

City of Garden Grove
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2006 - June 30, 2007

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1956-2006

**Years
Of Hometown Pride**



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City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2007

Department of Finance

Kingsley Okereke
Finance Director

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**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Introductory Section

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CITY OF GARDEN GROVE

William J. Dalton
Mayor

Mark Rosen
Mayor Pro Tem
Dina Nguyen
Council Member

Bruce A. Broadwater
Council Member
Steven R. Jones
Council Member

October 15, 2007

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, 2007. 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 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.

The Honorable Mayor and Council
Transmittal Letter 06-07 CAFR
October 15, 2007

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 approximately 173 thousand. It is the fifth largest City in Orange County and the twenty-sixth 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 a result 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, and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The City Council adopts a fund level budget annually. The City Council thus controls appropriations at the fund level. The City Manager is authorized to transfer appropriations within a fund between the

The Honorable Mayor and Council
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October 15, 2007

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 2006-07 fiscal year, much of California economy continued to grow but at a much slower pace than in recent years. Also, Orange County economy has been stable but growth has slowed down due to the downturn in the housing sector during FY2006-07. In any case, unemployment remained low, incomes increased, consumer spending has been strong, and interest rates, while increasing, have remained low. In line with local economic conditions, the City's economic expansion continued into its fourteenth consecutive year.

Over this period, the City benefited from improvement in the general economy as well as from community economic development and redevelopment efforts. 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. The City continues to stimulate this market with improvements to infrastructure, code enforcement, pro-active public safety services, and community promotion programs. These elements will continue to strengthen the City's economic base.

Except for the ever-present threat of new mandates and funding shifts from other levels of governments, the outlook for the City's revenues looks favorable, with positive but slowing growth projected for sales tax, property tax, and transient occupancy taxes. Garden Grove will continue to experience economic growth in the upcoming years although at a much slower pace in line with the local economy. As in past years, the City management will strive to create a less tenuous situation through improved planning, better management, and an expanded economic base through aggressive redevelopment, economic development and active pursuit of state, federal, and local grant funds.

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 4.06 percent on its portfolio investments compared to 3.18 percent in prior fiscal year. At year end, cash, deposits, and investments included the following proportions of aggregate cash invested: United States Government Securities, 90 percent, and Local Agency Investment Fund of the State of California, 10 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. 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.

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.

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October 15, 2007

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, 2006. 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.

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 written in a cursive, flowing style.

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, 2006

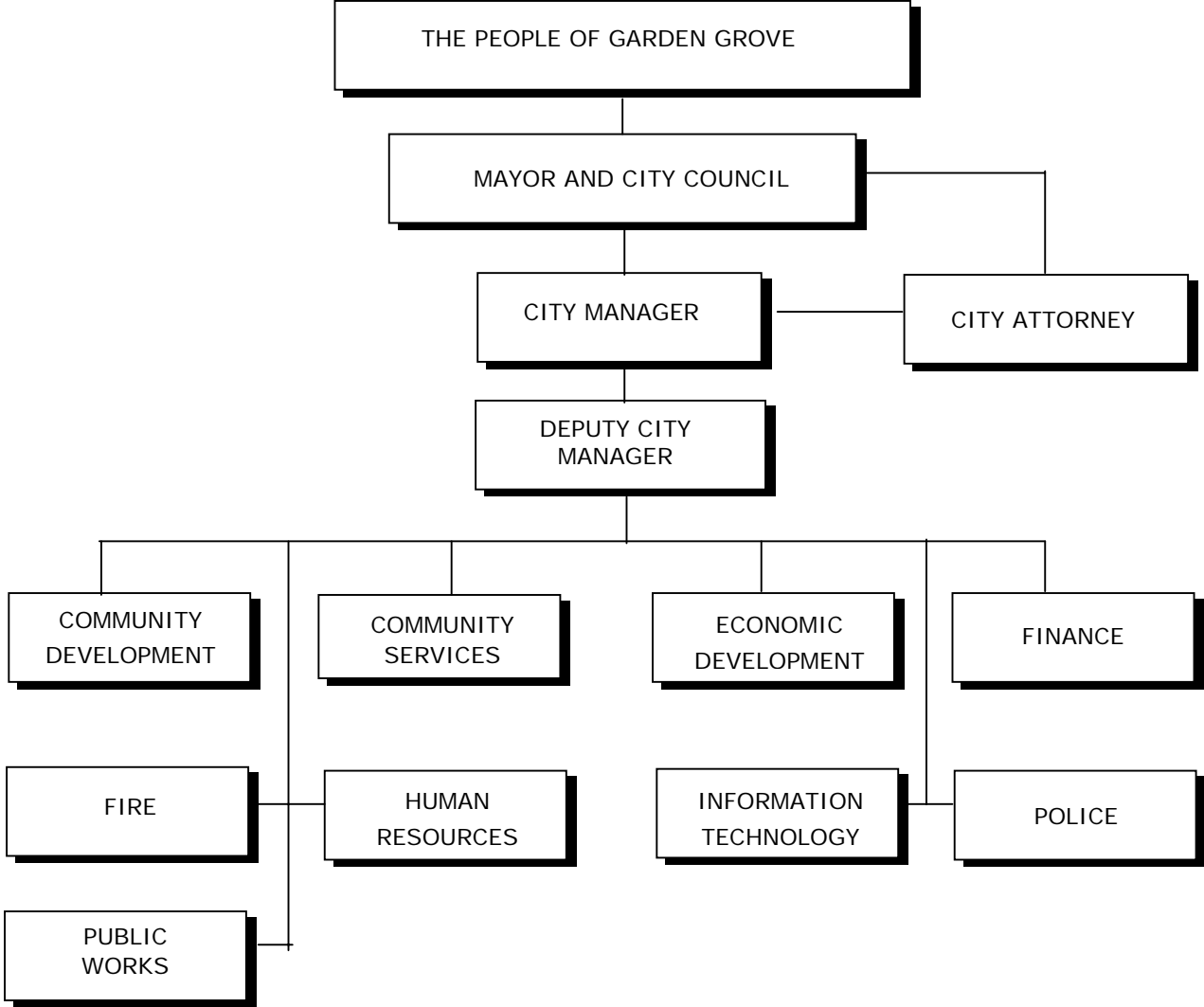
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

William Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Bruce A Broadwater
Council Member

Dina Nguyen
Council Member

Steven R Jones
Council Member

CITY OFFICIALS

Matthew J. Fertal
City Manager

Les Jones
Deputy City Manager

Tom Nixon
City Attorney

Keith Osborn
Fire Chief

Susan Emery
Community Development Director

Charles Kalil
Information Technology Director

Kim Huy
Community Services Director

John Clark
Human Resources Director

Chet Yoshizaki
Economic Development Director

Joseph Polisar
Police Chief

Kingsley Okereke
Finance Director

Keith Jones
Public Works Director

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Financial Section

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October 15, 2007

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 (City), California, as of and for the year ended June 30, 2007, 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, 2007, 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 October 15, 2007 on our consideration of the City of Garden Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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, 2007. 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, 2007 totaled \$834.4 million. Of this amount, \$50.5 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 \$113.8 million, an increase of \$6.9 million over the prior year balance.
- The unreserved deficit amount of \$27.0 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 \$5.7 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 twenty-three 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, Community Project capital projects fund, Low Income Housing capital projects fund and 2003 Tax Allocation capital projects fund, all of which are considered to be major funds. Data from the other seventeen 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 supplementary information, and for all other governmental funds in other supplementary information, to demonstrate compliance with the budget.

Proprietary funds. The City of Garden Grove maintains five 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, Mobile Home Parks operations and RV Park.

The City also uses internal service funds to account for its Workers' Compensation fund, Fleet Management fund, Employee Benefits fund, Information Systems fund, Warehouse

Operations fund, Telephone System 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, Mobile Home Parks and RV Park, all but the RV Park 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 \$834.4 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (87.7%) 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.

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 245.6	\$ 234.6	\$ 32.4	\$ 31.0	\$ 278.0	\$ 265.6
Capital assets	670.4	671.7	102.0	94.0	772.4	765.7
Total assets	<u>916.0</u>	<u>906.3</u>	<u>134.4</u>	<u>125.0</u>	<u>1,050.4</u>	<u>1,031.3</u>
Long-term liabilities	99.5	103.7	48.7	49.8	148.2	153.5
Other liabilities	61.9	64.3	5.8	4.9	67.7	69.2
Total liabilities	<u>161.4</u>	<u>168.0</u>	<u>54.5</u>	<u>54.7</u>	<u>215.9</u>	<u>222.7</u>
Net assets	<u>\$ 754.6</u>	<u>\$ 738.3</u>	<u>\$ 79.9</u>	<u>\$ 70.3</u>	<u>\$ 834.5</u>	<u>\$ 808.6</u>
Invested in capital assets, net of related debt	666.8	667.5	65.0	66.1	731.8	733.6
Restricted	52.2	47.2	-	-	52.2	47.2
Unrestricted	35.6	23.6	14.8	4.2	50.4	27.8
Total net assets	<u>\$ 754.6</u>	<u>\$ 738.3</u>	<u>\$ 79.8</u>	<u>\$ 70.3</u>	<u>\$ 834.4</u>	<u>\$ 808.6</u>

An additional portion of the City's net assets, \$52.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$50.5 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 \$25.8 million over the prior fiscal year end balance. The improved net asset was largely a result of revenues (\$196.7 million) exceeding expenditures (\$170.9 million) at the close of the fiscal year. The revenue increases are due to the continuing economic growth driven increases in hotel tax, property tax revenues and increase in sewer rates.

	Governmental activities		Business-type activities		Total	
	2007	2006	207	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 12.7	\$ 13.8	\$ 40.4	\$ 33.7	\$ 53.1	\$ 47.5
Operating grants and contributions	43.7	40.6	0.5	0.7	44.2	41.3
Capital grants and contributions	2.5	10.9	0.7	5.3	3.2	16.2
General revenues:			-			
Sales taxes	19.7	19.5	-	-	19.7	19.5
Property taxes	36.3	34.4	-	-	36.3	34.4
Other taxes	30.7	29.3	-	-	30.7	29.3
Earning on investments	4.7	3.3	1.5	0.6	6.2	3.9
Other	3.2	1.7	-	-	3.2	1.7
Total revenues	<u>153.5</u>	<u>153.5</u>	<u>43.1</u>	<u>40.3</u>	<u>196.6</u>	<u>193.8</u>
Expenses:						
Fire	17.5	18.2	-	-	17.5	18.2
Police	38.0	36.2	-	-	38.0	36.2
Traffic safety	3.2	3.0	-	-	3.2	3.0
Public right of way	15.1	13.7	-	-	15.1	13.7
Drainage	1.5	1.5	-	-	1.5	1.5
Community buildings	0.1	0.7	-	-	0.1	0.7
Community services	3.6	3.1	-	-	3.6	3.1
Parks and greenbelts	1.8	3.6	-	-	1.8	3.6
Community planning and development	42.8	47.6	-	-	42.8	47.6
Municipal support	6.7	7.7	-	-	6.7	7.7
Interest on Long-term debt	6.9	6.7	-	-	6.9	6.7
Water utility	-	-	20.4	19.7	20.4	19.7
Sewage collection	-	-	4.1	4.2	4.1	4.2
Solid waste disposal	-	-	7.1	7.3	7.1	7.3
Mobile home parks	-	-	1.5	1.5	1.5	1.5
RV park	-	-	0.5	0.4	0.5	0.4
Total expenses	<u>137.2</u>	<u>142.0</u>	<u>33.6</u>	<u>33.1</u>	<u>170.8</u>	<u>175.1</u>
Change in net assets	16.3	11.5	9.5	7.2	25.8	18.7
Net assets, July 1	<u>738.3</u>	<u>726.8</u>	<u>70.3</u>	<u>63.1</u>	<u>808.6</u>	<u>789.9</u>
Net assets, June 30	<u>\$ 754.6</u>	<u>\$ 738.3</u>	<u>\$ 79.8</u>	<u>\$ 70.3</u>	<u>\$ 834.4</u>	<u>\$ 808.6</u>

Governmental Activities. The City of Garden Grove governmental activities net assets increased by \$16.3 million for the year ended June 30, 2007. Key elements of this increase are as follows:

- Property taxes revenue increased by \$1.8 million, primarily due to increase in property value.
- Other taxes increased by \$1.5 million, primarily due increases in hotel tax revenues.
- Capital and operating grants revenue decreased by \$5.3 million due to decreased 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:

- Police expenditures increased by \$1.8 million mainly as a result of labor costs.
- Community planning and development expenditures decreased by \$4.8 million largely due to a reduction in land acquisitions for redevelopment purposes by the Agency for Community Development.

