note 13, the City provides post retirement health care benefits to all retired employee. From July 1, 2004 to December 31, 2004, the City contributed \$32.20 per month for each retiree towards this benefit. Effective January 1, 2005, the City's contribution rate increased to \$48.40 per retiree. Post retirement health care benefits are available only to employees who retire from the City and are provided on a "pay-as-you-go" basis. The provision of these benefits is mandated by the City's participation in PERS. Of the eligible retirees, only 188 have selected this option. At June 30, 2005, the total yearly cost to the City for this benefit was \$89,241 which represents 8% of the total yearly premium cost of \$1,169,589. The difference of \$1,080,348 was paid by the participating retirees.

The City also offers a Post Retirement Medical Premium Plan through the auspices of the Joint Powers Employee Benefit Authority. The plan is a deferred contribution plan. The City is neither a custodian nor a trustee of the plan. Under this Plan, employees can save, on a pre-tax basis through salary deductions, towards their post-retirement medical coverage premium costs for themselves and their dependants. Employees contribute into their individual account. These contributions are then pooled, and each individual account is credited with a guaranteed rate of interest. There is no limit on the amount of pre-tax employee contributions.

15. Non-committal debt:

a. Garden Grove Industrial Development Authority Certificate of Deposit Revenue Bonds, Issue of 1982 for \$4,555,000, were issued as an obligation of the Authority.

Notes to Basic Financial Statements (Continued)

These bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bond issue was publicly offered with a letter of credit issued by the trustee as security pledged for repayment of the bond issue. The bonds were issued for the acquisition, expansion and rehabilitation of commercial property.

b. Garden Grove Housing Authority Variable Rate Demand Multifamily Housing Revenue Bonds, Series A of 1990, for \$12,000,000 were issued as an obligation of the Housing Authority. These bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bonds were issued to provide funds for the cost of developing the Valley View Senior Village, a multifamily rental housing project in the City.

c. On March 16, 1996, the Garden Grove Housing Authority issued Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996A in the amount of \$7,790,000, Taxable Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996B in the amount of \$2,000,000, and Low Income Housing Tax Increment Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996C in the amount of \$8,500,000. The proceeds of the bonds were used to provide funds for the purpose of the acquisition and rehabilitation of multifamily rental housing projects in the City. The Series A, B and C Bonds are special obligations of the Authority and are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is liable for the payment of principal or interest on the bonds. The City has, however, guaranteed the annual principal and interest payments on the Series C Bonds. The City's obligation under the limited guarantee does not accumulate and transfer to the following fiscal year of the City. The City will receive a promissory note from the developer of the multifamily rental housing project for any payments made by the City on the limited guarantee. As of June 30, 2005, the City has made payments totaling \$729,999 towards the guarantee.

d. Utilizing special assessment bond financing under the authority of the Improvement Bond Act of 1915, the City formed a special assessment district for the purpose of improving the water distribution system and fire hydrant infrastructure in the Dale-Josephine neighborhood of the City. The bonds, which financed this debt, were issued on September 15, 1990 for \$656,608. The bonds were considered a non-obligation special assessment debt and are wholly a liability of the property owners. The City's role is limited to acting in an agent capacity for the property owners. The interest rate on the bonds ranges from 8.10% to 8.15% and the bonds matures on September 2, 2010. The outstanding balance at June 30, 2005 was \$320,000.

16. Pass through agreements

On July 12, 1992, the Garden Grove Agency for Community Development amended the existing Redevelopment Plan for the Garden Grove Community Project. As a part of this process, the Agency was required to provide to the affected taxing entities financial information on the proposed plan amendment. The taxing entities then had the

responsibility to evaluate the financial information and identify any financial burden or detriment caused by the proposed plan amendment. Agreements to provide for the alleviation of the estimated financial burden and detriment to each of the following districts have been negotiated pursuant to Section 33401 and 33445 of the Community Redevelopment Law ("CRL"); Garden Grove Unified School District, Rancho Santiago Community College District, Huntington Beach Union High School District, Orange County Sanitation District No. 2 and 3, Garden Grove Sanitary District, Westminster School District, Orange Unified School District, Orange County Vector Control District, Orange County Water District, North Orange County Community College District, Coast Community College District, Orange County Superintendent of Schools, and the County of Orange.

The agreement with the greatest impact on the Agency is the agreement with the Garden Grove Unified School District. The school district has determined that the plan amendment would have an impact on its capital facilities needs and has signed a Capital Facilities Agreement in accordance with Section 33445 of the CRL which authorizes the Agency to expend tax increment to fund capital improvements and facilities which are inside or including funding the capital improvements and facilities of other public agencies. This Capital Facilities Agreement is reported as long-term debt.

17. Maintenance of effort

Beginning in October 1990, with the passage of Proposition 111, additional Highway Users Tax moneys under Section 2105 of the Streets and Highways Code has been allocated to cities for street and road expenditures. In an effort to supplement rather than supplant existing revenues used for streets and roads, these allocations are subject to yearly maintenance of effort provisions, which must be complied with in order to receive these funds.

During this same period of time, Section 7 of the Orange County Local Transportation Authority's Ordinance No. 2, for the Measure M sales tax, included a similar requirement as a condition to receiving Measure M sales tax revenue.

In fiscal year 2000-01 the Traffic Congestion Relief Fund (TCRF) was established by the state and funds were allocated to cities and counties for street purposes. Additional funds will be allocated quarterly through fiscal year 2005-06. Cities are required to maintain their existing commitment of general funds for street work in order to remain eligible for allocation of the specified funds.

The minimum level of street and road expenditures required as the maintenance of effort has been met for the fiscal year ended June 30, 2005.

18. Commitments and contingencies

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the City believes such disallowances, if any, would be immaterial.

There are certain claims against the City, which have been denied and referred to the City's insurance carrier. The City believes that none of these claims will exceed insurance coverage.

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some expenditures were disallowed, the City believes such disallowances, if any, would be immaterial.

19. Low Income Housing Loan Programs

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and CDBG HOME other governmental fund provide down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. These second mortgage loans become due upon the sale of the property or if the property no longer qualifies as the applicants principal residence. These loans are interest-free for up to thirty years. There is an equity participation interest on some of the loans. The balance of these loans at June 30, 2005 totaled \$1,183,463 in the Low Income Housing capital projects fund and \$199,692 in the HOME other governmental fund. Since the loans do not bear interest for at least thirty years, the present value of the loans is significantly less than the principal amounts. For this reason and because collection may be dependent on equity in the home when sold, the loans are not included as an asset. These loans are expensed when made and repayments are recorded as revenues in the year received.

20. Joint venture

The City participates in the Anaheim-Garden Grove-Orange Fire Training Facility Authority (the "Authority"), a joint powers authority created to finance fire training and dispatching facilities. The City Council of each city appoints one representative to the three-member Board of Directors. The City's proportionate share in the authority is 26.67 %. Because the City is not financially accountable, the Authority is not considered part of the City's reporting entity.

Complete financial statements of the Authority can be obtained from: The City of Garden Grove Controller's office, 11222 Acacia Parkway, Garden Grove, California 92840.

21. Subsequent events

On July 13, 2005, the City purchased the Travel Country RV Park located on Harbor Boulevard in Garden Grove, for \$4,000,000. The City paid \$2,500,000 on the purchase and entered into a promissory note agreement with the seller for the remaining balance. The loan carries a 6% simple interest. Interest payment of \$7,500 is due monthly from August 1, 2005 to July 1, 2008. Principal payment of \$1,500,000 is due all at once on August 1, 2009.

On July 7, 2005, the City entered into an affordable housing loan agreement of \$593,457 with Tamerlane Associates through the City's federal HOME funds program, for the purchase of a multi-family rental apartment. The loan bears a 3% simple interest, and repayment of the loan should be made on an annual basis from 75% of the residual cash flow from the operation of the property until the entire principal amount is paid in full.

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Required Supplemental Information

**CITY OF GARDEN GROVE
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2005**

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>						
6/30/2001	\$ 92,530,579	\$ 118,150,949	\$ (25,620,370)	127.7%	\$ 16,965,656	-151.0%
6/30/2002	\$ 100,965,738	\$ 111,423,293	\$ (10,457,555)	110.4%	\$ 19,213,348	-54.4%
6/30/2003	\$ 116,222,583	\$ 113,360,222	\$ 2,862,361	97.5%	\$ 20,644,191	13.9%
<u>Safety Plan</u>						
6/30/2001	\$ 194,988,380	\$ 194,853,209	\$ 135,171	99.9%	\$ 18,586,040	0.7%
6/30/2002	\$ 210,462,767	\$ 182,065,270	\$ 28,397,497	86.5%	\$ 18,692,353	151.9%
6/30/2003	\$ 221,921,405	\$ 183,992,996	\$ 37,928,409	82.9%	\$ 19,781,758	191.7%