Business-type activities. Business-type activities increased the City of Garden Grove's net assets by \$9.509 million. Key element in this increase is as follows:

The Sewer Collection fund showed an increase in revenue of \$6.0 million due to rate restructuring that adjusted customer rates to cover future capital improvement expense and the debt service for the sewer bonds issued in FY2006.

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 \$113.8 million, an increase of \$6.984 million in comparison with the prior year. The unreserved surplus of \$9.8 million consists of a surplus in the General fund (\$25.5 million), Special Revenue funds (\$10.7 million) which is offset by deficits in the Debt Service Fund (\$8.1 thousand) and Community Development Capital Projects fund (\$26.4 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 (\$13.5 million), 2) to reserve out the cost of land held for resale (\$27.1 million), 3) to reserve out an amount to cover intercity loans receivable (\$43.1 million), 4) to pay debt service (\$244,377), 5) to fund prior period continuing projects (\$15.8 million), and 6) to reserve out a variety of other restricted purposes (\$4.3 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 \$25.5 million, while total fund balance reached \$72.4 million.

The increase in the fund balance was due to moderate growth in revenues for an increase of \$4.6 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 \$2.1 million.

- **Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$2.5 million due to the continued growth in the Section 8 federal housing program. This program has a fund balance of \$2.5 million 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.
- **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 (\$27.0) million. The total fund balance in the current year was a deficit balance of (\$4.2) million. The deficit fund balance was due to the increase in intercity loans of \$3.8 million. The reserved balance increased by \$3.3 million due primarily to a \$2.0 million deposit for a future land purchase and \$1.3 increase in continuing project.
- **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 increased by \$467,801.
- **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 but the RV Park 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 (\$7.6 million). For the Sewage Collection fund, unrestricted net assets was \$13.8 million, Solid Waste Disposal fund was \$1.0 million and Mobile Home Parks fund was \$4.1 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 significant 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, 2007, amounts to \$772.5 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.

	<u>Government activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>
Land	\$ 408.9	\$ 409.1	\$ 17.3	\$ 17.2	\$ 426.2	\$ 426.3
Construction in progress	3.7	1.1	1.8	3.3	5.5	4.4
Infrastructure	221.0	227.6	82.8	73.4	303.8	301.0
Building and structures	26.1	23.2	-	-	26.1	23.2
Machinery and equipment	10.7	10.7	0.1	0.1	10.8	10.8
Total capital assets	<u>\$ 670.4</u>	<u>\$ 671.7</u>	<u>\$ 102.0</u>	<u>\$ 94.0</u>	<u>\$ 772.4</u>	<u>\$ 765.7</u>

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

- An improvement to the City sewer system of \$10.4 million.
- A variety of street widening and expansion projects for \$3.5 million and related construction in progress projects for \$2.0 million.
- Transfer of various affordable housing units for \$4.0 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 \$142.1 million. The City’s total debt decreased by (\$5.7 million) during the current fiscal year due to principal payments.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation (\$9,197,900,792). The current debt limitation for the City of Garden Grove is \$344.9 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	
	2007	2006	2007	2006	2007	2006
Tax allocation bonds	\$ 55.4	\$ 57.0	\$ -	\$ -	\$ 55.4	\$ 57.0
Certificates of participation	21.4	21.9	11.8	12.2	33.2	34.1
Agreements payable	13.4	15.1	-	-	13.4	15.1
Capital lease purchase	3.1	3.9	-	-	3.1	3.9
Sewer revenue COP	-	-	21.8	21.8	21.8	21.8
Water revenue bonds	-	-	15.1	15.8	15.1	15.8
Total net assets	<u>\$ 93.3</u>	<u>\$ 97.9</u>	<u>\$ 48.7</u>	<u>\$ 49.8</u>	<u>\$ 142.0</u>	<u>\$ 147.7</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- During the 2006-07 fiscal year, much of California economy continued to grow but at a much slower pace than in recent years. Also, Orange County economy has been stable but growth has slowed down due to the downturn in the housing sector during 2006-07. During the current fiscal year the City's unemployment rate decreased to 4.3% from the previous year's rate of 4.8%. However, in line with local economic conditions, the City's economic expansion continued into its thirteenth consecutive year. These economic gains are reflected in the increases realized in the City's property tax and hotel tax revenues.
- The 2007-08 budget was balanced using a large fund-balance carry-over from 2006-07, which included expenditure savings and increases in realized revenues. Additional balancing measures will almost certainly be needed in the future due to the continuing revenue/expenditure imbalance in the City's budget.
- The budget includes a 40% rate increase for the Water Utility fund. This increase was part of a five-year cost of service study to make sure the water utility will be financially sound for the near future.
- Although the budget was completely balanced, it does not provide complete funding in certain areas. The budget has deficiencies in infrastructure depreciation and equipment of \$16.5 million. However, plans are now underway via the City's Strategic Plan to begin addressing these issues.
- 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

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 161,230,097	\$ 19,505,608	\$ 180,735,705
Cash and investments with fiscal agents	4,452,595	16,410,304	20,862,899
Receivables, net	14,534,342	5,657,425	20,191,767
Internal balances	10,177,048	(10,177,048)	-
Notes receivable	21,891,294	-	21,891,294
Inventory	505,248	-	505,248
Land held for resale	27,076,820	-	27,076,820
Prepaid items	2,040,856	-	2,040,856
Deposits	2,053,251	15,000	2,068,251
Total current assets	<u>243,961,551</u>	<u>31,411,289</u>	<u>275,372,840</u>
Noncurrent assets:			
Deferred issuance costs	1,622,756	947,762	2,570,518
Capital assets:			
Land	408,893,994	17,266,377	426,160,371
Construction in progress	3,692,140	1,848,766	5,540,906
Depreciable infrastructure, net	221,023,846	82,826,561	303,850,407
Depreciable buildings and structures, net	26,100,565	-	26,100,565
Depreciable equipment, net	10,739,452	101,471	10,840,923
Total noncurrent assets	<u>672,072,753</u>	<u>102,990,937</u>	<u>775,063,690</u>
Total assets	<u>916,034,304</u>	<u>134,402,226</u>	<u>1,050,436,530</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	15,267,465	4,470,698	19,738,163
Refundable deposits	3,354,309	365,854	3,720,163
Unearned revenue	14,709,628	968,833	15,678,461
Claims payable	27,436,112	-	27,436,112
Unamortized premium	1,134,186	-	1,134,186
Total current liabilities	<u>61,901,700</u>	<u>5,805,385</u>	<u>67,707,085</u>
Noncurrent liabilities:			
Due within one year	4,822,247	1,100,000	5,922,247
Due in more than one year	88,508,565	47,646,080	136,154,645
Accrued compensated absences:			
Due within one year	621,403	-	621,403
Due in more than one year	5,592,628	-	5,592,628
Total noncurrent liabilities	<u>99,544,843</u>	<u>48,746,080</u>	<u>148,290,923</u>
Total liabilities	<u>161,446,543</u>	<u>54,551,465</u>	<u>215,998,008</u>
NET ASSETS			
Invested in capital assets, net of related debt	666,750,805	64,995,612	731,746,417
Restricted for:			
Debt service	251,062	-	251,062
Low income housing	26,012,944	-	26,012,944
Streets and roads	14,827,946	-	14,827,946
Other purposes	11,122,245	-	11,122,245
Unrestricted	35,622,759	14,855,149	50,477,908
Total net assets	<u>\$ 754,587,761</u>	<u>\$ 79,850,761</u>	<u>\$ 834,438,522</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, 2007**

<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	\$ 17,465,219	\$ 704,645	\$ 162,737
Police	38,013,158	3,100,003	1,582,501
Traffic safety	3,264,132	1,306,572	103,114
Public right of way	15,072,971	350,470	5,514,566
Drainage	1,537,814	-	-
Community buildings	97,369	-	-
Community services	3,629,276	855,062	298,010
Parks and greenbelts	1,786,478	1,456,881	265,912
Community planning and development	42,846,758	2,448,831	35,165,359
Municipal support	6,677,753	2,463,800	616,646
Interest on long term debt	6,854,223	-	-
Total governmental activities	<u>137,245,151</u>	<u>12,686,264</u>	<u>43,708,845</u>
Business-type activities:			
Water utility	20,397,817	20,786,512	39,876
Sewage collection	4,097,537	9,474,496	249,002
Solid waste disposal	7,090,303	7,466,114	241,713
Mobile home parks	1,537,978	2,332,455	6,379
RV park	541,254	366,096	1,265
Total business-type activities	<u>33,664,889</u>	<u>40,425,673</u>	<u>538,235</u>
Total	<u>\$ 170,910,040</u>	<u>\$ 53,111,937</u>	<u>\$ 44,247,080</u>

General revenues:

Taxes:

Sales taxes

Property taxes, levied for general purposes

Franchise taxes

Business operation taxes

Transient occupancy taxes

Motor vehicle taxes, levied for general purposes

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.

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 610	\$ (16,597,227)	\$ -	\$ (16,597,227)
-	(33,330,654)	-	(33,330,654)
1,509,391	(345,055)	-	(345,055)
(310,010)	(9,517,945)	-	(9,517,945)
191,139	(1,346,675)	-	(1,346,675)
-	(97,369)	-	(97,369)
-	(2,476,204)	-	(2,476,204)
557,055	493,370	-	493,370
586,297	(4,646,271)	-	(4,646,271)
-	(3,597,307)	-	(3,597,307)
-	(6,854,223)	-	(6,854,223)
<u>2,534,482</u>	<u>(78,315,560)</u>	<u>-</u>	<u>(78,315,560)</u>
311,000	-	739,571	739,571
415,000	-	6,040,961	6,040,961
9,315	-	626,839	626,839
18,312	-	819,168	819,168
-	-	(173,893)	(173,893)
<u>753,627</u>	<u>-</u>	<u>8,052,646</u>	<u>8,052,646</u>
<u>\$ 3,288,109</u>	<u>\$ (78,315,560)</u>	<u>\$ 8,052,646</u>	<u>\$ (70,262,914)</u>
	19,695,520	-	19,695,520
	36,251,161	-	36,251,161
	2,413,280	-	2,413,280
	2,538,442	-	2,538,442
	12,179,453	-	12,179,453
	13,603,437	-	13,603,437
	4,746,973	1,527,071	6,274,044
	3,095,353	-	3,095,353
	<u>70,062</u>	<u>(70,062)</u>	<u>-</u>
	<u>94,593,681</u>	<u>1,457,009</u>	<u>96,050,690</u>
	16,278,121	9,509,655	25,787,776
	<u>738,309,640</u>	<u>70,341,106</u>	<u>808,650,746</u>
	<u>\$ 754,587,761</u>	<u>\$ 79,850,761</u>	<u>\$ 834,438,522</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>
	<u>General Fund</u>	<u>Housing Authority</u>	<u>Community Project</u>
ASSETS			
Cash and cash investments	\$ 35,255,363	\$ 1,299,164	\$ -
Cash and cash investments with fiscal agents	-	-	-
Taxes receivable	3,429,331	-	252,035
Accounts receivable	2,553,375	-	-
Interest receivable	583,994	7,605	-
Intergovernmental receivable	-	-	-
Notes receivable	282,099	-	-
Intercity loans receivable	46,990,600	-	-
Land held for resale, net	-	-	-
Prepaid items	-	1,777,712	-
Deposits	16,740	-	-
Total assets	<u>\$ 89,111,502</u>	<u>\$ 3,084,481</u>	<u>\$ 252,035</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,313,791	\$ 61,433	\$ 7,658
Other accrued liabilities	2,404,676	81,281	-
Refundable deposits	2,021,799	487,090	-
Due to other funds	-	-	-
Deferred revenue	5,010,750	-	-
Intercity loans payable	-	-	-
Total liabilities	<u>16,751,016</u>	<u>629,804</u>	<u>7,658</u>
Fund balances			
Reserved for:			
Encumbrances	321,331	-	-
Property tax lawsuit	1,000,000	-	-
Building improvements	1,300,000	-	-
Intercity loans receivable	43,066,622	-	-
Continuing projects	1,173,793	-	-
Land held for resale	-	-	-
Contractual commitments	-	-	-
Debt service	-	-	244,377
Deposits	16,740	-	-
Unreserved, reported in:			
General fund	25,482,000	-	-
Special revenue funds	-	2,454,677	-
Debt service funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	<u>72,360,486</u>	<u>2,454,677</u>	<u>244,377</u>
Total liabilities and fund balances	<u>\$ 89,111,502</u>	<u>\$ 3,084,481</u>	<u>\$ 252,035</u>

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

Capital Projects Funds				
Community Project	Low Income Housing	2003 Tax Allocation	Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,183,371	\$ 4,309,660	\$ 2,709,574	\$ 26,840,653	\$ 83,597,785
-	-	4,437,820	14,775	4,452,595
-	63,324	-	359,770	4,104,460
30,512	-	-	444,271	3,028,158
153,621	36,156	2,332	184,391	968,099
-	-	-	4,649,141	4,649,141
10,105,074	3,361,480	-	8,142,641	21,891,294
-	3,875,783	-	-	50,866,383
19,508,628	7,568,192	-	-	27,076,820
-	-	-	-	1,777,712
2,000,000	-	-	2,762	2,019,502
<u>\$ 44,981,206</u>	<u>\$ 19,214,595</u>	<u>\$ 7,149,726</u>	<u>\$ 40,638,404</u>	<u>\$ 204,431,949</u>
\$ -	\$ -	\$ -	\$ 2,437,276	\$ 9,820,158
-	16,928	-	222,128	2,725,013
793,785	190	-	50,001	3,352,865
-	-	-	1,933,044	1,933,044
10,105,074	3,361,480	-	15,978,334	34,455,638
38,312,835	-	-	-	38,312,835
<u>49,211,694</u>	<u>3,378,598</u>	<u>-</u>	<u>20,620,783</u>	<u>90,599,553</u>
941	-	-	1,390,574	1,712,846
-	-	-	-	1,000,000
-	-	-	-	1,300,000
-	-	-	-	43,066,622
1,270,167	3,615,923	-	9,746,924	15,806,807
19,508,628	7,568,192	-	-	27,076,820
-	4,651,882	7,149,726	-	11,801,608
-	-	-	-	244,377
2,000,000	-	-	17,375	2,034,115
-	-	-	-	25,482,000
-	-	-	8,269,715	10,724,392
-	-	-	(8,090)	(8,090)
(27,010,224)	-	-	601,123	(26,409,101)
<u>(4,230,488)</u>	<u>15,835,997</u>	<u>7,149,726</u>	<u>20,017,621</u>	<u>113,832,396</u>
<u>\$ 44,981,206</u>	<u>\$ 19,214,595</u>	<u>\$ 7,149,726</u>	<u>\$ 40,638,404</u>	<u>\$ 204,431,949</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

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

Fund balances - total governmental funds	\$ 113,832,396
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	670,449,997
Certain notes and grants receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.	19,746,010
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:	44,683,107
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>(94,123,749)</u>
Net assets of governmental activities	<u><u>\$ 754,587,761</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, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
		<u>Housing Authority</u>	<u>Community Project</u>
REVENUES			
Taxes	\$ 64,607,758	\$ -	\$ 17,349,281
Licenses and permits	1,767,761	-	-
Fines, forfeits and penalties	2,512,093	-	-
Investment earnings	2,625,534	21,757	-
Charges for current services	6,896,868	-	-
From other agencies	783,322	25,132,612	-
Other revenues	2,502,978	5,096	-
Total revenues	<u>81,696,314</u>	<u>25,159,465</u>	<u>17,349,281</u>
EXPENDITURES			
Current:			
Fire	17,792,091	-	-
Police	37,894,881	-	-
Traffic safety	1,938,660	-	-
Public right of way	3,563,309	-	-
Community buildings	3,528,934	-	-
Community services	1,747,780	-	-
Parks and greenbelts	740,164	-	-
Community planning and development	3,798,041	22,665,005	-
Municipal support	5,895,999	17,017	98,988
Capital outlay:			
Fire	81,101	-	-
Police	28,929	-	-
Traffic safety	-	-	-
Public right of way	1,351,535	-	-
Drainage	-	-	-
Community buildings	62,818	-	-
Parks and greenbelts	6,999	-	-
Community planning and development	12,108	-	-
Municipal support	6,399	-	-
Loss on sale of land held for resale	-	-	-
Debt service:			
Principal retirement	866,560	-	1,625,000
Interest and other charges	185,931	-	2,743,919
Total expenditures	<u>79,502,239</u>	<u>22,682,022</u>	<u>4,467,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,194,075</u>	<u>2,477,443</u>	<u>12,881,374</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	2,385,781	-	3,570,181
Transfers out	(2,524,209)	(22,766)	(16,418,922)
Contribution to Housing Authority	-	-	-
Total other financing sources (uses)	<u>(138,428)</u>	<u>(22,766)</u>	<u>(12,848,741)</u>
Net change in fund balances	2,055,647	2,454,677	32,633
Fund balances, July 1	<u>70,304,839</u>	<u>-</u>	<u>211,744</u>
Fund balances, June 30	<u>\$ 72,360,486</u>	<u>2,454,677</u>	<u>\$ 244,377</u>

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

Capital Projects Funds				
Community Project	Low Income Housing	2003 Tax Allocation	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,435,696	\$ -	\$ 1,044,801	\$ 87,437,536
-	-	-	91,302	1,859,063
-	-	-	55,150	2,567,243
1,512,020	125,899	(131,010)	993,740	5,147,940
-	-	-	4,503,769	11,400,637
-	-	-	16,313,670	42,229,604
9,189	297,063	-	923,695	3,738,021
<u>1,521,209</u>	<u>4,858,658</u>	<u>(131,010)</u>	<u>23,926,127</u>	<u>154,380,044</u>
-	-	-	154,071	17,946,162
-	-	-	704,838	38,599,719
-	-	-	1,475,993	3,414,653
-	-	-	3,317,836	6,881,145
-	-	-	-	3,528,934
-	-	-	2,098,403	3,846,183
-	-	-	912,965	1,653,129
-	-	-	3,073,549	29,536,595
-	-	-	355,139	6,367,143
-	-	-	101,584	182,685
-	-	-	826,231	855,160
-	-	-	314,673	314,673
24,516	-	-	3,571,472	4,947,523
-	-	-	254,925	254,925
25,796	-	-	-	88,614
-	-	-	107,801	114,800
11,031,799	835,638	-	-	11,879,545
505,547	83,510	-	-	595,456
1,046,500	-	-	275,890	1,322,390
1,519,499	-	-	610,000	4,621,059
3,343,772	19,657	-	579,531	6,872,810
<u>17,497,429</u>	<u>938,805</u>	<u>-</u>	<u>18,734,901</u>	<u>143,823,303</u>
<u>(15,976,220)</u>	<u>3,919,853</u>	<u>(131,010)</u>	<u>5,191,226</u>	<u>10,556,741</u>
18,628,144	76,252	-	1,813,640	26,473,998
(3,819,586)	(90,721)	(3,020)	(3,371,846)	(26,251,070)
(358,500)	(3,437,583)	-	-	(3,796,083)
<u>14,450,058</u>	<u>(3,452,052)</u>	<u>(3,020)</u>	<u>(1,558,206)</u>	<u>(3,573,155)</u>
(1,526,162)	467,801	(134,030)	3,633,020	6,983,586
<u>(2,704,326)</u>	<u>15,368,196</u>	<u>7,283,756</u>	<u>16,384,601</u>	<u>106,848,810</u>
<u>\$ (4,230,488)</u>	<u>\$ 15,835,997</u>	<u>\$ 7,149,726</u>	<u>\$ 20,017,621</u>	<u>\$ 113,832,396</u>

**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, 2007**

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

Net change in fund balances - total governmental funds	\$ 6,983,586
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 depreciation exceeded capital expenditures in the current period.	(2,276,132)
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.	4,639,646
Certain prior year accrued expenses were reversed because they were recorded in the governmental funds in the current period.	600,000
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.	6,652,581
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>(321,560)</u>
Change in net assets of governmental activities	<u><u>\$ 16,278,121</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, 2007**

	Business-Type Activities	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 2,495,031	\$ 13,045,936
Cash and cash investments with fiscal agents	1,303,527	13,954,204
Taxes receivable	-	58,230
Accounts receivable	3,074,787	930,123
Interest receivable	34,661	96,184
Due from other funds	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Prepaid expense	-	-
Deposits	15,000	-
Total current assets	<u>7,673,006</u>	<u>28,084,677</u>
Noncurrent assets:		
Deferred issuance costs	253,989	285,319
Deferred refunding costs	611,179	-
Capital assets:		
Land	1,470,305	6,000
Construction in progress	-	1,848,766
Depreciable infrastructure, net	47,846,745	34,978,106
Depreciable equipment, net	64,641	17,155
Total noncurrent assets	<u>50,246,859</u>	<u>37,135,346</u>
Total assets	<u>57,919,865</u>	<u>65,220,023</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,309,926	638,473
Accrued interest payable	26,594	42,639
Other current liabilities	160,158	267,930
Refundable deposits	353,730	9,153
Due to other funds	-	-
Deferred revenue	-	-
Intercity loans payable	13,303,548	-
Current portion of long-term obligations	665,000	-
Total current liabilities	<u>16,818,956</u>	<u>958,195</u>
Noncurrent liabilities:		
Accrued compensated absences	-	-
Claims payable	-	-
Noncurrent portion of long-term obligations		
Revenue bonds payable	14,644,586	-
Certificates of participation payable	-	22,253,817
Total noncurrent liabilities	<u>14,644,586</u>	<u>22,253,817</u>
Total liabilities	<u>31,463,542</u>	<u>23,212,012</u>
NET ASSETS		
Invested in capital assets, net of related debt	34,072,105	28,195,283
Unrestricted	<u>(7,615,782)</u>	<u>13,812,728</u>
Total net assets	<u>\$ 26,456,323</u>	<u>\$ 42,008,011</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	Nonmajor RV Park	Total	Activities - Internal Service Funds
\$ 1,293,624	\$ 2,647,636	\$ 23,381	\$ 19,505,608	\$ 77,632,312
-	1,152,573	-	16,410,304	-
77,205	-	-	135,435	-
1,309,906	17,166	23,118	5,355,100	1,190,847
7,249	28,796	-	166,890	593,637
-	68,287	-	68,287	1,933,044
-	-	-	750,000	-
-	-	-	-	505,248
-	-	-	-	263,144
-	-	-	15,000	33,749
<u>2,687,984</u>	<u>3,914,458</u>	<u>46,499</u>	<u>42,406,624</u>	<u>82,151,981</u>
-	408,454	-	947,762	-
-	-	-	611,179	-
-	11,790,072	4,000,000	17,266,377	-
-	-	-	1,848,766	-
-	1,710	-	82,826,561	-
3,850	15,825	-	101,471	7,470,521
<u>3,850</u>	<u>12,216,061</u>	<u>4,000,000</u>	<u>103,602,116</u>	<u>7,470,521</u>
<u>2,691,834</u>	<u>16,130,519</u>	<u>4,046,499</u>	<u>146,008,740</u>	<u>89,622,502</u>
741,781	-	-	3,690,180	1,326,773
-	269,927	-	339,160	-
13,270	-	-	441,358	114,014
2,010	961	-	365,854	1,444
-	-	68,287	68,287	-
967,730	1,103	-	968,833	-
-	-	-	13,303,548	-
-	435,000	-	1,100,000	-
<u>1,724,791</u>	<u>706,991</u>	<u>68,287</u>	<u>20,277,220</u>	<u>1,442,231</u>
-	-	-	-	6,214,031
-	-	-	-	27,436,112
-	-	-	14,644,586	-
-	11,358,856	-	33,612,673	-
-	11,358,856	-	48,257,259	33,650,143
<u>1,724,791</u>	<u>12,065,847</u>	<u>68,287</u>	<u>68,534,479</u>	<u>35,092,374</u>
3,850	13,751	4,000,000	66,284,989	7,470,521
963,193	4,050,921	(21,788)	11,189,272	47,059,607
<u>\$ 967,043</u>	<u>\$ 4,064,672</u>	<u>\$ 3,978,212</u>	<u>77,474,261</u>	<u>\$ 54,530,128</u>
			2,376,500	
			<u>\$ 79,850,761</u>	