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Fund balance, July 1	\$ 48,983,202	\$ 48,983,202	\$ -
Resources:			
Taxes	50,554,041	60,589,811	10,035,770
Licenses and permits	1,023,300	1,342,031	318,731
Fines, forfeits and penalties	1,458,500	2,262,889	804,389
Investment earnings	1,745,000	2,764,761	1,019,761
Charges for current services	6,202,759	7,132,144	929,385
From other agencies	585,000	510,697	(74,303)
Other revenues	853,200	950,237	97,037
Transfers from other funds	999,469	4,303,487	3,304,018
Issuance of debt	-	2,446,844	2,446,844
Amounts available for appropriation:	<u>112,404,471</u>	<u>131,286,103</u>	<u>18,881,632</u>
Charges to appropriations:			
Current:			
Fire	16,436,779	15,845,034	591,745
Police	32,380,610	31,331,982	1,048,628
Traffic safety	1,290,666	1,257,096	33,570
Public right of way	3,571,743	2,654,425	917,318
Community buildings	1,440,956	2,088,488	(647,532)
Community services	1,453,099	1,344,627	108,472
Parks and greenbelts	689,125	512,399	176,726
Community planning and development	3,266,328	2,866,311	400,017
Municipal support	8,486,678	6,284,665	2,202,013
Capital outlay:			
Public right of way	1,073,327	1,073,327	-
Community buildings	1,999,217	1,999,217	-
Parks and greenbelts	600,000	600,000	-
Debt service:			
Principal retirement	734,112	734,112	-
Interest and other charges	242,156	242,156	-
Total charges to appropriation before other appropriations:	<u>73,664,796</u>	<u>68,833,839</u>	<u>4,830,957</u>
Other appropriations (net):			
Transfers to other funds	-	(1,705,574)	(1,705,574)
Net changes to appropriation:	<u>73,664,796</u>	<u>70,539,413</u>	<u>3,125,383</u>
Fund balance, June 30	<u>\$ 38,739,675</u>	<u>\$ 60,746,690</u>	<u>\$ 22,007,015</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Fund balance, July 1	\$ -	\$ -	\$ -
Resources:			
Investment earnings	-	34	34
From other agencies	23,927,287	23,485,039	(442,248)
Other revenues	-	8,272	8,272
Amounts available for appropriation	<u>23,927,287</u>	<u>23,493,345</u>	<u>(433,942)</u>
Charges to appropriations:			
Current:			
Community planning and development	23,898,467	23,464,462	434,005
Municipal support	<u>28,820</u>	<u>28,883</u>	<u>(63)</u>
Total charges to appropriations	<u>23,927,287</u>	<u>23,493,345</u>	<u>433,942</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005**

The City budget report is prepared under the direction of the city manager in accordance with generally accepted accounting principles (GAAP) and the requirements of Municipal Code Section 2.08.150. Annual budgets are legally adopted for the general fund, debt service funds, special revenue funds, and capital projects funds. These funds are budgeted based on the modified accrual basis of accounting and include proposed expenditures and the means of financing them. The City Council approves the total budgeted appropriations and any amendments to total appropriations which may be required during the year. Revenues are budgeted by source, and expenditures are budgeted based by program. However, the City does not budget for the 2003 Tax Allocation capital projects fund because there is no expenditure in the fund.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by City Council.

During the year, the budget is used as a management information, planning and control device. To facilitate this process, encumbrances are recorded for commitments of the City to acquire materials, supplies and services under purchase order or contract. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All unexpended appropriations at year-end lapse, unless they are specifically designated by City Council Resolution.



Other Supplemental Information

**CITY OF GARDEN GROVE
COMMUNITY PROJECT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 13,566,000	\$ 14,607,268	\$ 1,041,268
Investment earnings	-	12	12
Total revenue	<u>13,566,000</u>	<u>14,607,280</u>	<u>1,041,280</u>
EXPENDITURES			
Current:			
Municipal support	-	129,620	(129,620)
Debt service:			
Interest and other charges	<u>2,759,600</u>	<u>2,763,704</u>	<u>(4,104)</u>
Total expenditures	<u>2,759,600</u>	<u>2,893,324</u>	<u>(133,724)</u>
Excess of revenues over expenditures	10,806,400	11,713,956	1,175,004
OTHER FINANCING USES			
Transfer out	<u>(11,077,400)</u>	<u>(11,555,942)</u>	<u>(478,542)</u>
Net change in fund balance	(271,000)	158,014	429,014
Fund Balance, July 1	<u>119,937</u>	<u>119,937</u>	<u>-</u>
Fund Balance, June 30	<u>\$ (151,063)</u>	<u>\$ 277,951</u>	<u>\$ 429,014</u>

**CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 25,000	\$ 100,586	\$ 75,586
OTHER FINANCING USES			
Transfer out	<u>(1,120,000)</u>	<u>(3,396,559)</u>	<u>(2,276,559)</u>
Net change in fund balance	(1,095,000)	(3,295,973)	(2,200,973)
Fund balance, July 1	<u>8,710,533</u>	<u>8,710,533</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 7,615,533</u></u>	<u><u>\$ 5,414,560</u></u>	<u><u>\$ (2,200,973)</u></u>

**CITY OF GARDEN GROVE
COMMUNITY PROJECT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 750,000	\$ 878,252	\$ 128,252
Charges for current services	-	101	101
Other revenues	-	482,834	482,834
Total revenues	<u>750,000</u>	<u>1,361,187</u>	<u>611,187</u>
EXPENDITURES			
Capital outlay:			
Public right of way	17,474	18,063	(589)
Community buildings	71,154	11,430	59,724
Community planning and development	8,417,877	8,872,717	(454,840)
Municipal support	323,588	288,710	34,878
Debt service:			
Principal retirement	1,619,878	1,619,878	-
Interest and other charges	2,092,031	2,092,031	-
Total expenditures	<u>12,542,002</u>	<u>12,902,829</u>	<u>(360,827)</u>
Deficiency of revenues under expenditures	<u>(11,792,002)</u>	<u>(11,541,642)</u>	<u>250,360</u>
OTHER FINANCING SOURCES			
Transfer in	12,260,230	14,663,779	2,403,549
Transfer out	-	(3,590,768)	(3,590,768)
Issuance of debt	3,054,590	1,554,590	(1,500,000)
Total other financing sources (uses)	<u>15,314,820</u>	<u>12,627,601</u>	<u>(2,687,219)</u>
Net change in fund balance	3,522,818	1,085,959	(2,436,859)
Fund balance, July 1	<u>1,298,595</u>	<u>1,298,595</u>	<u>-</u>
Fund balance, June 30	<u>\$ 4,821,413</u>	<u>\$ 2,384,554</u>	<u>\$ (2,436,859)</u>

**CITY OF GARDEN GROVE
LOW INCOME HOUSING CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 3,491,500	\$ 3,725,975	\$ 234,475
Investment earnings	50,000	22,077	(27,923)
Other revenues	<u>850,000</u>	<u>744,351</u>	<u>(105,649)</u>
Total revenues	<u>4,391,500</u>	<u>4,492,403</u>	<u>100,903</u>
EXPENDITURES			
Capital outlay:			
Parks and greenbelts	124,577	-	124,577
Community planning and development	2,221,256	1,279,354	941,902
Municipal support	65,232	67,105	(1,873)
Debt service:			
Principal retirement	1,966,388	1,966,388	-
Interest and other charges	<u>44,754</u>	<u>44,754</u>	<u>-</u>
Total expenditures	<u>4,422,207</u>	<u>3,357,601</u>	<u>1,064,606</u>
Excess/(deficiency) of revenues over expenditures	(30,707)	1,134,802	1,165,509
OTHER FINANCING SOURCES			
Transfer in	-	58,660	58,660
Transfer out	<u>(1,523,830)</u>	<u>(1,523,830)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,523,830)</u>	<u>(1,465,170)</u>	<u>58,660</u>
Net change in fund balance	(1,554,537)	(330,368)	1,224,169
Fund balance, July 1	<u>12,351,424</u>	<u>12,351,424</u>	<u>-</u>
Fund balance, June 30	<u>\$ 10,796,887</u>	<u>\$ 12,021,056</u>	<u>\$ 1,224,169</u>

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SPECIAL REVENUE FUNDS

Public Safety Fund

Revenues received from the City's share of drug forfeit and seizure money, revenues received from the state under SB172, and various Police grants are accounted for in this fund. These funds are used to help support the City's public safety operations.

State Gas Tax Fund

State gasoline taxes received by the City are accounted for in this fund. Revenue received is used for street maintenance, construction, and/or right of way acquisition.

Golf Course Fund

This fund was established to account for rental payments received from the lease of the Willowick Golf Course.

Self-supporting Revenue Fund

Recreation Programs that are self-supporting are accounted for in this fund.

Developer Fees Fund

Traffic mitigation and developer fees used to alleviate traffic and sewer problems caused by new development, cultural art fees to be used for city cultural arts projects and programs, park fees which are to be used for park development, drainage fees which are to be used to alleviate city drainage problems, are some of the fees that are accounted for in this fund.

Garden Grove Cable Fund

This fund represents a grant from a private cable corporation of 2% of its cable usage revenue. Expenditures are for public, educational and government access.

Street Lighting Fund

The purpose of this fund is to provide an accounting for the installation, operation, and maintenance of street lighting within the City. Revenues for this fund are received from property taxes collected by the County of Orange.

Park Maintenance Fund

The purpose of this fund is to provide an accounting of all City park maintenance revenue and expenditures. Revenue is received from property taxes collected by the County of Orange.

Parking District Fund

This fund is used to account for the maintenance of improvements on Main Street in downtown Garden Grove, and for the operation, maintenance, and acquisition of public parking facilities within the district.

SPECIAL REVENUE FUNDS (continued)

Air Quality Improvement Fund

This fund is used to account from revenue received from the State of California Air Quality Management District for the primary purpose of establishing a ride share program for city employees.

Federal Employment Grants Fund

This fund is used to account for federal grant money received for the Federal Workforce investment Act (WIA), Temporary Aide for Needy Families (TANF), and Welfare to Work federal employment training programs.

Other Grants and Contributions

The City is the recipient of numerous other federal, state and county grants, plus contributions from other sources. These grants and contributions are accounted for in this fund.