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business-Type Activities	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	20,197,000	-
Mobile home parks operation	-	-
Solid waste disposal fees	-	-
Property assessments	-	1,928,530
Sewer user fees	-	7,344,715
RV park operations	-	-
Other	39,876	35,254
Total operating revenues	<u>20,236,876</u>	<u>9,308,499</u>
Operating expenses:		
Salaries and wages	3,106,811	1,106,101
Contractual services	3,479,870	939,276
Liability claims	-	-
Materials and supplies	476,125	147,053
Water production expenses	10,858,385	-
Mobile home parks on-site operations	-	-
RV park on-site operations	-	-
Depreciation	1,792,135	881,766
Amortization	40,328	-
Total operating expenses	<u>19,753,654</u>	<u>3,074,196</u>
Operating income (loss)	<u>483,222</u>	<u>6,234,303</u>
Nonoperating revenues (expenses):		
Investment income	279,571	1,056,529
Gain on disposal of assets	-	-
Other nonoperating revenues	-	-
Interest expense	(644,163)	(1,023,341)
Total nonoperating revenues (expenses)	<u>(364,592)</u>	<u>33,188</u>
Income (loss) before contributions and transfers	118,630	6,267,491
Capital contributions	311,000	415,000
Transfers in/(out)	16,756	(9,416)
Change in net assets	446,386	6,673,075
Total net assets, July 1	<u>26,009,937</u>	<u>35,334,936</u>
Total net assets, June 30	<u>\$ 26,456,323</u>	<u>\$ 42,008,011</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 Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ -	\$ -	\$ -	\$ -	\$ 37,201,277
-	-	-	20,197,000	-
-	2,338,834	-	2,338,834	-
7,367,021	-	-	7,367,021	-
259,552	-	-	2,188,082	-
-	-	-	7,344,715	-
-	-	366,096	366,096	-
-	-	1,265	76,395	-
<u>7,626,573</u>	<u>2,338,834</u>	<u>367,361</u>	<u>39,878,143</u>	<u>37,201,277</u>
312,410	-	-	4,525,322	13,878,221
6,769,066	-	-	11,188,212	12,679,225
-	-	-	-	2,967,695
8,277	-	-	631,455	999,675
-	-	-	10,858,385	-
-	843,671	-	843,671	-
-	-	541,254	541,254	-
550	2,528	-	2,676,979	1,031,595
-	28,119	-	68,447	-
<u>7,090,303</u>	<u>874,318</u>	<u>541,254</u>	<u>31,333,725</u>	<u>31,556,411</u>
<u>536,270</u>	<u>1,464,516</u>	<u>(173,893)</u>	<u>8,544,418</u>	<u>5,644,866</u>
43,802	147,169	-	1,527,071	2,120,920
-	-	-	-	44,173
90,568	18,312	-	108,880	-
-	(663,660)	-	(2,331,164)	-
<u>134,370</u>	<u>(498,179)</u>	<u>-</u>	<u>(695,213)</u>	<u>2,165,093</u>
670,640	966,337	(173,893)	7,849,205	7,809,959
-	-	-	726,000	-
<u>(7,402)</u>	<u>(70,000)</u>	<u>-</u>	<u>(70,062)</u>	<u>(152,866)</u>
663,238	896,337	(173,893)	8,505,143	7,657,093
<u>303,805</u>	<u>3,168,335</u>	<u>4,152,105</u>		<u>46,873,035</u>
<u>\$ 967,043</u>	<u>\$ 4,064,672</u>	<u>\$ 3,978,212</u>		<u>\$ 54,530,128</u>
			<u>1,004,512</u>	
			<u>\$ 9,509,655</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 19,778,621	\$ 9,208,794
Payments to suppliers	(14,214,904)	(514,513)
Payments to employees	(3,102,533)	(1,106,101)
Internal activity-payments to/from other funds	-	-
Net cash provided by operating activities	<u>2,461,184</u>	<u>7,588,180</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers to other funds	<u>16,756</u>	<u>(9,416)</u>
Net cash provided (used) by noncapital financing activities	<u>16,756</u>	<u>(9,416)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Rental of city property	-	-
Purchases of capital assets	(1,487,301)	(9,108,867)
Proceeds from disposal of capital assets	-	-
Net bonds issued	-	-
Principal paid on capital debt	(645,000)	-
Interest paid on capital debt	(644,163)	(1,012,963)
Capital contribution	311,000	415,000
Net cash provided (used) by capital and related financing activities	<u>(2,465,464)</u>	<u>(9,706,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>279,571</u>	<u>1,056,529</u>
Net cash provided by investing activities	<u>279,571</u>	<u>1,056,529</u>
Net increase (decrease) in cash and cash equivalents	292,047	(1,071,537)
Cash and cash equivalents, July 1	<u>3,506,511</u>	<u>28,071,677</u>
Cash and cash equivalents, June 30	<u>\$ 3,798,558</u>	<u>\$ 27,000,140</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	Nonmajor RV Park	Total	
\$ 7,040,989 (6,915,787) (312,410) -	\$ 2,346,697 (967,187) -	\$ 471,618 (541,254) -	\$ 38,846,719 (23,153,645) (4,521,044) -	\$ 37,008,448 (16,639,754) (13,425,239) 4,649,337
<u>(187,208)</u>	<u>1,379,510</u>	<u>(69,636)</u>	<u>11,172,030</u>	<u>11,592,792</u>
<u>(7,402)</u>	<u>(70,000)</u>	<u>-</u>	<u>(70,062)</u>	<u>(152,866)</u>
<u>(7,402)</u>	<u>(70,000)</u>	<u>-</u>	<u>(70,062)</u>	<u>(152,866)</u>
90,568 - - - - -	18,312 (96,782) - - (410,000) (663,660) -	- - - - - -	108,880 (10,692,950) - - (1,055,000) (2,320,786) 726,000	- (2,085,161) 44,173 - - - -
<u>90,568</u>	<u>(1,152,130)</u>	<u>-</u>	<u>(13,233,856)</u>	<u>(2,040,988)</u>
<u>43,802</u>	<u>147,169</u>	<u>-</u>	<u>-</u>	<u>1,849,257</u>
<u>43,802</u>	<u>147,169</u>	<u>-</u>	<u>1,527,071</u>	<u>1,849,257</u>
(60,240)	304,549	(69,636)	(604,817)	11,248,195
<u>1,353,864</u>	<u>3,495,660</u>	<u>93,017</u>	<u>36,520,729</u>	<u>66,384,117</u>
<u>\$ 1,293,624</u>	<u>\$ 3,800,209</u>	<u>\$ 23,381</u>	<u>\$ 35,915,912</u>	<u>\$ 77,632,312</u>

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 483,222	\$ 6,234,303
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,792,135	881,766
Amortization expense	40,328	-
Decrease (increase) in taxes receivable	-	(14,734)
Decrease (increase) in accounts receivable	(439,906)	(34,154)
Decrease (increase) in accrued interest receivable	(18,349)	(50,891)
Decrease (increase) in notes receivable	-	-
Decrease (increase) in due to/from other funds	-	-
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Decrease (increase) in deposits	-	-
Increase (decrease) in accounts payable	568,293	518,974
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued interest payable	(537)	-
Increase (decrease) in other accrued liabilities	(11,754)	52,146
Increase (decrease) in refundable deposits	47,752	770
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in claims payable	-	-
Total adjustments	<u>1,977,962</u>	<u>1,353,877</u>
Net cash provided by operating activities	<u>\$ 2,461,184</u>	<u>\$ 7,588,180</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	Nonmajor RV Park	Total	
\$ 536,270	\$ 1,464,516	\$ (173,893)	\$ 8,544,418	\$ 5,644,866
550	2,528	-	2,676,979	1,031,595
-	28,119	-	68,447	-
(21,362)	-	-	(36,096)	-
(562,373)	(14,117)	35,970	(1,014,580)	(192,829)
(1,849)	(13,884)	-	(84,973)	-
-	104,151	-	104,151	-
-	(68,287)	68,287	-	4,649,337
-	-	-	-	(125,791)
-	-	-	-	(232,916)
-	-	-	-	(1,649)
(178,039)	-	-	909,228	(83,943)
-	-	-	-	452,982
-	(19,365)	-	(19,902)	-
3,003	-	-	43,395	9,577
-	-	-	48,522	1,444
36,592	(104,151)	-	(67,559)	-
-	-	-	-	440,119
(723,478)	(85,006)	104,257	2,627,612	5,947,926
\$ (187,208)	\$ 1,379,510	\$ (69,636)	\$ 11,172,030	\$ 11,592,792

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007**

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

Notes to Basic Financial Statements (Continued)

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

Notes to Basic Financial Statements (Continued)

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.

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.

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.

Notes to Basic Financial Statements (Continued)

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.

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.

Notes to Basic Financial Statements (Continued)

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 22, 2006	7% - 10%
December 14, 2006	10% - 15%
December 22, 2006	20% - 25%
January 24, 2007	10% - 15%
March 22, 2007	5% - 7%
April 20, 2007	15% - 20%
May 22, 2007	10% - 15%
July 17, 2007	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, 2007 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, 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.

Notes to Basic Financial Statements (Continued)

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 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.

Notes to Basic Financial Statements (Continued)

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	\$	408,893,994
Construction in progress		3,692,140
Depreciable infrastructure, net		221,023,846
Depreciable buildings and park assets, net		26,100,565
Depreciable equipment, net		10,739,452
	\$	<u>670,449,997</u>

Certain notes and grants receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.

Deferred revenue-beginning of year	\$	20,067,570
Note receivables not available to pay for current period expenditures		3,696,927
Grant receivables not available to pay for current period expenditures		(4,018,487)
	\$	<u>19,746,010</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	\$	45,501,047
Change in net assets		6,652,581
Capital assets investment		(7,470,521)
	\$	<u>44,683,107</u>

Notes to Basic Financial Statements (Continued)

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 \$94,123,749 adjustment are as follows:

Tax allocation refunding bonds	\$	(55,400,000)
Certificates of participation		(21,455,000)
Agreements payable		(13,414,185)
Lease purchases		(3,061,627)
Accrued interest payable		(1,281,507)
Deferred charge for issuance costs (to be amortized over life of debt)		1,622,756
Unamortized bonds premium		(1,134,186)
	\$	<u>(94,123,749)</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	\$	9,694,761
Current year governmental depreciation		(11,970,893)
	\$	<u>(2,276,132)</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 principal repayments:		
Tax allocation bonds	\$	1,625,000
Certificates of participation		440,000
Agreements payable		1,745,108
Lease purchase payments		810,951
Amortization of issuance costs		(68,890)
Amortization of premium		49,313
Change in accrued interest		38,164
Total long term debt adjustment	\$	<u>4,639,646</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.