HOME Grant Fund

This fund is used to account for the revenues received and expenditures made for the housing assistance program, which is funded by the U.S. Department of Housing and Urban Development.

Street Rehabilitation Fund

This fund is used to account for revenues received and expenditures made for various street rehabilitation projects.

DEBT SERVICE FUND

Buena-Clinton Project Fund

This fund is used to account for resources provided to pay principal and interest on Agency for Community Development debt in a specific geographic location of the City known as Buena-Clinton.

CAPITAL PROJECTS FUNDS

Buena-Clinton Project Fund

Capital projects within the Agency for Community Development Buena-Clinton Project Area are accounted for in this fund.

2002 Capital Improvement Project Fund

This fund is used to account for capital expenditures of the 2002 City of Garden Grove Certificates of Participation, Series A (COP). The 2002 COP proceeds are held by fiscal agent, and are accounted for in the 2002 Capital Improvement Project debt service fund.

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 2,595,781	\$ 1,760,717	\$ 1,042,641	\$ 8,413
Taxes receivable	52,065	280,468	-	-
Accounts receivable	-	-	1,890	-
Interest receivable	9,735	10,656	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable	-	-	-	-
Land held for resale, net	-	-	-	-
Deposits	2,600	-	-	-
Total assets	<u>\$ 2,660,181</u>	<u>\$ 2,051,841</u>	<u>\$ 1,044,531</u>	<u>\$ 8,413</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 448,717	\$ -	\$ -	\$ 22,499
Other accrued liabilities	70,047	61,895	-	19,982
Refundable deposits	-	-	-	37,560
Due to other funds	-	-	-	-
Deferred revenue	-	-	1,489	-
Total liabilities	<u>518,764</u>	<u>61,895</u>	<u>1,489</u>	<u>80,041</u>
Fund balances:				
Reserved for:				
Encumbrances	30,093	-	-	-
Continuing projects	1,830,048	891,615	-	-
Land held for resale	-	-	-	-
Deposits	2,600	-	-	-
Unreserved	278,676	1,098,331	1,043,042	(71,628)
Total fund balances	<u>2,141,417</u>	<u>1,989,946</u>	<u>1,043,042</u>	<u>(71,628)</u>
Total liabilities and fund balances	<u>\$ 2,660,181</u>	<u>\$ 2,051,841</u>	<u>\$ 1,044,531</u>	<u>\$ 8,413</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 4,445,204	\$ 519,400	\$ 836,845	\$ 45,485	\$ 198,402	\$ 326,397
-	-	14,541	7,036	11	-
-	21,803	-	-	-	52,332
20,580	2,442	-	-	942	1,333
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 4,465,784	\$ 543,645	\$ 851,386	\$ 52,521	\$ 199,355	\$ 380,062
\$ 12,709	\$ 8,876	\$ 76,396	\$ 17,377	\$ 4,058	\$ 2,805
52,043	2,536	3,554	35,144	-	973
400	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	50,320
65,152	11,412	79,950	52,521	4,058	54,098
41,657	-	-	-	-	325,964
2,580,283	186,502	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,778,692	345,731	771,436	-	195,297	-
4,400,632	532,233	771,436	-	195,297	325,964
\$ 4,465,784	\$ 543,645	\$ 851,386	\$ 52,521	\$ 199,355	\$ 380,062

Continued

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2005**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
ASSETS			
Cash and investments	\$ 22,570	\$ 463,781	\$ 263,422
Taxes receivable	-	-	-
Accounts receivable	-	-	14,106
Interest receivable	-	316	1,202
Intergovernmental receivable	95,465	3,644,308	84,714
Notes receivable	-	-	4,918,523
Land held for resale, net	-	-	-
Deposits	5,300	-	-
Total assets	<u>\$ 123,335</u>	<u>\$ 4,108,405</u>	<u>\$ 5,281,967</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 54,841	\$ 719,915	\$ -
Other accrued liabilities	15,857	321,649	2,628
Refundable deposits	776	1,379	-
Due to other funds	49,239	3,250,793	-
Deferred revenue	5,765	2,619,503	4,925,661
Total liabilities	<u>126,478</u>	<u>6,913,239</u>	<u>4,928,289</u>
Fund balances:			
Reserved for:			
Encumbrances	-	2,097,074	-
Continuing projects	-	-	162,813
Land held for resale	-	-	-
Deposits	5,300	-	-
Unreserved	(8,443)	(4,901,908)	190,865
Total fund balances	<u>(3,143)</u>	<u>(2,804,834)</u>	<u>353,678</u>
Total liabilities and fund balances	<u>\$ 123,335</u>	<u>\$ 4,108,405</u>	<u>\$ 5,281,967</u>

Special Revenue Fund	Debt Service Fund	Capital Projects Fund		Total Nonmajor Governmental Funds
Street Rehabilitation	Buena-Clinton Project	Buena-Clinton Project	2002 Capital Improvement Project	
\$ 5,252,647	\$ -	\$ 576,764	\$ -	\$ 18,358,469
-	4,863	-	-	358,984
312,157	-	-	-	402,288
16,786	-	2,832	-	66,824
852,807	-	-	-	4,677,294
-	-	-	-	4,918,523
-	-	275,890	-	275,890
-	-	-	-	7,900
\$ 6,434,397	\$ 4,863	\$ 855,486	\$ -	\$ 29,066,172
\$ 127,981	\$ -	\$ 16	\$ 18,589	\$ 1,514,779
119,392	-	14,287	-	719,987
-	-	-	-	40,115
546,552	-	-	90,463	3,937,047
1,133,647	-	-	-	8,736,385
1,927,572	-	14,303	109,052	14,948,313
788,676	-	-	-	3,283,464
3,718,149	-	565,293	-	9,934,703
-	-	275,890	-	275,890
-	-	-	-	7,900
-	4,863	-	(109,052)	615,902
4,506,825	4,863	841,183	(109,052)	14,117,859
\$ 6,434,397	\$ 4,863	\$ 855,486	\$ -	\$ 29,066,172

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 590,070	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	59,745	-	-	-
Investment earnings	49,771	63,887	-	-
Charges for current services	126,230	-	616,054	593,254
From other agencies	251,031	3,147,916	-	-
Other revenues	93,137	-	-	250
Total revenues	<u>1,169,984</u>	<u>3,211,803</u>	<u>616,054</u>	<u>593,504</u>
EXPENDITURES:				
Current:				
Fire	29,498	-	-	-
Police	876,864	-	-	-
Traffic safety	-	142,359	-	-
Public right of way	-	1,357,494	-	-
Community services	-	-	-	661,175
Parks and greenbelts	-	-	44,208	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Police	214,416	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	1,914,841	-	-
Drainage	-	490,062	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,120,778</u>	<u>3,904,756</u>	<u>44,208</u>	<u>661,175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,206</u>	<u>(692,953)</u>	<u>571,846</u>	<u>(67,671)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(500,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balances	<u>49,206</u>	<u>(692,953)</u>	<u>71,846</u>	<u>(67,671)</u>
Fund balances, July 1	2,092,211	2,682,899	971,196	(3,957)
Fund balances, June 30	<u>\$ 2,141,417</u>	<u>\$ 1,989,946</u>	<u>\$ 1,043,042</u>	<u>\$ (71,628)</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37,969	-	-	-	-	-
-	-	-	-	-	-
93,869	12,946	-	-	4,954	6,978
326,185	-	1,323,513	693,744	28,196	-
-	-	-	-	-	151,174
24,000	191,696	-	-	-	3,147
<u>482,023</u>	<u>204,642</u>	<u>1,323,513</u>	<u>693,744</u>	<u>33,150</u>	<u>161,299</u>
-	-	-	-	-	-
-	-	1,139,467	-	-	-
-	-	18,112	-	43,752	-
-	198,578	-	-	-	-
87,610	-	-	815,311	-	-
66,101	-	-	-	-	-
-	-	24,183	-	-	135,736
-	-	-	-	-	-
241,618	-	188,317	-	-	-
115,727	-	-	-	-	-
8,948	-	-	-	-	-
40,776	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>560,780</u>	<u>198,578</u>	<u>1,370,079</u>	<u>815,311</u>	<u>43,752</u>	<u>135,736</u>
<u>(78,757)</u>	<u>6,064</u>	<u>(46,566)</u>	<u>(121,567)</u>	<u>(10,602)</u>	<u>25,563</u>
-	-	-	121,567	-	-
-	-	-	-	-	-
<u>(78,757)</u>	<u>6,064</u>	<u>(46,566)</u>	<u>121,567</u>	<u>(10,602)</u>	<u>25,563</u>
4,479,389	526,169	818,002	-	205,899	300,401
<u>\$ 4,400,632</u>	<u>\$ 532,233</u>	<u>\$ 771,436</u>	<u>\$ -</u>	<u>\$ 195,297</u>	<u>\$ 325,964</u>

Continued

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	60	-
Fines, forfeits and penalties	-	-	-
Investment earnings	-	2,035	3,950
Charges for current services	-	-	-
From other agencies	495,139	3,992,191	1,405,397
Other revenues	-	25,000	166,828
Total revenues	<u>495,139</u>	<u>4,019,286</u>	<u>1,576,175</u>
EXPENDITURES:			
Current:			
Fire	-	-	-
Police	-	328,080	-
Traffic safety	-	140,740	-
Public right of way	-	158,782	-
Community services	500,904	641,870	-
Parks and greenbelts	-	-	-
Community planning and development	-	1,151,616	1,380,533
Municipal support	-	25,000	-
Capital outlay:			
Police	-	221,142	-
Traffic safety	-	-	-
Public right of way	-	-	-
Drainage	-	89,932	-
Parks and greenbelts	-	2,855,789	-
Community planning and development	-	-	-
Debt service:			
Principal retirement	-	530,000	-
Interest and other charges	-	644,174	-
Total expenditures	<u>500,904</u>	<u>6,787,125</u>	<u>1,380,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,765)</u>	<u>(2,767,839)</u>	<u>195,642</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(101,379)	-
Total other financing sources (uses)	<u>-</u>	<u>(101,379)</u>	<u>-</u>
Net change in fund balances	<u>(5,765)</u>	<u>(2,869,218)</u>	<u>195,642</u>
Fund balances, July 1	2,622	64,384	158,036
Fund balances, June 30	<u>\$ (3,143)</u>	<u>\$ (2,804,834)</u>	<u>\$ 353,678</u>

Special Revenue Fund	Debt-Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Street Rehabilitation	Buena-Clinton Project	Buena-Clinton Project	2002 Capital Improvement Project	
\$ -	\$ 294,856	\$ -	\$ -	\$ 884,926
-	-	-	-	38,029
-	-	-	-	59,745
89,567	-	14,752	-	342,709
-	-	-	-	3,707,176
5,577,425	-	-	-	15,020,273
-	-	97,912	-	601,970
<u>5,666,992</u>	<u>294,856</u>	<u>112,664</u>	<u>-</u>	<u>20,654,828</u>
-	-	-	-	29,498
-	-	-	-	1,204,944
-	-	-	-	1,422,566
-	-	-	-	1,578,140
-	-	-	-	2,002,527
-	-	-	-	947,129
-	-	-	-	2,598,250
-	-	-	-	184,919
-	-	171,332	-	606,890
360,730	-	-	-	790,665
2,897,528	-	-	-	4,928,096
1,785	-	-	-	590,727
-	-	-	-	2,896,565
-	-	45,565	3,971,837	4,017,402
-	-	-	-	530,000
-	-	-	120,000	764,174
<u>3,260,043</u>	<u>-</u>	<u>216,897</u>	<u>4,091,837</u>	<u>25,092,492</u>
<u>2,406,949</u>	<u>294,856</u>	<u>(104,233)</u>	<u>(4,091,837)</u>	<u>(4,437,664)</u>
-	-	291,977	3,396,559	3,810,103
-	(291,977)	-	-	(893,356)
-	(291,977)	291,977	3,396,559	2,916,747
<u>2,406,949</u>	<u>2,879</u>	<u>187,744</u>	<u>(695,278)</u>	<u>(1,520,917)</u>
2,099,876	1,984	653,439	586,226	15,638,776
<u>\$ 4,506,825</u>	<u>\$ 4,863</u>	<u>\$ 841,183</u>	<u>\$ (109,052)</u>	<u>\$ 14,117,859</u>

**CITY OF GARDEN GROVE
PUBLIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 510,000	\$ 590,070	\$ 80,070
Fines, forfeits and penalties	20,000	59,745	39,745
Investment earnings	30,000	49,771	19,771
Charges for current services	100,000	126,230	26,230
From other agencies	257,526	251,031	(6,495)
Other revenues	-	93,137	93,137
Total revenues	<u>917,526</u>	<u>1,169,984</u>	<u>252,458</u>
EXPENDITURES:			
Current:			
Fire	181,767	29,498	152,269
Police	2,112,779	876,864	1,235,915
Capital outlay:			
Police	988,666	214,416	774,250
Total expenditures	<u>3,283,212</u>	<u>1,120,778</u>	<u>2,162,434</u>
Net change in fund balance	(2,365,686)	49,206	2,414,892
Fund balance, July 1	<u>2,092,211</u>	<u>2,092,211</u>	<u>-</u>
Fund balance, June 30	<u>\$ (273,475)</u>	<u>\$ 2,141,417</u>	<u>\$ 2,414,892</u>

**CITY OF GARDEN GROVE
STATE GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 50,000	\$ 63,887	\$13,887
From other agencies	3,100,000	3,147,916	47,916
Total revenues	<u>3,150,000</u>	<u>3,211,803</u>	<u>61,803</u>
EXPENDITURES:			
Current:			
Traffic safety	201,070	142,359	58,711
Public right of way	1,798,930	1,357,494	441,436
Capital outlay:			
Traffic safety	1,595	-	1,595
Public right of way	2,734,359	1,914,841	819,518
Drainage	613,647	490,062	123,585
Parks and greenbelts	55,000	-	55,000
Total expenditures	<u>5,404,601</u>	<u>3,904,756</u>	<u>1,499,845</u>
Net change in fund balance	(2,254,601)	(692,953)	1,561,648
Fund balance, July 1	<u>2,682,899</u>	<u>2,682,899</u>	<u>-</u>
Fund balance, June 30	<u>\$ 428,298</u>	<u>\$ 1,989,946</u>	<u>\$ 1,561,648</u>

**CITY OF GARDEN GROVE
GOLF COURSE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 700,000	\$ 616,054	\$ (83,946)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>66,813</u>	<u>44,208</u>	<u>22,605</u>
Excess of revenues over expenditures	633,187	571,846	(17,133)
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance	133,187	71,846	(61,341)
Fund balance, July 1	<u>971,196</u>	<u>971,196</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,104,383</u>	<u>\$ 1,043,042</u>	<u>\$ (61,341)</u>

**CITY OF GARDEN GROVE
 SELF SUPPORTING REVENUE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 630,000	\$ 593,254	\$ (36,746)
Other revenues	-	250	250
Total revenues	<u>630,000</u>	<u>593,504</u>	<u>(36,496)</u>
EXPENDITURES:			
Current:			
Community services	<u>707,485</u>	<u>661,175</u>	<u>46,310</u>
Excess (deficiency) of revenues over expenditures	(77,485)	(67,671)	9,814
OTHER FINANCING SOURCES (USES)			
Transfer in	<u>111,531</u>	<u>-</u>	<u>(111,531)</u>
Net change in fund balance	34,046	(67,671)	(101,717)
Fund balance, July 1	<u>(3,957)</u>	<u>(3,957)</u>	<u>-</u>
Fund balance, June 30	<u>\$ 30,089</u>	<u>\$ (71,628)</u>	<u>\$ (101,717)</u>

**CITY OF GARDEN GROVE
DEVELOPER FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 45,000	\$ 45,000	\$ 37,969	\$ (7,031)
Investment earnings	135,400	135,400	93,869	(41,531)
Charges for current services	324,600	324,600	326,185	1,585
Other revenues	-	-	24,000	24,000
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>482,023</u>	<u>(22,977)</u>
EXPENDITURES:				
Current:				
Community services	6,000	6,000	-	6,000
Parks and greenbelts	94,502	94,502	87,610	6,892
Community planning and development	120,000	120,000	66,101	53,899
Capital outlay:				
Traffic safety	1,407,171	1,407,171	241,618	1,165,553
Public right of way	741,909	741,909	115,727	626,182
Drainage	320,446	320,446	8,948	311,498
Parks and greenbelts	309,237	569,237	40,776	528,461
Total expenditures	<u>2,999,265</u>	<u>3,259,265</u>	<u>560,780</u>	<u>2,698,485</u>
Net change in fund balance	(2,494,265)	(2,754,265)	(78,757)	2,675,508
Fund balance, July 1	<u>4,479,389</u>	<u>4,479,389</u>	<u>4,479,389</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,985,124</u>	<u>\$ 1,725,124</u>	<u>\$ 4,400,632</u>	<u>\$ 2,675,508</u>

**CITY OF GARDEN GROVE
GARDEN GROVE CABLE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 6,500	\$ 12,946	\$ 6,446
Other revenues	<u>138,500</u>	<u>191,696</u>	<u>53,196</u>
Total revenues	145,000	204,642	59,642
EXPENDITURES:			
Current:			
Community buildings	5,000	-	5,000
Community services	<u>379,060</u>	<u>198,578</u>	<u>180,482</u>
Total expenditures	<u>384,060</u>	<u>198,578</u>	<u>185,482</u>
Net change in fund balance	(239,060)	6,064	245,124
Fund balance, July 1	<u>526,169</u>	<u>526,169</u>	-
Fund balance, June 30	<u><u>\$ 287,109</u></u>	<u><u>\$ 532,233</u></u>	<u><u>\$ 245,124</u></u>

**CITY OF GARDEN GROVE
STREET LIGHTING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 1,310,175	\$ 1,323,513	\$ 13,338
EXPENDITURES:			
Current:			
Traffic safety	1,285,215	1,139,467	145,748
Public right of way	16,750	18,112	(1,362)
Municipal support	21,530	24,183	(2,653)
Capital outlay:			
Traffic safety	188,317	188,317	-
Total expenditures	<u>1,511,812</u>	<u>1,370,079</u>	<u>141,733</u>
Net change in fund balance	(201,637)	(46,566)	155,071
Fund balance, July 1	<u>818,002</u>	<u>818,002</u>	<u>-</u>
Fund balance, June 30	<u>\$ 616,365</u>	<u>\$ 771,436</u>	<u>\$ 155,071</u>

**CITY OF GARDEN GROVE
PARK MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 700,000	\$ 693,744	\$ (6,256)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>700,000</u>	<u>815,311</u>	<u>(115,311)</u>
(Deficiency) of revenues under expenditures	-	(121,567)	(121,567)
OTHER FINANCING SOURCES			
Transfer in	<u>-</u>	<u>121,567</u>	<u>121,567</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF GARDEN GROVE
PARKING DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 28,500	\$ 28,196	\$ (304)
Investment earnings	8,000	4,954	(3,046)
Total revenues	<u>36,500</u>	<u>33,150</u>	<u>(3,350)</u>
EXPENDITURES:			
Current:			
Public right of way	<u>54,309</u>	<u>43,752</u>	<u>10,557</u>
Net change in fund balance	(17,809)	(10,602)	7,207
Fund balance, July 1	<u>205,899</u>	<u>205,899</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 188,090</u></u>	<u><u>\$ 195,297</u></u>	<u><u>\$ 7,207</u></u>