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:

Fund	Type of Fund	Amount over Budget
Community Project	Debt service fund	\$ 101,638
Garden Grove Cable	Special revenue fund	86,423
Park Maintenance	Special revenue fund	157,305
Federal Employment Grants	Special revenue fund	81,160

The unbudgeted expenditures in Community Project debt service fund were funded by current year revenues, the Garden Grove Cable special revenue fund were funded by available fund balance, the Park Maintenance special revenue fund were funded by transfers from the General Fund, and the Federal Employment Grants special revenue fund were funded by current year revenues, available fund balance, and future revenues and transfers.

Notes to Basic Financial Statements (Continued)

3. Deficit fund equity

The following funds had a deficit at June 30, 2007:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Community Project	Capital projects fund	\$ 4,230,488
Federal Employment Grants	Special revenue fund	110
Other Grants and Contributions	Special revenue fund	168,024
Buena-Clinton Project	Debt service fund	8,090

All the deficits are expected to be eliminated with future revenues and transfers.

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.

Notes to Basic Financial Statements (Continued)

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 180,735,705
Cash and investments with fiscal agent	20,862,899
Total cash and investments	<u>\$ 201,598,604</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 45,469
Deposits with financial institutions	474,287
Investments	201,078,848
Total cash and investments	<u>\$ 201,598,604</u>

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	Percentage Of *Portfolio	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.

Notes to Basic Financial Statements (Continued)

Investments Authorized by Debt Agreements

Provisions of the debt agreements, rather than the City's investment policy govern investment of debt proceeds held by bond trustee. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**

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
Investment Contracts	30 years	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 monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 49,500,000	0.95
U.S. Agency Securities		
FHLB	59,250,000	1.21
FFCB	10,000,000	1.44
FNMA	39,000,000	1.97
Mortgage-backed Securities	10,464	0.50
Commercial Paper	3,712,615	0.00
Local Agency Investment Fund (LAIF)	18,742,870	0.50
Held by fiscal agent:		
Investment Contracts	15,083,513	0.50
Money Market Funds	5,779,386	0.50
Total	<u>\$ 201,078,848</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments (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):

Notes to Basic Financial Statements (Continued)

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.

\$19,000,000

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.

\$10,464

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:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	A-1/P-1/F1	Not Rated
U.S. Treasury	\$ 49,500,000	N/A	\$ 49,500,000	\$ -	\$ -	\$ -
U.S. Agency Securities						
FHLB	59,250,000	N/A	-	59,250,000	-	-
FFCB	10,000,000	N/A	-	10,000,000	-	-
FNMA	39,000,000	N/A	-	39,000,000	-	-
Local Agency Investment Fund	18,742,870	N/A	-	-	-	18,742,870
GNMA (mortgage backed securities)	10,464	N/A	10,464	-	-	-
Commercial Paper	3,712,615	A	-	-	3,712,615	-
Held by fiscal agent:						
Investment Contracts	15,083,513	AAA	-	15,083,513	-	-
Money Market Funds	5,779,386	AAA	-	5,779,386	-	-
Total	\$ 201,078,848		\$ 49,510,464	\$ 129,112,899	\$ 3,712,615	\$ 18,742,870

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	\$ 59,250,000
FNMA	U.S. Agency Securities	39,000,000
Held by fiscal agent: US Bank	Investment Contracts	15,083,513

Notes to Basic Financial Statements (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event 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 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:

<u>Governmental activities:</u>	General Fund	Housing Authority Special Revenue	Community Project Debt Service	Community Project Capital Projects	Low Income Housing Capital Projects
Taxes receivable	\$ 3,429,331	\$ -	\$ 252,035	\$ -	\$ 63,324
Accounts receivable	2,553,375	-	-	30,512	-
Interest receivable	583,994	7,605	-	153,621	36,156
Intergovernmental receivable	-	-	-	-	-
	<u>\$ 6,566,700</u>	<u>\$ 7,605</u>	<u>\$ 252,035</u>	<u>\$ 184,133</u>	<u>\$ 99,480</u>
	2003 Tax Allocation Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Governmental Activities Receivables	
Taxes receivable	\$ -	\$ 359,770	\$ -	\$ 4,104,460	
Accounts receivable	-	444,271	1,190,847	4,219,005	
Interest receivable	2,332	184,391	593,637	1,561,736	
Intergovernmental receivable	-	4,649,141	-	4,649,141	
	<u>\$ 2,332</u>	<u>\$ 5,637,573</u>	<u>\$ 1,784,484</u>	<u>\$ 14,534,342</u>	

Notes to Basic Financial Statements (Continued)

Business-type activities:

	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile Home Parks Enterprise	Nonmajor RV Park
Taxes receivable	\$ -	\$ 58,230	\$ 77,205	\$ -	\$ -
Accounts receivable	3,074,787	930,123	1,309,906	17,166	23,118
Interest receivable	34,661	96,184	7,249	28,796	-
	<u>\$ 3,109,448</u>	<u>\$ 1,084,537</u>	<u>\$ 1,394,360</u>	<u>\$ 45,962</u>	<u>\$ 23,118</u>
	Business-type Activities Receivables				
Taxes receivable	\$ 135,435				
Accounts receivable	5,355,100				
Interest receivable	166,890				
	<u>\$ 5,657,425</u>				

3. Intercity loans receivable/payable at June 30, 2007 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 \$7,175,791 to assist in funding the Agency's operating budget for the past five fiscal years. The loans accrue interest at a rate of 6.5% per annum. There is no set repayment schedule for these loans. Interest of \$201,369 has accrued, and the outstanding principal and interest balance is \$3,299,356 at June 30, 2007.

3,299,356

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.

4,038,661

Notes to Basic Financial Statements (Continued)

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. The Agency received additional advances of \$3,589,099, \$6,041,483, and \$2,342,049 during fiscal year end June 30, 2005, 2006 and 2007 respectively, which brings the total under this agreement to \$26,349,035 at June 30, 2007. Also during the year, the Agency made \$440,000 in principal and \$1,115,190 in interest payments.

26,349,035

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 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 three loans from the Low Income Housing Capital Project fund, that were used to make the fiscal year 2003-04 (\$912,172), 2004-05 (\$1,577,177), and 2005-06 (\$1,386,434) 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%, 2004-05 was 1.60%, and 2005-06 was 2.28%. Interest of \$20,508, \$24,837 and \$30,906 were accrued, and the combined outstanding principal and interest balance is \$3,875,783 at June 30, 2007. The loan is due in 10 years.

3,875,783

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$51,616,383

Notes to Basic Financial Statements (Continued)

4. Notes receivable at June 30, 2007 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.

\$482,451

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.

7,769,118

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.

1,601,654

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

Notes to Basic Financial Statements (Continued)

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. Revenue will be recognized when payments are received. 27,224

e. *Rental rehabilitation:*

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and Community Project capital projects fund holds seven 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 (\$3,361,480) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received. 3,586,107

f. *Rental rehabilitation –Other governmental funds:*

The City has entered into fifteen Housing Rehabilitation Agreements utilizing CDBG and 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 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. 8,142,641

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. 282,099

TOTAL NOTES RECEIVABLE \$21,891,294

Notes to Basic Financial Statements (Continued)

5. Inventories – Land held for resale

The Community Project capital projects fund and Low Income Housing capital projects fund's 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, which at June 30, 2007 is \$27,076,820, a net decrease of \$2.6 million from the prior fiscal year.

During fiscal year 2006-07, \$3.4 millions worth of land were transferred from the Garden Grove Agency for Community Development to the Garden Grove Housing Authority to foster the development of affordable housing units for low and very low income households in the City.

6. Capital assets

Capital asset activity for the year ended June 30, 2007 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	\$ 409,121,834	\$ -	\$ (227,840)	\$ 408,893,994
Construction in progress	<u>1,133,417</u>	<u>2,679,753</u>	<u>(121,030)</u>	<u>3,692,140</u>
Total capital assets, not being depreciated	<u>410,255,251</u>	<u>2,679,753</u>	<u>(348,870)</u>	<u>412,586,134</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	325,069,234	3,453,966	(745,216)	327,777,984
Storm drain assets	68,288,006	61,005	-	68,349,011
Buildings and park assets	37,481,665	4,025,177	-	41,506,842
Furniture and equipment	<u>24,918,421</u>	<u>1,961,401</u>	<u>(832,174)</u>	<u>26,047,648</u>
Total capital assets, being depreciated	<u>455,757,326</u>	<u>9,501,549</u>	<u>(1,577,390)</u>	<u>463,681,485</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(134,585,706)	(8,676,967)	745,216	(142,517,457)
Storm drain assets	(31,221,920)	(1,363,772)	-	(32,585,692)
Buildings and park assets	(14,330,402)	(1,075,875)	-	(15,406,277)
Furniture and equipment	<u>(14,201,986)</u>	<u>(1,885,896)</u>	<u>779,686</u>	<u>(15,308,196)</u>
Total accumulated depreciation	<u>(194,340,014)</u>	<u>(13,002,510)</u>	<u>1,524,902</u>	<u>(205,817,622)</u>
Total capital assets, being depreciated, net	<u>261,417,312</u>	<u>(3,500,961)</u>	<u>(52,488)</u>	<u>257,863,863</u>
Governmental activities capital assets, net	<u>\$ 671,672,563</u>	<u>\$ (821,208)</u>	<u>\$ (401,358)</u>	<u>\$ 670,449,997</u>

Notes to Basic Financial Statements (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 17,171,305	\$ 95,072	\$ -	\$ 17,266,377
Construction in progress	<u>3,293,529</u>	<u>1,848,765</u>	<u>(3,293,528)</u>	<u>1,848,766</u>
Total capital assets, not being depreciated	<u>20,464,834</u>	<u>1,943,837</u>	<u>(3,293,528)</u>	<u>19,115,143</u>
Capital assets, being depreciated:				
Buildings and structures	114,096	1,710	-	115,806
Water system	80,963,603	1,625,815	(119,952)	82,469,466
Sewer system	61,709,920	10,399,506	(300,000)	71,809,426
Machinery and equipment	<u>246,670</u>	<u>15,609</u>	<u>-</u>	<u>262,279</u>
Total capital assets, being depreciated:	<u>143,034,289</u>	<u>12,042,640</u>	<u>(419,952)</u>	<u>154,656,977</u>
Less accumulated depreciated for:				
Buildings and structures	(99,096)	-	-	(99,096)
Water system	(32,979,623)	(1,778,052)	119,952	(34,637,723)
Sewer system	(36,252,321)	(878,998)	300,000	(36,831,319)
Machinery and equipment	<u>(140,879)</u>	<u>(19,928)</u>	<u>-</u>	<u>(160,807)</u>
Total accumulated depreciation	<u>(69,471,919)</u>	<u>(2,676,978)</u>	<u>419,952</u>	<u>(71,728,945)</u>
Total capital assets, being depreciated, net	<u>73,562,370</u>	<u>9,365,662</u>	<u>-</u>	<u>82,928,032</u>
Business-type activities capital assets, net	<u>\$ 94,027,204</u>	<u>\$ 11,309,499</u>	<u>\$ (3,293,528)</u>	<u>\$ 102,043,175</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fire	\$ 410,486	\$ -
Police	1,103,512	-
Traffic safety	271,987	-
Right of way	8,720,948	-
Drainage	1,366,202	-
Community buildings	589,781	-
Community services	187,185	-
Parks and greenbelts	238,367	-
Community development	67,845	-
Municipal support	46,197	-
Water	-	1,792,134
Sewer	-	882,316
Mobile home park	<u>-</u>	<u>2,528</u>
Total	<u>\$ 13,002,510</u>	<u>\$ 2,676,978</u>

7. Interfund receivables, payables, and transfers

a. The composition of interfund payable balances as of June 30, 2007 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Mobile Home Parks	\$ 68,287	\$ -
Nonmajor governmental funds	-	1,933,044
Nonmajor enterprise fund	-	68,287
Internal service	<u>1,933,044</u>	<u>-</u>
Total	<u>\$ 2,001,331</u>	<u>\$ 2,001,331</u>

The interfund payable balances represent routine and temporary cash flow

Notes to Basic Financial Statements (Continued)

assistance from the 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, 2007 is as follows:

Transfers out:	Transfers In							Total
	General fund	Community Project capital projects fund	Low Income Housing capital projects	Community Project debt service fund	Water enterprise fund	Solid Waste enterprise fund	Nonmajor governmental	
General Fund	\$ -	\$ 2,205,542	\$ -	\$ -	\$ 9,470	\$ -	\$ 309,197	\$ 2,524,209
Community Projects capital project fund	176,173	-	76,252	3,567,161	-	-	-	3,819,586
Low Income Housing capital project fund	90,721	-	-	-	-	-	-	90,721
Community Projects debt service fund	-	16,418,922	-	-	-	-	-	16,418,922
Housing Authority special revenue fund	22,766	-	-	-	-	-	-	22,766
2003 Tax Allocation capital projects fund	-	-	-	3,020	-	-	-	3,020
Sewage enterprise fund	681	-	-	-	7,286	1,449	-	9,416
Solid Waste enterprise fund	8,851	-	-	-	-	-	-	8,851
Mobile Home Parks enterprise fund	70,000	-	-	-	-	-	-	70,000
Nonmajor governmental	1,863,876	3,527	-	-	-	-	1,504,443	3,371,846
Internal service funds	152,713	153	-	-	-	-	-	152,866
Total	\$ 2,385,781	\$ 18,628,144	\$ 76,252	\$ 3,570,181	\$ 16,756	\$ 1,449	\$ 1,813,640	\$ 26,492,203

- 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 and 2002 Capital Improvement Project debt service 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 Self-supporting Revenue special revenue fund, and the Parking District special revenue fund. And the General Fund received funding from the Golf Course special revenue fund and State Gas Tax special revenue fund.
- 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, 2007 is \$6,214,031.