**CITY OF GARDEN GROVE
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 2,000	\$ 6,978	\$ 4,978
From other agencies	373,000	151,174	(221,826)
Other revenues	-	3,147	3,147
Total revenues	<u>375,000</u>	<u>161,299</u>	<u>(213,701)</u>
EXPENDITURES:			
Current:			
Community planning and development	6,300	-	6,300
Municipal support	481,335	135,736	345,599
Total expenditures	<u>487,635</u>	<u>135,736</u>	<u>351,899</u>
Net change in fund balance	(112,635)	25,563	138,198
Fund balance, July 1	<u>300,401</u>	<u>300,401</u>	<u>-</u>
Fund balance, June 30	<u>\$ 187,766</u>	<u>\$ 325,964</u>	<u>\$ 138,198</u>

**CITY OF GARDEN GROVE
 FEDERAL EMPLOYMENT GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
From other agencies	514,063	495,139	(18,924)
EXPENDITURES:			
Current:			
Community services	<u>514,063</u>	<u>500,904</u>	<u>13,159</u>
Net change in fund balance	-	(5,765)	(5,765)
Fund balance, July 1	<u>2,622</u>	<u>2,622</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 2,622</u></u>	<u><u>\$ (3,143)</u></u>	<u><u>\$ (5,765)</u></u>

**CITY OF GARDEN GROVE
OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 60	\$ 60
Investment earnings	-	-	2,035	2,035
From other agencies	9,441,996	11,179,826	3,992,191	(7,187,635)
Other revenues	110,000	110,000	25,000	(85,000)
Total revenues	<u>9,551,996</u>	<u>11,289,826</u>	<u>4,019,286</u>	<u>(7,270,540)</u>
EXPENDITURES:				
Current:				
Police	1,000	635,827	328,080	307,747
Traffic safety		1,000	140,740	(139,740)
Public right of way	418,784	1,106,568	158,782	947,786
Community services	736,215	736,215	641,870	94,345
Community planning and development	1,583,339	1,429,555	1,151,616	277,939
Municipal support	2,921	2,921	25,000	(22,079)
Capital outlay:				
Police	198,730	198,730	221,142	(22,412)
Traffic safety	123,398	123,398	-	123,398
Drainage	661,057	991,585	89,932	901,653
Parks and greenbelts	3,598,718	4,319,560	2,855,789	1,463,771
Community planning and development	1,341,461	1,586,544	-	1,586,544
Debt service:				
Principal retirement	530,000	530,000	530,000	-
Interest and other charges	644,174	644,174	644,174	-
Total expenditures	<u>9,839,797</u>	<u>12,306,077</u>	<u>6,787,125</u>	<u>5,518,952</u>
Excess (deficiency) of revenues over expenditures	<u>(287,801)</u>	<u>(1,016,251)</u>	<u>(2,767,839)</u>	<u>(1,751,588)</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(101,379)</u>	<u>(1,379)</u>
Net change in fund balance	(387,801)	(1,116,251)	(2,869,218)	(1,752,967)
Fund balance, July 1	64,384	64,384	64,384	-
Fund balance, June 30	<u>\$ (323,417)</u>	<u>\$ (1,051,867)</u>	<u>\$ (2,804,834)</u>	<u>\$ (1,752,967)</u>

**CITY OF GARDEN GROVE
HOME GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 3,950	\$ 3,950
From other agencies	1,348,841	1,405,397	56,556
Other revenues	<u>25,000</u>	<u>166,828</u>	<u>141,828</u>
Total revenues	<u>1,373,841</u>	<u>1,576,175</u>	<u>202,334</u>
EXPENDITURES:			
Current:			
Community planning and development	<u>1,537,473</u>	<u>1,380,533</u>	<u>156,940</u>
Net change in fund balance	(163,632)	195,642	359,274
Fund balance, July 1	<u>158,036</u>	<u>158,036</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (5,596)</u></u>	<u><u>\$ 353,678</u></u>	<u><u>\$ 359,274</u></u>

**CITY OF GARDEN GROVE
STREET REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment earnings	\$ 162,000	\$ 162,000	\$ 89,567	\$ (72,433)
From other agencies	<u>18,359,779</u>	<u>19,733,953</u>	<u>5,577,425</u>	<u>(14,156,528)</u>
Total revenues	<u>18,521,779</u>	<u>19,895,953</u>	<u>5,666,992</u>	<u>(14,228,961)</u>
EXPENDITURES:				
Capital outlay:				
Traffic safety	2,134,049	2,134,049	360,730	1,773,319
Public right of way	18,297,984	19,672,158	2,897,528	16,774,630
Drainage	<u>1,785</u>	<u>1,785</u>	<u>1,785</u>	<u>-</u>
Total expenditures	<u>20,433,818</u>	<u>21,807,992</u>	<u>3,260,043</u>	<u>18,547,949</u>
Net change in fund balance	<u>(1,912,039)</u>	<u>(1,912,039)</u>	<u>2,406,949</u>	<u>4,318,988</u>
Fund balance, July 1	<u>2,099,876</u>	<u>2,099,876</u>	<u>2,099,876</u>	<u>-</u>
Fund balance, June 30	<u>\$ 187,837</u>	<u>\$ 187,837</u>	<u>\$ 4,506,825</u>	<u>\$ 4,318,988</u>

**CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 400,000	\$ 294,856	\$ (105,144)
OTHER FINANCING SOURCES			
Transfer out	<u>(400,000)</u>	<u>(291,977)</u>	<u>108,023</u>
Net change in fund balance	-	2,879	2,879
Fund balance, July 1	<u>1,984</u>	<u>1,984</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 1,984</u></u>	<u><u>\$ 4,863</u></u>	<u><u>\$ 2,879</u></u>

**CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 10,000	\$ 14,752	\$ 4,752
Other revenues	-	97,912	97,912
Total revenues	<u>10,000</u>	<u>112,664</u>	<u>102,664</u>
EXPENDITURES:			
Capital outlay:			
Police	142,800	171,332	(28,532)
Community planning and development	<u>569,572</u>	<u>45,565</u>	<u>524,007</u>
Total expenditures	<u>712,372</u>	<u>216,897</u>	<u>495,475</u>
(Deficiency) of revenues under expenditures	(702,372)	(104,233)	598,139
OTHER FINANCING SOURCES			
Transfer in	<u>400,000</u>	<u>291,977</u>	<u>(108,023)</u>
Net change in fund balance	(302,372)	187,744	490,116
Fund balance, July 1	<u>653,439</u>	<u>653,439</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 351,067</u></u>	<u><u>\$ 841,183</u></u>	<u><u>\$ 490,116</u></u>

**CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
Capital outlay:			
Community planning and development	\$ 7,979,764	\$ 3,971,836	\$ 4,007,928
Debt service:			
Interest and other charges	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total expenditures	<u>8,099,764</u>	<u>4,091,836</u>	<u>4,007,928</u>
 (Deficiency) of revenues under expenditures	 (8,099,764)	 (4,091,836)	 4,007,928
OTHER FINANCING SOURCES USES			
Transfer in	<u>1,120,000</u>	<u>3,396,558</u>	<u>2,276,558</u>
 Net change in fund balance	 (6,979,764)	 (695,278)	 6,284,486
Fund balance, July 1	<u>586,226</u>	<u>586,226</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (6,393,538)</u></u>	<u><u>\$ (109,052)</u></u>	<u><u>\$ 6,284,486</u></u>

INTERNAL SERVICE FUNDS

Workers' Compensation Fund

The City's self-funded workers' compensation program, which is accounted for in this fund, is financed by charges to all City departments based on number and classification of employees. Expenses include operating costs and all payments relating to injured employees.

Fleet Management Fund

The costs of operating and maintaining City owned vehicles and other gasoline-powered equipment are accounted for in this fund. The fund is financed by charges to the various City departments for actual cost plus a contributory sum for vehicle/equipment replacement. Actual costs include depreciation, maintenance and other factors necessary for the provision of the service.

Employee Benefits Fund

This fund encompasses all other employee benefits such as retirement contributions, health, dental, disability, life insurance, and sick leave, vacation, and other paid leaves. Revenues for this fund are derived from periodic charges to all departments based on the number of employees, length of service and insurance coverage. Funds are used to pay actual expenses and to accrue existing liabilities.

Information Systems Fund

This fund encompasses the costs of operating and maintaining the City's computer system. The fund is financed by charges to the various City departments based on computer usage.

Warehouse Operations Fund

This fund is used to account for the provision of materials and supplies to the various City departments. Financing is provided by the user City departments by payment of costs of material and supplies plus an overhead charge.

Telephone System Fund

This fund accounts for the operation of the City's telephone system. The financing comes from charges to the various City departments based on actual toll charges and the lease cost prorated on the number of instruments.

Risk Management Fund

This fund is used to account for the City's self-insured liability program and for the purchase of various types of property and casualty insurance protection as required by the City. The funds are used to pay any liability losses, program operating costs, insurance premiums and insurance deductibles. Revenues for this fund are generated from assessments made to all City departments for their pro-rata share of the total costs of the insurance administration program.

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 10,381,224	\$ 7,151,839	\$ 19,648,813
Accounts receivable	-	-	1,123,366
Interest receivable	74,897	-	-
Due from other funds	5,603,899	-	-
Inventory	-	61,758	-
Prepaid expense	-	-	-
Deposits	-	-	32,100
Total current assets	<u>16,060,020</u>	<u>7,213,597</u>	<u>20,804,279</u>
Noncurrent Assets:			
Capital assets			
Depreciable buildings, property, and equipment, net	<u>41,431</u>	<u>5,231,643</u>	<u>-</u>
Total assets	<u>16,101,451</u>	<u>12,445,240</u>	<u>20,804,279</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,631	120,729	863,687
Accrued compensated absences	-	-	5,226,622
Other current liabilities	23,983	29,010	198,917
Claims payable	<u>15,976,957</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>16,009,571</u>	<u>149,739</u>	<u>6,289,226</u>
NET ASSETS			
Invested in capital assets	41,431	5,231,643	-
Unrestricted	<u>50,449</u>	<u>7,063,858</u>	<u>14,515,053</u>
Total net assets	<u>\$ 91,880</u>	<u>\$ 12,295,501</u>	<u>\$ 14,515,053</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,752,775	\$ 239,765	\$ 1,592,162	\$ 22,240,149	\$ 63,006,727
1,569	-	-	-	1,124,935
12,035	-	-	153,391	240,323
-	-	-	-	5,603,899
-	285,149	-	-	346,907
-	-	-	260,735	260,735
-	-	-	-	32,100
<u>1,766,379</u>	<u>524,914</u>	<u>1,592,162</u>	<u>22,654,275</u>	<u>70,615,626</u>
<u>239,919</u>	<u>54,534</u>	<u>-</u>	<u>-</u>	<u>5,567,527</u>
<u>2,006,298</u>	<u>579,448</u>	<u>1,592,162</u>	<u>22,654,275</u>	<u>76,183,153</u>
7,174	84,298	33,215	103,319	1,221,053
-	-	-	-	5,226,622
30,014	5,204	2,284	5,384	294,796
-	-	-	7,137,925	23,114,882
<u>37,188</u>	<u>89,502</u>	<u>35,499</u>	<u>7,246,628</u>	<u>29,857,353</u>
239,919	54,534	-	-	5,567,527
<u>1,729,191</u>	<u>435,412</u>	<u>1,556,663</u>	<u>15,407,647</u>	<u>40,758,273</u>
<u>\$ 1,969,110</u>	<u>\$ 489,946</u>	<u>\$ 1,556,663</u>	<u>\$ 15,407,647</u>	<u>\$ 46,325,800</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>
Operating revenues:			
Charges for services	\$ 5,258,454	\$ 3,833,255	\$ 19,033,420
Operating expenses:			
Salaries and wages	698,880	778,685	10,261,054
Contractual services	46,716	711,131	7,412,406
Liability claims	4,536,973	-	-
Materials and supplies	1,285	1,203,472	186,523
Depreciation	10,098	974,879	-
Total operating expenses	<u>5,293,952</u>	<u>3,668,167</u>	<u>17,859,983</u>
Operating income (loss)	<u>(35,498)</u>	<u>165,088</u>	<u>1,173,437</u>
Nonoperating revenues (expenses):			
Investment income	295,395	-	-
Gain (loss) on disposal of assets	-	(25,087)	-
Other nonoperating revenues	-	-	89
Total nonoperating revenues (expenses)	<u>295,395</u>	<u>(25,087)</u>	<u>89</u>
Income (loss) before contributions and transfers	259,897	140,001	1,173,526
Capital contributions	-	117,049	-
Transfers out	-	-	-
Change in net assets	259,897	257,050	1,173,526
Total net assets, July 1	<u>(168,017)</u>	<u>12,038,451</u>	<u>13,341,527</u>
Total net assets, June 30	<u>\$ 91,880</u>	<u>\$ 12,295,501</u>	<u>\$ 14,515,053</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
<u>\$ 1,111,860</u>	<u>\$ 158,362</u>	<u>\$ 545,559</u>	<u>\$ 1,943,137</u>	<u>\$ 31,884,047</u>
815,023	128,474	53,677	139,588	12,875,381
90,922	145	493,576	780,642	9,535,538
-	-	-	1,485,409	6,022,382
158,130	32,642	1,051	927	1,584,030
29,182	-	3,637	-	1,017,796
<u>1,093,257</u>	<u>161,261</u>	<u>551,941</u>	<u>2,406,566</u>	<u>31,035,127</u>
<u>18,603</u>	<u>(2,899)</u>	<u>(6,382)</u>	<u>(463,429)</u>	<u>848,920</u>
43,697	-	-	563,429	902,521
-	4,364	-	-	(20,723)
-	-	-	-	89
<u>43,697</u>	<u>4,364</u>	<u>-</u>	<u>563,429</u>	<u>881,887</u>
62,300	1,465	(6,382)	100,000	1,730,807
-	-	-	-	117,049
-	-	-	(100,000)	(100,000)
<u>62,300</u>	<u>1,465</u>	<u>(6,382)</u>	<u>-</u>	<u>1,747,856</u>
<u>1,906,810</u>	<u>488,481</u>	<u>1,563,045</u>	<u>15,407,647</u>	<u>44,577,944</u>
<u>\$ 1,969,110</u>	<u>\$ 489,946</u>	<u>\$ 1,556,663</u>	<u>\$ 15,407,647</u>	<u>\$ 46,325,800</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,258,454	\$ 3,848,298	\$ 17,988,325
Payments to suppliers	(2,060,692)	(1,909,875)	(7,679,090)
Payments to employees	(698,880)	(778,685)	(9,916,160)
Internal activity-payments to/from other funds	(1,716,858)	-	-
Net cash provided (used) by operating activities	<u>782,024</u>	<u>1,159,738</u>	<u>393,075</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other receipts/payments	-	-	89
Operating subsidies and transfers to/from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>89</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(97,475)	-
Proceeds from disposal of capital assets	-	(25,087)	-
Capital contribution	-	117,049	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(5,513)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	293,710	-	-
Net cash provided by investing activities	<u>293,710</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,075,734	1,154,225	393,164
Cash and cash equivalents, July 1	<u>9,305,490</u>	<u>5,997,614</u>	<u>19,255,649</u>
Cash and cash equivalents, June 30	<u>\$ 10,381,224</u>	<u>\$ 7,151,839</u>	<u>\$ 19,648,813</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (35,498)	\$ 165,088	\$ 1,173,437
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	974,879	-
Changes in assets and liabilities:			
(Increase) decrease in inventory	-	(14,665)	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in accounts receivable	-	15,043	(1,045,095)
(Increase) decrease in due to/from other funds	(1,716,858)	-	-
(Increase) decrease in compensated absences	-	-	344,894
Increase (decrease) in other accrued liabilities	(4,991)	964	19,261
Increase (decrease) in claims payable	2,583,845	-	-
Increase (decrease) in accounts payable	(54,573)	18,429	(99,422)
Total adjustments	<u>817,522</u>	<u>994,650</u>	<u>(780,362)</u>
Net cash provided (used) by operating activities	<u>\$ 782,024</u>	<u>\$ 1,159,738</u>	<u>\$ 393,075</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,110,291	\$ 158,362	\$ 545,559	\$ 1,942,937	\$ 30,852,226
(237,539)	8,607	(521,682)	(1,012,651)	(13,412,922)
(815,023)	(128,474)	(53,677)	(139,588)	(12,530,487)
-	-	-	-	(1,716,858)
57,729	38,495	(29,800)	790,698	3,191,959
-	-	-	-	89
-	-	-	(100,000)	(100,000)
-	-	-	(100,000)	(99,911)
(29,211)	(54,534)	-	-	(181,220)
-	4,364	-	-	(20,723)
-	-	-	-	117,049
(29,211)	(50,170)	-	-	(84,894)
40,746	-	-	523,391	857,847
40,746	-	-	523,391	857,847
69,264	(11,675)	(29,800)	1,214,089	3,865,001
1,683,511	251,440	1,621,962	21,026,060	59,141,726
<u>\$ 1,752,775</u>	<u>\$ 239,765</u>	<u>\$ 1,592,162</u>	<u>\$ 22,240,149</u>	<u>\$ 63,006,727</u>
\$ 18,603	\$ (2,899)	\$ (6,382)	\$ (463,429)	\$ 848,920
29,182	-	3,637	-	1,017,797
-	37,790	-	-	23,125
-	-	-	206,483	206,483
(1,569)	-	-	(200)	(1,031,821)
-	-	-	-	(1,716,858)
-	-	-	-	344,894
6,818	485	(27,926)	554	(4,835)
-	-	-	1,443,738	4,027,583
4,695	3,119	871	(396,448)	(523,329)
39,126	41,394	(23,418)	1,254,127	2,343,039
<u>\$ 57,729</u>	<u>\$ 38,495</u>	<u>\$ (29,800)</u>	<u>\$ 790,698</u>	<u>\$ 3,191,959</u>

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Statistical Section

**CITY OF GARDEN GROVE
GOVERNMENT-WIDE EXPENSES BY PROGRAM
LAST FOUR FISCAL YEARS**

	Fiscal Year			
	2002	2003	2004	2005
Fire	\$ 12,497,835	\$ 13,846,510	\$ 14,048,200	\$ 16,287,872
Police	27,709,082	28,229,071	29,077,941	33,519,138
Traffic Safety	3,051,324	3,164,227	2,500,210	2,308,858
Public Right of Way	11,816,854	12,116,169	12,418,718	13,909,984
Drainage	1,297,730	1,425,667	1,410,560	871,110
Community Buildings	2,750,148	2,352,447	2,580,182	1,818,100
Community Services	6,657,285	5,024,078	3,319,483	3,377,318
Parks and Greenbelts	1,214,941	1,557,773	1,337,671	1,526,093
Community Planning and Development	28,643,464	32,809,428	36,715,373	40,820,009
Municipal Support	4,732,496	5,384,324	5,223,504	6,966,641
Debt Service	5,231,632	3,426,770	8,017,629	5,585,358
Water Utility	16,887,682	17,696,793	19,140,740	20,065,912
Sewage Collection	N/A	2,199,230	2,858,667	3,671,576
Solid Waste Disposal	8,399,712	6,017,909	6,717,500	6,338,342
Mobile Home Park	1,340,618	1,511,690	1,483,289	1,498,071
Total	<u>\$ 132,230,803</u>	<u>\$ 136,762,086</u>	<u>\$ 146,849,667</u>	<u>\$ 158,564,382</u>

This is the fourth year of implementation of the government-wide expenses schedule pursuant to GASB 34. Current year totals will continue to be added to this schedule until a total of ten years are listed.