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, 14 hours per month after 14 years, 17 hours per month after 19 years, and 21 hours per month after 24 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, 28 hours per

Notes to Basic Financial Statements (Continued)

month after 14 years, 31 hours per month after 19 years, and 35 hours per month after 24 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 \$4,295,724 at June 30, 2007.

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 50% for all unused hours up to 1000, police employees 50% of up to 1,000 unused hours, and management employees 50% 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 \$1,918,307 June 30, 2007.

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 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	\$ 3,937,309	\$ 3,804,631	\$ (3,446,216)	\$ 4,295,724	\$ 429,572
Sick leave	1,823,740	1,356,362	(1,261,795)	1,918,307	191,831
	<u>\$ 5,761,049</u>	<u>\$ 5,160,993</u>	<u>\$ (4,708,011)</u>	<u>\$ 6,214,031</u>	<u>\$ 621,403</u>

9. Deferred revenue

The deferred revenue in the General fund in the amount of \$5,010,750 represents \$804,673 due from the State of California for mandated cost reimbursements, \$3,923,978 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund (see Note 3b), and \$282,099 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 totaling \$1,430,337 that was recorded as deferred revenue in the Other Grants and Contributions and Street Rehabilitation special revenue funds.

The deferred revenue of \$967,730 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2007.

Notes to Basic Financial Statements (Continued)

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, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Tax allocation bonds	\$ 57,025,000	\$ -	\$ (1,625,000)	\$ 55,400,000	\$ 1,660,000
Certificates of participation	21,895,000	-	(440,000)	21,455,000	460,000
Agreements payable	15,159,293	-	(1,745,108)	13,414,185	2,291,205
Lease purchase	3,872,578	-	(810,951)	3,061,627	411,042
Governmental activities long-term liabilities	<u>\$ 97,951,871</u>	<u>\$ -</u>	<u>\$ (4,621,059)</u>	<u>\$ 93,330,812</u>	<u>\$ 4,822,247</u>
<u>Business-type activities</u>					
Water revenue bonds	\$ 15,775,000	\$ -	\$ (645,000)	\$ 15,130,000	\$ 665,000
Add: premium	190,150	-	(10,564)	179,586	-
Less: deferred amounts on refunding	(647,130)	-	35,951	(611,179)	-
Sewer Revenue COP	21,845,000	-	-	21,845,000	-
Add: premium	422,994	-	(14,177)	408,817	-
Certificates of participation	12,250,000	-	(410,000)	11,840,000	435,000
Less: deferred amounts for issuance discounts	(48,998)	-	2,854	(46,144)	-
Business-type activities long- term liabilities	<u>\$ 49,787,016</u>	<u>\$ -</u>	<u>\$ (1,040,936)</u>	<u>\$ 48,746,080</u>	<u>\$ 1,100,000</u>

b. Governmental long-term debt at June 30, 2007 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, 2007.

\$55,400,000

Notes to Basic Financial Statements (Continued)

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, 2007.

\$21,455,000

Agreements payable:

\$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.

\$9,010,000

\$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.

193,751

\$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.

712,030

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.	443,814
On July 15, 2005, the Agency for Community Development entered into an agreement in the amount of \$1,500,000, in accordance with an Option Agreement executed on May 5, 2003 for the purchase of the Travel County RV Park located on Harbor Boulevard in Garden Grove. The loan has an annual interest rate of 6% with interest payments of \$7,500 due monthly until July 1, 2008. No interest will accrue after July 1, 2008. The full agreement amount including interest is due on July 15, 2009.	<u>1,500,000</u>
<i>Total agreements payable</i>	<u>\$13,414,185</u>
<u>Lease purchases:</u>	
\$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.	\$1,724,889
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.	338,230
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.	<u>998,508</u>
<i>Total lease purchases</i>	<u>3,061,627</u>
TOTAL GOVERNMENTAL LONG TERM DEBT	<u>\$93,330,812</u>

Notes to Basic Financial Statements (Continued)

c. Proprietary long-term debt at June 30, 2007 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, 2007.

	\$15,130,000
Unamortized bond premium fees	179,586
Unamortized deferred refunding cost	<u>(611,179)</u>
Total revenue bonds payable	<u>\$14,698,407</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	\$ 20,236,876
Non-operating revenues	<u>279,571</u>
Gross revenue	20,516,447
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(17,921,191)</u>
Net revenues	<u>\$ 2,595,256</u>
Debt service requirement for next bond year: \$1,294,938 x 125%	<u>\$ 1,618,673</u>

Notes to Basic Financial Statements (Continued)

Revenue certificates of participation – Sewer enterprise fund:

Garden Grove Sanitation District Revenue Certificates of Participation in the amount of \$21,845,000 were issued on April 12, 2006. The Certificates were issued to (1) finance the rehabilitation, replacement and improvement of the wastewater collection system of the Garden Grove Sanitation District; (2) fund a reserve fund for the Certificates; and (3) pay certain costs of issuance. The Bonds are due in annual principal installments of \$440,000 to \$1,395,000 beginning June 15, 2010 through 2036. Interest rates range from 4.00% to 4.5% and is payable semiannually on June 15 and December 15. The total amount outstanding as of June 30, 2007 is \$21,845,000.

\$21,845,000

Unamortized bond premium fees

408,817

Total revenue certificates of participation

\$22,253,817

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, 2007.

\$11,840,000

Unamortized COP discount fee

(46,144)

Total certificates of participation

\$11,793,856

TOTAL PROPRIETARY LONG TERM DEBT

\$48,746,080

TOTAL LONG TERM DEBT

\$142,076,892

Notes to Basic Financial Statements (Continued)

d. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2007, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2008	\$ 1,660,000	\$ 2,698,088	\$ 4,358,088
2009	1,710,000	2,647,537	4,357,537
2010	1,765,000	2,577,762	4,342,762
2011	1,850,000	2,487,388	4,337,388
2012	1,945,000	2,402,238	4,347,238
2013-2017	11,060,000	10,583,450	21,643,450
2018-2022	14,250,000	7,284,662	21,534,662
2023-2027	12,785,000	3,833,125	16,618,125
2027-2029	8,375,000	1,046,875	9,421,875
Total	\$ 55,400,000	\$ 35,561,125	\$ 90,961,125

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
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	515,000	1,041,340	1,556,340
2012	540,000	1,019,452	1,559,452
2013-2017	3,080,000	4,707,089	7,787,089
2018-2022	3,980,000	3,807,762	7,787,762
2023-2027	5,190,000	2,587,313	7,777,313
2028-2032	6,720,000	1,067,281	7,787,281
Total	\$ 21,455,000	\$ 17,474,007	\$ 38,929,007

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2008	\$ 2,291,205	\$ 717,404	\$ 3,008,609
2009	2,291,549	590,781	2,882,330
2010	846,737	535,337	1,382,074
2011	902,268	483,217	1,385,485
2012	958,127	426,937	1,385,064
2013-2017	6,054,473	1,080,923	7,135,396
2018-2019	69,826	2,778	72,604
Total	\$ 13,414,185	\$ 3,837,377	\$ 17,251,562

Year Ending June 30	Lease Purchase Agreements		
	Principal	Interest	Total
2008	\$ 411,042	\$ 141,259	\$ 552,301
2009	432,142	122,694	554,836
2010	298,071	105,243	403,314
2011	301,690	90,241	391,931
2012	320,261	74,343	394,604
2013-2017	1,071,504	148,551	1,220,055
2018-2020	226,736	12,973	239,709
Total	\$ 3,061,446	\$ 695,304	\$ 3,756,750

Notes to Basic Financial Statements (Continued)

e. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2007, including interest payments, are as follows.

Year Ending June 30	2004 Water Revenue Bonds		
	Principal	Interest	Total
2008	\$ 665,000	\$ 629,938	\$ 1,294,938
2009	675,000	612,344	1,287,344
2010	695,000	592,638	1,287,638
2011	720,000	570,512	1,290,512
2012	740,000	544,937	1,284,937
2013-2017	4,160,000	2,241,775	6,401,775
2018-2022	5,130,000	1,236,256	6,366,256
2023-2024	2,345,000	116,875	2,461,875
Total	<u>\$ 15,130,000</u>	<u>\$ 6,545,275</u>	<u>\$ 21,675,275</u>

Year Ending June 30	2006 Sewer Revenue COP		
	Principal	Interest	Total
2008	\$ -	\$ 1,023,341	\$ 1,023,341
2009	-	1,023,341	1,023,341
2010	440,000	1,023,341	1,463,341
2011	460,000	1,005,741	1,465,741
2012	475,000	987,341	1,462,341
2013-2017	2,685,000	4,635,507	7,320,507
2018-2022	3,290,000	4,033,473	7,323,473
2023-2027	4,085,000	3,238,406	7,323,406
2028-2032	5,215,000	2,114,800	7,329,800
2033-2036	5,195,000	665,250	5,860,250
Total	<u>\$ 21,845,000</u>	<u>\$ 19,750,541</u>	<u>\$ 41,595,541</u>

Year Ending June 30	1993 Mobile Home Park Certificate of Participation		
	Principal	Interest	Total
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	510,000	580,990	1,090,990
2012	535,000	551,469	1,086,469
2013-2017	3,185,000	2,250,195	5,435,195
2018-2022	4,200,000	1,204,980	5,404,980
2023-2024	2,035,000	117,562	2,152,562
Total	<u>\$ 11,840,000</u>	<u>\$ 6,609,395</u>	<u>\$ 18,449,395</u>

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 represent 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 million, 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 million up to \$150 million per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$21,508,477 (\$4,798,997 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2007, 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 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, 2007, in the amount of \$5,927,635 (\$705,494 estimated to be due within one year), which has been included under other accrued liabilities in the Risk Management internal service fund.