Source: City Finance Department

**CITY OF GARDEN GROVE
GOVERNMENT-WIDE REVENUE BY SOURCE
LAST FOUR FISCAL YEARS**

Fiscal Year	Program Revenue			General Revenue			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Misc.	
2002	\$ 36,420,697	\$ 35,024,654	\$ 1,093,352	\$ 59,178,753	\$ 3,591,434	\$ 973,133	\$ 136,282,023
2003	38,202,385	37,796,598	4,849,847	63,938,694	3,311,162	949,782	149,048,468
2004	42,434,675	38,792,997	3,454,753	66,611,654	2,734,165	1,270,842	155,299,086
2005	41,964,992	38,937,936	7,741,290	79,315,142	3,963,206	745,734	172,668,300

This is the fourth year of implementation of the government-wide revenue schedule. Current year totals will continue to be added to this schedule until a total of ten years are listed.

Source: City Finance Department

**CITY OF GARDEN GROVE
GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeits and Penalties	Investment Earnings	Charges for Current Services	From Other Agencies	Other	Total
1996	\$ 40,048,758	\$ 559,885	\$ 713,406	\$ 3,817,567	\$ 8,968,904	\$ 23,047,823	\$ 8,454,947	\$ 85,611,290
1997	40,883,962	631,604	708,349	4,158,539	9,935,681	27,241,397	6,166,290	89,725,822
1998	41,638,248	845,235	778,585	4,696,853	10,086,122	22,886,767	9,075,753	90,007,563
1999	45,498,928	1,246,309	1,485,615	3,680,285	10,521,186	22,628,126	5,485,539	90,545,988
2000	50,638,702	1,529,432	1,475,528	4,034,092	11,433,428	27,714,561	5,059,530	101,885,273
2001	54,814,471	1,264,250	1,359,830	5,254,884	10,922,997	29,889,400	4,761,674	108,267,506
2002	59,469,508	938,059	1,501,798	3,414,633	10,191,911	32,405,788	3,126,882	111,048,579
2003	64,392,049	1,118,683	1,514,888	3,565,522	10,724,200	39,152,082	2,863,714	123,331,138
2004	67,875,733	1,303,349	2,093,910	3,223,592	11,026,939	36,573,673	2,760,082	124,857,278
2005	79,807,980	1,380,060	2,322,634	4,409,314	10,839,421	39,016,009	2,787,664	140,563,082

Includes general, special revenue, debt service, and capital projects funds

Source: City Finance Department

**CITY OF GARDEN GROVE
GENERAL GOVERNMENTAL EXPENDITURES BY PROGRAM
LAST TEN FISCAL YEARS**

Fiscal Year	Fire	Police	Traffic Safety	Public Right of Way	Drainage	Community Buildings
1996	\$ 9,656,627	\$ 20,664,243	\$ 2,645,307	\$ 9,410,289	\$ 1,770,657	\$ 4,704,578
1997	9,539,889	22,148,062	2,707,193	8,527,186	608,719	1,921,470
1998	10,090,274	21,997,802	2,175,666	7,083,555	663,018	2,279,786
1999	10,045,706	23,536,643	2,776,520	5,924,733	2,157,947	1,979,080
2000	10,972,200	25,417,845	4,130,579	6,662,996	487,205	2,256,119
2001	12,277,714	29,123,723	4,336,705	6,580,799	1,494,302	2,164,620
2002	12,973,832	28,154,170	3,607,366	8,600,980	790,298	3,067,612
2003	14,054,241	28,712,294	2,982,642	11,206,224	1,024,574	4,679,869
2004	14,551,229	30,411,547	2,969,556	9,738,431	582,604	2,308,763
2005	15,874,532	33,143,816	3,470,327	10,252,051	590,727	4,099,135

Includes General, Special Revenue, Debt Service, and Capital Projects Funds

Source: City Finance Department

Community Services	Parks and Greenbelts	Community Planning and Development	Municipal Support	Debt Service	Total
\$ 2,841,598	\$ 1,298,804	\$ 30,313,735	\$ 4,176,149	\$ 5,481,426	\$ 44,111,712
2,690,035	1,217,777	40,811,965	4,299,529	8,440,628	57,459,934
3,161,986	1,232,938	44,184,873	4,578,430	8,181,416	61,339,643
3,515,957	1,586,564	38,732,103	4,672,808	9,578,191	58,085,623
4,078,624	1,400,354	38,020,506	5,000,081	8,219,956	56,719,521
6,070,907	1,592,357	30,929,858	4,740,089	8,227,285	51,560,496
7,184,902	1,519,959	32,099,102	4,918,667	9,199,900	54,922,530
5,583,243	1,972,622	37,226,739	5,475,535	10,322,844	60,580,983
3,573,926	1,801,134	40,194,033	5,575,956	14,667,098	126,374,277
3,347,154	4,956,093	43,098,496	6,983,902	10,757,197	136,573,430

**CITY OF GARDEN GROVE
GENERAL FUND MAJOR TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
1996	\$ 13,405,748	\$ 7,155,395	\$ 1,478,198	\$ 1,586,350	\$ 1,481,183	\$ 5,688,838	\$ 30,795,712
1997	13,082,199	7,195,919	1,569,983	1,581,671	1,586,113	5,961,120	30,977,005
1998	13,841,148	7,283,232	1,561,920	1,583,041	1,687,513	6,435,651	32,392,505
1999	14,386,085	7,532,937	1,563,861	1,600,891	1,453,801	6,810,491	33,348,066
2000	15,623,656	8,154,089	1,593,190	1,758,435	1,907,023	7,572,377	36,608,770
2001	17,187,756	8,697,891	1,711,813	1,934,418	3,221,941	8,428,185	41,182,004
2002	17,099,202	9,278,777	1,912,931	2,164,240	4,280,764	9,353,926	44,089,840
2003	17,913,119	9,633,188	1,909,152	2,298,509	5,861,586	9,982,677	47,598,231
2004	18,555,795	10,275,238	2,045,711	2,315,429	8,628,343	7,598,457	49,418,973
2005	19,492,358	11,421,673	2,088,276	2,349,706	9,820,457	14,494,383	59,666,853

Source: City Finance Department

**CITY OF GARDEN GROVE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	City Tax Rate (Per \$100)	Total Tax Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	0.0250	\$ 7,330,476	\$ 6,751,782	92.1	\$ 369,698	\$ 7,121,480	97.1	\$ 173,309	2.4%
1997	0.0250	7,097,406	6,698,543	94.3	317,589	7,016,132	98.9	145,099	2.0%
1998	0.0025	7,347,609	7,084,765	96.4	235,421	7,320,186	99.6	150,644	2.0%
1999	0.0025	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0%
2000	0.0025	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.0025	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.0025	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%
2003	0.0025	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.0025	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.0025	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%

In implementing Article XIIIa of the State Constitution, the Revenue and Taxation Code provides for a single Basic Tax Rate Levy for County/City/School/Special Districts and other rates necessary to retire bonded and other indebtedness.

*Source: Orange County Property Tax Ledger
City Finance Department*

**CITY OF GARDEN GROVE
 ASSESSED AND ESTIMATED ACTUAL VALUES OF ALL CITY PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Secured Property	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase (Decrease)
1996	\$ 4,596,713,371	\$ 237,419,608	\$ 4,834,132,979	\$ 4,834,132,979	(1.30)
1997	4,569,482,092	234,999,187	4,804,481,279	4,804,481,279	(0.60)
1998	4,626,552,656	246,003,468	4,872,556,124	4,872,556,124	0.40
1999	4,784,032,451	253,572,578	5,037,605,029	5,037,605,029	0.90
2000	5,066,585,221	275,398,024	5,341,983,245	5,341,983,245	6.20
2001	5,485,695,051	286,423,071	5,772,118,122	5,772,118,122	8.10
2002	5,858,899,378	328,906,652	6,187,806,030	6,187,806,030	7.20
2003	6,237,992,510	302,092,895	6,540,085,405	6,540,085,405	5.60
2004	6,690,748,967	299,913,148	6,990,662,115	6,990,662,115	6.90
2005	7,256,567,260	300,044,644	7,556,611,904	7,556,611,904	8.10

Assessed values are expressed as 100% of "full value" as prescribed by California Revenue and Taxation Code Section 135.

Excludes Redevelopment Increment Valuations

Source: Orange County Assessor's Office

**CITY OF GARDEN GROVE
PRINCIPAL TAXPAYERS
JUNE 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Landmark Hotels	Property Management/Hotel	\$ 89,078,211	1.18%
Atrium Plaza Inc	Property Management/Hotel	65,754,814	0.87%
Kilroy Realty LP	Property Management	29,346,848	0.39%
OHI Resort Hotels	Property Management/Hotel	37,026,397	0.49%
BB Promenade	Restaurant/Retail	26,146,343	0.35%
Swedlow, Inc.	Mfg. Plastic products	19,596,309	0.26%
MBP Land, LLC	Property Management/Hotel	19,749,830	0.26%
7300 Chapman Ave, LLC	Tradeshaw Sales	18,940,932	0.25%
CC Technology Limited Partnership	Property Management/ Commercial	18,997,000	0.25%
American Medical	Medical Center/Hospital	<u>18,673,026</u>	<u>0.25%</u>
	Total:	<u><u>\$ 343,309,710</u></u>	<u><u>4.55%</u></u>

Source: H.L. Coren & Cone Property Tax Report

**CITY OF GARDEN GROVE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City General	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
1996	N/A	0.02500	0.00890	0.00012	-	-	1.0000	1.03402
1997	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
1998	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
1999	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2000	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2001	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2002	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2003	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2004	N/A	0.02500	0.00610	-	-	-	1.0000	1.03110
2005	N/A	0.02500	0.00580	-	-	-	1.0000	1.03080

Assessed values are expressed as 100% of "full value" as prescribed by California Revenue and Taxation Code Section 135.

Property tax in California is levied in accordance with Article 13A fo the State Constitution at \$1 per \$100 county-wide assessed valuations plus other voter approved debt. Rates shown above are \$100 of assessed valuation. The one percent is allocated pursuant to state law to the appropriate units of local government.

Source: Orange County Tax Rates Book

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2005**

2004-05 Assessed Valuation:	\$ 9,244,475,208
Redevelopment Incremental Valuation:	<u>1,687,863,304</u>
Adjusted Assessed Valuation:	\$ 7,556,611,904

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/05
Orange County Teeter Plan Obligations	2.694 %	\$ 3,333,152
Metropolitan Water District	0.568	2,375,319
Coast Community College District	5.986	6,152,411
North Orange County Joint Community College District	2.673	6,595,200
Rancho Santiago Community College District	5.143	10,939,411
Anaheim Union High School District	0.080	95,047
Huntington Beach Union High School District	1.501	2,686,191
Anaheim School District	0.100	62,063
Magnolia School District	0.234	23,002
City of Garden Grove 1915 Act Bonds	100	<u>320,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 32,581,796
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Orange County General Fund Obligations	2.694 %	\$ 23,612,883
Orange County Pension Obligations	2.694	3,011,151
Orange County Board of Education Certificates of Participation	2.694	536,106
Orange County Transit Authority	2.694	99,813
Municipal Water District of Orange County Water Facilities Corporation	3.208	1,128,093
Coast Community College District Certificates of Participation	5.986	430,693
Orange Unified School District Certificates of Participation	1.244	650,799
Anaheim Union High School District Certificates of Participation	0.080	32,684
Huntington Beach Union High School District Certificates of Participation	1.501	255,170
Westminster School District Certificates of Participation	9.571	1,747,186
City of Garden Grove General Fund Obligations	100	35,743,432
Orange County Sanitation District No. 2 Certificates of Participation	3.805	<u>5,415,466</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 72,663,476
Less: Orange County Transit Authority (80% self-supporting)		79,850
MWDOC Water Facilities Corporation (100% self-supporting)		1,128,093
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 71,455,533
GROSS COMBINED TOTAL DEBT		\$ 105,245,272 (1)
NET COMBINED TOTAL DEBT		\$ 104,037,329

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

Ratios to 2004-05 Assessed Valuation:

Total Overlapping Tax and Assessment Debt

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$35,743,432)	0.47%
Gross Combined Total Debt	1.39%
Net Combined Total Debt	1.38%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

KD: (\$400)

*Prepared for the City of Garden Grove
By: California Municipal Statistics, Inc.*

**CITY OF GARDEN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005**

Assessed Valuation		\$ 7,556,611,904
Debt Limit: 3.75% os Assessed Value		\$ 283,372,946
Amount of debt applicable to debt limit:		
Total bonded debt	\$ -	
Other Debt	-	
Less: Net assets in Debt Service Fund	-	
Total debt applicable to limitation		-
Legal debt margin		\$ 283,372,946

Source: City Finance Department

**CITY OF GARDEN GROVE
SCHEDULE OF WATER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1996	\$ 15,670,573	\$ 10,907,207	\$ 4,763,366	\$ 355,000	\$ 1,012,633	\$ 1,367,633	3.48%
1997	15,908,822	11,436,272	4,472,550	370,000	999,390	1,369,390	3.27%
1998	14,719,830	10,951,209	3,768,621	380,000	984,760	1,364,760	2.76%
1999	16,308,273	12,038,484	4,269,789	395,000	968,865	1,363,865	3.13%
2000	16,179,483	10,841,624	5,337,859	415,000	951,751	1,366,751	3.90%
2001	15,562,254	12,946,455	2,615,799	430,000	1,038,377	1,468,377	1.78%
2002	16,590,462	13,495,314	3,095,148	450,000	913,458	1,363,458	2.27%
2003	16,609,786	14,252,431	2,357,355	470,000	892,464	1,362,464	1.73%
2004	18,484,674	15,604,390	2,880,284	435,000	727,982	1,162,982	2.48%
2005	18,145,714	16,809,774	1,335,940	635,000	657,500	1,292,500	1.03%

(1) Expenses exclude depreciation, interest, amortization and fiscal agent expenses.

Source: City Finance Department

**CITY OF GARDEN GROVE
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

Fiscal Year	Property Value (Secured)	Construction				Bank Deposits (in thousands)
		Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change	
1996	\$ 4,596,713,371	3,753	50.0%	\$ 33,475,078	41.0%	\$ 1,482,368
1997	4,569,482,092	2,311	-38.0%	31,400,077	-6.0%	1,295,235
1998	4,626,552,656	2,391	3.0%	47,388,975	51.0%	1,304,042
1999	4,784,032,451	2,411	0.4%	94,475,067	99.4%	1,323,390
2000	5,066,585,221	2,374	-2.0%	186,860,874	97.8%	1,353,756
2001	5,485,695,051	2,674	12.6%	117,084,284	-37.3%	1,433,664
2002	5,713,806,762	2,439	-8.7%	59,230,589	-49.4%	1,562,797
2003	5,927,614,174	3,001	23.5%	86,713,703	46.4%	1,769,373
2004	6,690,748,967	2,802	-6.6%	64,348,514	-25.8%	1,901,094
2005	7,256,567,260	2,934	4.7%	78,605,910	22.2%	Not available at time of printing

Sources: Orange County Assessor's Office
City Community Development Department

**CITY OF GARDEN GROVE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Median Age of Population	Median Family Income	Unemployment Rate	School Enrollment
1996	151,376	30.5	\$ 44,406	4.9	44,661
1997	152,041	30.5	45,685	4.4	45,776
1998	154,398	30.5	47,703	3.8	46,916
1999	156,534	30.5	50,782	3.7	48,031
2000	158,332	30.5	52,733	2.9	48,742
2001	169,212	32.3	56,960	3.9	49,411
2002	169,212	32.3	57,440	5.3	50,066
2003	169,911	32.3	60,480	4.8	50,172
2004	169,911	32.3	60,480	4.2	50,078
2005	172,042	32.3	61,440	5.2	49,574

*Sources: City Finance Department
Orange County Cities demographics as provided by California State University Fullerton
State Employment Development Department
Garden Grove Unified School District*

**CITY OF GARDEN GROVE
INSURANCE IN FORCE
JUNE 30, 2005**

TYPE COVERAGE	INSURANCE COMPANY	POLICY TERM	ANNUAL PREMIUM	POLICY LIMITS
Property	Public Entity Property Insurance Program (PEPIP) Various Companies	7/01/04-7/01/05	\$286,354	\$750,000,000 per occurrence \$13,500,000 per occurrence and annual aggregate as respects to earthquake and flood
Boiler and Machinery	Public Entity Boiler and Machinery Program (PEPIP) Various Companies	7/01/04-7/01/05	\$1,616	\$100,000,000
California Municipal Excess Workers Compensation Program (CAMEX)	ACE American Insurance Company WCLC44113466	7/01/04-7/01/05	\$294,999	\$25,000,000 \$5,000,000 Employer's Liability
Employee Dishonesty Bond including Faithful Performance and Computer Fraud	Various Companies	4/01/05-4/01/06	\$7,164	\$5,000,000
Calif Municipal Excess Liability (CAMEL) Program	Insurance Co of State of PA 4204-1942	7/01/04-7/01/05	\$165,967	\$10,000,000 per occurrence
Public Entities Environmental Liability	Gulf Underwriters Insurance Company GV2829100	1/20/04-7/1/06	\$5,700	\$10,000,000 each condition

Source: City Finance Department

**CITY OF GARDEN GROVE
MISCELLANEOUS STATISTICAL INFORMATION
JUNE 30, 2005**

Incorporation	.....	June 18, 1956
Population	.....	172,042
Land Area	.....	17.9 square miles
Type of City	.....	General Law
Form of Government	.....	Council-Manager
Streets	.....	288 miles
Parks	.....	185 acres: over 22 sites
Water Systems	.....	Over 10.3 billion gallons used per year

Garden Grove is the 21st largest city in California and the 4th largest city in Orange County

*Source: City Finance Department
Orange County Cities demographics as provided by California State University Fullerton*

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