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, 2007. 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, 2007 and June 30, 2006 are as follows:

Notes to Basic Financial Statements (Continued)

	2007	2006
Worker's Compensation		
Liability, July 1	\$ 19,179,355	\$ 15,976,957
Changes in estimates	6,899,595	8,958,399
Claim payments	(4,570,473)	(5,756,001)
Liability, June 30	<u>\$ 21,508,477</u>	<u>\$ 19,179,355</u>
Risk Management		
Liability, July 1	\$ 7,816,060	\$ 7,137,925
Changes in estimates	(1,216,526)	2,425,394
Claim payments	(671,899)	(1,747,259)
Liability, June 30	<u>\$ 5,927,635</u>	<u>\$ 7,816,060</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 8% of their annual covered salary for a 2.5% 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, 2007 was 12.79% for miscellaneous employees and 27.04% 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.

c. Annual pension cost

For the fiscal year ended June 30, 2007 the City of Garden Grove's annual pension cost of \$12,975,132 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2007 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

Notes to Basic Financial Statements (Continued)

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>
6/30/2005	\$ 9,801,968	100%	0
6/30/2006	\$ 12,736,475	100%	0
6/30/2007	\$ 12,975,132	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, 2006 to December 31, 2006, the City contributed \$64.60 per month for each retiree towards this benefit. Effective January 1, 2007, the City's contribution rate increased to \$80.80 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 202 have selected this option. At June 30, 2007, the total yearly cost to the City for this benefit was \$175,579 which represents 13% of the total yearly premium cost of \$1,390,618. The difference of \$1,215,040 was paid by the participating retirees.

The City also offered a Post Retirement Medical Premium Plan through the auspices of the Joint Powers Employee Benefit Authority. The plan was a deferred contribution plan. The City was neither a custodian nor a trustee of the plan. Under this Plan, employees could save, on a pre-tax basis through salary deductions, towards their post-retirement medical coverage premium costs for themselves and their dependants. Effective January 11, 2007, the City terminated this Post Retirement Medical Premium Plan, and the disposition of the accumulated assets is still under review.

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. 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, 2007, 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, 2007 was \$230,000.

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, 2007.

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, 2007 totaled \$883,009 in the Low Income Housing capital projects fund and \$50,379 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.



Required Supplemental Information

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**CITY OF GARDEN GROVE
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2007**

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>						
6/30/2003	\$ 116,222,583	\$ 113,360,222	\$ 2,862,361	97.5%	\$ 20,644,191	13.9%
6/30/2004	\$ 128,032,965	\$ 119,118,625	\$ 8,914,340	93.0%	\$ 19,674,850	45.3%
6/30/2005	\$ 136,799,895	\$ 126,201,770	\$ 10,598,125	92.3%	\$ 20,468,785	51.8%
<u>Safety Plan</u>						
6/30/2003	\$ 221,921,405	\$ 183,992,996	\$ 37,928,409	82.9%	\$ 19,781,758	191.7%
6/30/2004	\$ 233,514,147	\$ 194,193,698	\$ 39,320,449	83.2%	\$ 19,808,589	198.5%
6/30/2005	\$ 247,094,142	\$ 207,003,020	\$ 40,091,122	83.8%	\$ 19,781,301	202.7%

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ 70,304,839	\$ 70,304,839	\$ 70,304,839	\$ -
Resources:				
Taxes	60,095,295	60,095,295	64,607,758	4,512,463
Licenses and permits	1,507,600	1,507,600	1,767,761	260,161
Fines, forfeits and penalties	2,391,600	2,391,600	2,512,093	120,493
Investment earnings	1,297,000	1,297,000	2,625,534	1,328,534
Charges for current services	7,225,802	7,225,802	6,896,868	(328,934)
From other agencies	430,000	430,000	783,322	353,322
Other revenues	1,791,100	1,791,100	2,502,978	711,878
Transfers from other funds	600,000	600,000	2,385,781	1,785,781
Amounts available for appropriation:	<u>145,643,236</u>	<u>145,643,236</u>	<u>154,386,934</u>	<u>8,743,698</u>
Charges to appropriations:				
Current:				
Fire	18,516,417	18,516,417	17,792,091	724,326
Police	38,970,667	38,970,667	37,894,881	1,075,786
Traffic safety	1,584,878	1,584,878	1,938,660	(353,782)
Public right of way	3,969,363	3,985,613	3,563,309	422,304
Community buildings	3,843,890	3,843,890	3,528,934	314,956
Community services	1,759,389	1,759,389	1,747,780	11,609
Parks and greenbelts	825,713	825,713	740,164	85,549
Community planning and development	5,069,109	5,144,109	3,798,041	1,346,068
Municipal support	9,815,654	9,815,654	5,895,999	3,919,655
Capital outlay:				
Fire	81,101	81,101	81,101	-
Police	28,929	28,929	28,929	-
Public right of way	1,351,535	1,351,535	1,351,535	-
Community buildings	62,818	62,818	62,818	-
Parks and greenbelts	6,999	6,999	6,999	-
Community planning and development	12,108	12,108	12,108	-
Municipal support	6,399	6,399	6,399	-
Debt service:				
Principal retirement	866,560	866,560	866,560	-
Interest and other charges	185,931	185,931	185,931	-
Total charges to appropriation before other appropriations:	<u>86,957,460</u>	<u>87,048,710</u>	<u>79,502,239</u>	<u>7,546,471</u>
Other appropriations:				
Transfers to other funds	(1,705,473)	(1,705,473)	(2,524,209)	(818,736)
Total charges to appropriation:	<u>88,662,933</u>	<u>88,754,183</u>	<u>82,026,448</u>	<u>6,727,735</u>
Fund balance, June 30	<u>\$ 56,980,303</u>	<u>\$ 56,889,053</u>	<u>\$ 72,360,486</u>	<u>\$ 15,471,433</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, 2007**

	<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	-	21,757	21,757
From other agencies	24,660,748	25,132,612	471,864
Other revenues	-	5,096	5,096
Amounts available for appropriation	<u>24,660,748</u>	<u>25,159,465</u>	<u>498,717</u>
Charges to appropriations:			
Current:			
Community planning and development	24,624,998	22,665,005	1,959,993
Municipal support	<u>35,750</u>	<u>17,017</u>	<u>18,733</u>
Total charges to appropriations before other appropriations:	<u>24,660,748</u>	<u>22,682,022</u>	<u>1,978,726</u>
Other appropriations:			
Transfers to other funds	<u>-</u>	<u>(22,766)</u>	<u>(22,766)</u>
Total charges to appropriation:	<u>24,660,748</u>	<u>22,704,788</u>	<u>2,001,492</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ 2,454,677</u>	<u>\$ 2,454,677</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

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

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**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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 16,000,000	\$ 17,349,281	\$ 1,349,281
EXPENDITURES			
Current:			
Municipal support	-	98,988	(98,988)
Debt service:			
Principal retirement	1,625,000	1,625,000	-
Interest and other charges	2,741,269	2,743,919	(2,650)
Total expenditures	<u>4,366,269</u>	<u>4,467,907</u>	<u>(101,638)</u>
Excess of revenues over expenditures	<u>11,633,731</u>	<u>12,881,374</u>	<u>1,247,643</u>
OTHER FINANCING USES			
Transfers in	-	3,570,181	3,570,181
Transfers out	<u>(11,633,731)</u>	<u>(16,418,922)</u>	<u>(4,785,191)</u>
Total other financing sources (uses)	<u>(11,633,731)</u>	<u>(12,848,741)</u>	<u>(1,215,010)</u>
Net change in fund balance	-	32,633	32,633
Fund Balance, July 1	<u>211,744</u>	<u>211,744</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 211,744</u>	<u>\$ 244,377</u>	<u>\$ 32,633</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, 2007**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ 1,321,400	\$ 1,321,400	\$ 1,512,020	\$ 190,620
Other revenues	<u>1,190,000</u>	<u>1,190,000</u>	<u>9,189</u>	<u>(1,180,811)</u>
Total revenues	<u>2,511,400</u>	<u>2,511,400</u>	<u>1,521,209</u>	<u>(990,191)</u>
EXPENDITURES				
Capital outlay:				
Public right of way	46,234	46,234	24,516	21,718
Community buildings	42,625	42,625	25,796	16,829
Community planning and development	14,302,444	17,711,064	11,031,799	6,679,265
Municipal support	515,928	515,928	505,547	10,381
Loss on sale of land held for resale	1,046,500	1,046,500	1,046,500	-
Debt service:				
Principal retirement	1,519,499	1,519,499	1,519,499	-
Interest and other charges	<u>3,343,772</u>	<u>3,343,772</u>	<u>3,343,772</u>	<u>-</u>
Total expenditures	<u>20,817,002</u>	<u>24,225,622</u>	<u>17,497,429</u>	<u>6,728,193</u>
Deficiency of revenues under expenditures	<u>(18,305,602)</u>	<u>(21,714,222)</u>	<u>(15,976,220)</u>	<u>5,738,002</u>
OTHER FINANCING SOURCES				
Transfers in	13,129,026	13,129,026	18,628,144	5,499,118
Transfers out	-	-	(3,819,586)	(3,819,586)
Contribution to Housing Authority	<u>(358,500)</u>	<u>(358,500)</u>	<u>(358,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>12,770,526</u>	<u>12,770,526</u>	<u>14,450,058</u>	<u>1,679,532</u>
Net change in fund balance	(5,535,076)	(8,943,696)	(1,526,162)	7,417,534
Fund balance, July 1	<u>(2,704,326)</u>	<u>(2,704,326)</u>	<u>(2,704,326)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (8,239,402)</u></u>	<u><u>\$ (11,648,022)</u></u>	<u><u>\$ (4,230,488)</u></u>	<u><u>\$ 7,417,534</u></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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 4,125,000	\$ 4,435,696	\$ 310,696
Investment earnings	30,000	125,899	95,899
Other revenues	<u>470,000</u>	<u>297,063</u>	<u>(172,937)</u>
Total revenues	<u>4,625,000</u>	<u>4,858,658</u>	<u>233,658</u>
EXPENDITURES			
Capital outlay:			
Community planning and development	6,355,347	835,638	5,519,709
Municipal support	322,712	83,510	239,202
Debt service:			
Interest and other charges	<u>19,657</u>	<u>19,657</u>	<u>-</u>
Total expenditures	<u>6,697,716</u>	<u>938,805</u>	<u>5,758,911</u>
Excess/(deficiency) of revenues over expenditures	<u>(2,072,716)</u>	<u>3,919,853</u>	<u>5,992,569</u>
OTHER FINANCING SOURCES			
Transfers in	-	76,252	76,252
Transfers out	-	(90,721)	(90,721)
Contribution to Housing Authority	<u>(3,437,583)</u>	<u>(3,437,583)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,437,583)</u>	<u>(3,452,052)</u>	<u>(14,469)</u>
Net change in fund balance	(5,510,299)	467,801	5,978,100
Fund balance, July 1	<u>15,368,196</u>	<u>15,368,196</u>	<u>-</u>
Fund balance, June 30	<u>\$ 9,857,897</u>	<u>\$ 15,835,997</u>	<u>\$ 5,978,100</u>

**CITY OF GARDEN GROVE
2003 TAX ALLOCATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ (131,010)	\$ (131,010)
OTHER FINANCING SOURCES			
Transfers out	-	(3,020)	(3,020)
Net change in fund balance	-	(134,030)	(134,030)
Fund balance, July 1	<u>7,283,756</u>	<u>7,283,756</u>	<u>-</u>
Fund balance, June 30	<u>\$ 7,283,756</u>	<u>\$ 7,149,726</u>	<u>\$ (134,030)</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.

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.

SPECIAL REVENUE FUNDS (continued)

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

2002 Capital Improvement Project Fund

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

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 FUND

Buena-Clinton Project Fund

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

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 2,488,646	\$ 2,764,373	\$ 1,199,090	\$ 101,607
Cash and cash investments with fisc.	-	-	-	-
Taxes receivable	51,903	282,952	-	-
Accounts receivable	-	-	2,104	-
Interest receivable	20,951	25,368	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable	-	-	-	-
Land held for resale, net	-	-	-	-
Deposits	2,600	-	-	-
Total assets	<u>\$ 2,564,100</u>	<u>\$ 3,072,693</u>	<u>\$ 1,201,194</u>	<u>\$ 101,607</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 56,996	\$ 10,600	\$ -	\$ 16,663
Other accrued liabilities	6,417	85,976	-	36,747
Refundable deposits	-	-	-	48,197
Due to other funds	-	-	-	-
Deferred revenue	-	-	11,785	-
Total liabilities	<u>63,413</u>	<u>96,576</u>	<u>11,785</u>	<u>101,607</u>
Fund balances:				
Reserved for:				
Encumbrances	530,852	-	-	3,900
Continuing projects	790,273	2,854,344	-	-
Deposits	2,600	-	-	-
Unreserved	1,176,962	121,773	1,189,409	(3,900)
Total fund balances	<u>2,500,687</u>	<u>2,976,117</u>	<u>1,189,409</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,564,100</u>	<u>\$ 3,072,693</u>	<u>\$ 1,201,194</u>	<u>\$ 101,607</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 7,455,252	\$ 85,973	\$ 941,878	\$ -	\$ 173,494	\$ 380,483
-	-	-	-	-	-
-	-	15,729	7,898	25	-
-	28,777	1,605	-	-	53,562
63,647	890	-	-	1,497	2,631
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	162
<u>\$ 7,518,899</u>	<u>\$ 115,640</u>	<u>\$ 959,212</u>	<u>\$ 7,898</u>	<u>\$ 175,016</u>	<u>\$ 436,838</u>
\$ 27,505	\$ 36,360	\$ 88,180	\$ 7,125	\$ 1,003	\$ 1,453
76,604	3,190	6,960	715	-	891
425	-	-	-	-	-
-	-	-	58	-	88,080
-	-	-	-	-	52,700
<u>104,534</u>	<u>39,550</u>	<u>95,140</u>	<u>7,898</u>	<u>1,003</u>	<u>143,124</u>
-	-	-	-	-	-
1,750,267	-	172,634	-	-	71,806
-	-	-	-	-	-
5,664,098	76,090	691,438	-	174,013	221,908
<u>7,414,365</u>	<u>76,090</u>	<u>864,072</u>	<u>-</u>	<u>174,013</u>	<u>293,714</u>
<u>\$ 7,518,899</u>	<u>\$ 115,640</u>	<u>\$ 959,212</u>	<u>\$ 7,898</u>	<u>\$ 175,016</u>	<u>\$ 436,838</u>

Continued

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2006**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
ASSETS			
Cash and investments	\$ 1,176	\$ 1,183,114	\$ 491,759
Cash and cash investments with fiscal agents	-	-	-
Taxes receivable	-	-	-
Accounts receivable	-	-	7,414
Interest receivable	-	447	1,013
Intergovernmental receivable	-	1,487,604	18,532
Notes receivable	-	675,588	7,467,053
Land held for resale, net	-	-	-
Deposits	-	-	-
Total assets	<u>\$ 1,176</u>	<u>\$ 3,346,753</u>	<u>\$ 7,985,771</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 895,641	\$ 746
Other accrued liabilities	-	(18,382)	1,884
Refundable deposits	-	1,379	-
Due to other funds	110	1,205,802	-
Deferred revenue	1,176	1,430,337	7,467,053
Total liabilities	<u>1,286</u>	<u>3,514,777</u>	<u>7,469,683</u>
Fund balances:			
Reserved for:			
Encumbrances	-	37,942	-
Continuing projects	-	-	516,088
Deposits	-	-	-
Unreserved	(110)	(205,966)	-
Total fund balances	<u>(110)</u>	<u>(168,024)</u>	<u>516,088</u>
Total liabilities and fund balances	<u>\$ 1,176</u>	<u>\$ 3,346,753</u>	<u>\$ 7,985,771</u>

Special Revenue Fund	Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Street Rehabilitation	2002 Capital Improvement Project	Buena-Clinton Project	Buena-Clinton Project	
\$ 8,971,945	\$ -	\$ -	\$ 601,863	\$ 26,840,653
-	14,775	-	-	14,775
-	-	1,263	-	359,770
350,809	-	-	-	444,271
62,592	-	-	5,355	184,391
3,143,005	-	-	-	4,649,141
-	-	-	-	8,142,641
-	-	-	-	-
-	-	-	-	2,762
<u>\$ 12,528,351</u>	<u>\$ 14,775</u>	<u>\$ 1,263</u>	<u>\$ 607,218</u>	<u>\$ 40,638,404</u>
\$ 443,556		\$ 9,353	\$ 6,095	\$ 1,601,276
21,126	-	-	-	222,128
-	-	-	-	50,001
638,994	-	-	-	1,933,044
7,015,283	-	-	-	15,978,334
<u>8,118,959</u>	<u>-</u>	<u>9,353</u>	<u>6,095</u>	<u>19,784,783</u>
817,880	-	-	-	1,390,574
3,591,512	-	-	-	9,746,924
-	14,775	-	-	17,375
-	-	(8,090)	601,123	9,698,748
<u>4,409,392</u>	<u>14,775</u>	<u>(8,090)</u>	<u>601,123</u>	<u>20,853,621</u>
<u>\$ 12,528,351</u>	<u>\$ 14,775</u>	<u>\$ 1,263</u>	<u>\$ 607,218</u>	<u>\$ 40,638,404</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 651,299	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	55,150	-	-	-
Investment earnings	106,413	119,860	-	-
Charges for current services	37,000	-	607,396	599,677
From other agencies	334,836	3,097,680	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,184,698</u>	<u>3,217,540</u>	<u>607,396</u>	<u>599,677</u>
EXPENDITURES:				
Current:				
Fire	68,056	-	-	-
Police	149,553	-	-	-
Traffic safety	-	209,314	-	-
Public right of way	-	1,667,617	-	-
Community services	-	-	-	708,672
Parks and greenbelts	-	-	43,678	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	32,136	-	-	-
Police	615,483	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	26,935	-	-
Drainage	-	62,700	-	-
Parks and greenbelts	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>865,228</u>	<u>1,966,566</u>	<u>43,678</u>	<u>708,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,470</u>	<u>1,250,974</u>	<u>563,718</u>	<u>(108,995)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	53,764	-	138,950
Transfers out	(170,879)	(417,051)	(500,000)	-
Loss on sale of capital asset	-	-	-	-
Total other financing sources (uses)	<u>(170,879)</u>	<u>(363,287)</u>	<u>(500,000)</u>	<u>138,950</u>
Net change in fund balances	148,591	887,687	63,718	29,955
Fund balances, July 1	<u>2,352,096</u>	<u>2,088,430</u>	<u>1,125,691</u>	<u>(29,955)</u>
Fund balances, June 30	<u><u>\$ 2,500,687</u></u>	<u><u>\$ 2,976,117</u></u>	<u><u>\$ 1,189,409</u></u>	<u><u>\$ -</u></u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91,302	-	-	-	-	-
-	-	-	-	-	-
287,645	11,969	-	-	7,940	14,934
2,069,164	-	1,306,572	692,473	27,487	-
-	-	-	-	-	207,185
-	113,672	-	-	-	2,876
<u>2,448,111</u>	<u>125,641</u>	<u>1,306,572</u>	<u>692,473</u>	<u>35,427</u>	<u>224,995</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,266,679	-	-	-
-	-	22,058	-	47,601	-
-	470,487	-	-	-	-
11,982	-	-	857,305	-	-
126,299	-	-	-	-	-
-	-	28,735	-	-	326,404
-	-	-	-	-	-
-	-	-	-	-	-
369,279	-	48,779	-	-	-
3,831	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>511,391</u>	<u>470,487</u>	<u>1,366,251</u>	<u>857,305</u>	<u>47,601</u>	<u>326,404</u>
<u>1,936,720</u>	<u>(344,846)</u>	<u>(59,679)</u>	<u>(164,832)</u>	<u>(12,174)</u>	<u>(101,409)</u>
358	-	-	164,832	-	-
(51,309)	-	-	-	-	-
-	-	-	-	-	-
<u>(50,951)</u>	<u>-</u>	<u>-</u>	<u>164,832</u>	<u>-</u>	<u>-</u>
1,885,769	(344,846)	(59,679)	-	(12,174)	(101,409)
<u>5,528,596</u>	<u>420,936</u>	<u>923,751</u>	<u>-</u>	<u>186,187</u>	<u>395,123</u>
<u>\$ 7,414,365</u>	<u>\$ 76,090</u>	<u>\$ 864,072</u>	<u>\$ -</u>	<u>\$ 174,013</u>	<u>\$ 293,714</u>

**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, 2006**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines, forfeits and penalties	-	-	-
Investment earnings	-	47,656	2,593
Charges for current services	-	-	-
From other agencies	81,050	8,362,774	1,412,188
Other revenues	-	115,000	535,744
Total revenues	<u>81,050</u>	<u>8,525,430</u>	<u>1,950,525</u>
EXPENDITURES:			
Current:			
Fire	-	86,015	-
Police	-	412,487	-
Traffic safety	-	(140,740)	-
Public right of way	-	1,580,560	-
Community services	81,160	574,396	-
Parks and greenbelts	-	-	-
Community planning and development	-	1,439,040	1,465,250
Municipal support	-	-	-
Capital outlay:			
Fire	-	69,448	-
Police	-	210,748	-
Traffic safety	-	-	-
Public right of way	-	-	-
Drainage	-	188,394	-
Parks and greenbelts	-	107,801	-
Debt service:			
Principal retirement	-	610,000	-
Interest and other charges	-	579,531	-
Total expenditures	<u>81,160</u>	<u>5,717,680</u>	<u>1,465,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(110)</u>	<u>2,807,750</u>	<u>485,275</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	28,219	-
Transfers out	(2,622)	(17,346)	-
Loss on sale of capital asset	-	-	-
Total other financing sources (uses)	<u>(2,622)</u>	<u>10,873</u>	<u>-</u>
Net change in fund balances	(2,732)	2,818,623	485,275
Fund balances, July 1	<u>2,622</u>	<u>(2,986,647)</u>	<u>30,813</u>
Fund balances, June 30	<u>\$ (110)</u>	<u>\$ (168,024)</u>	<u>\$ 516,088</u>

Special Revenue Fund	Debt-Service Funds		Capital Projects Funds	Total Nonmajor Governmental Funds
Street Rehabilitation	2002 Capital Improvement Project	Buena-Clinton Project	Buena-Clinton Project	
\$ -	\$ -	\$ 393,502	\$ -	\$ 1,044,801
-	-	-	-	91,302
-	-	-	-	55,150
331,376	38,918	-	24,436	993,740
-	-	-	-	5,339,769
2,817,957	-	-	-	16,313,670
4,000	-	-	11,663	782,955
<u>3,153,333</u>	<u>38,918</u>	<u>393,502</u>	<u>36,099</u>	<u>24,621,387</u>
-	-	-	-	154,071
-	-	-	142,798	704,838
-	-	-	-	1,335,253
-	-	-	-	3,317,836
-	-	-	263,688	2,098,403
-	-	-	-	912,965
-	-	-	42,960	3,073,549
-	-	-	-	355,139
-	-	-	-	101,584
-	-	-	-	826,231
265,894	-	-	-	314,673
3,175,258	-	-	-	3,571,472
-	-	-	-	254,925
-	-	-	-	107,801
-	-	-	-	610,000
-	-	-	-	579,531
<u>3,441,152</u>	<u>-</u>	<u>-</u>	<u>449,446</u>	<u>18,318,271</u>
<u>(287,819)</u>	<u>38,918</u>	<u>393,502</u>	<u>(413,347)</u>	<u>6,303,116</u>
-	-	512,171	915,346	1,813,640
-	(785,122)	(915,345)	(512,172)	(3,371,846)
-	-	-	(275,890)	(275,890)
<u>-</u>	<u>(785,122)</u>	<u>(403,174)</u>	<u>127,284</u>	<u>(1,834,096)</u>
(287,819)	(746,204)	(9,672)	(286,063)	4,469,020
<u>4,697,211</u>	<u>760,979</u>	<u>1,582</u>	<u>887,186</u>	<u>16,384,601</u>
<u>\$ 4,409,392</u>	<u>\$ 14,775</u>	<u>\$ (8,090)</u>	<u>\$ 601,123</u>	<u>\$ 20,853,621</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, 2007**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 567,000	\$ 651,299	\$ 84,299
Fines, forfeits and penalties	20,000	55,150	35,150
Investment earnings	33,000	106,413	73,413
Charges for current services	120,000	37,000	(83,000)
From other agencies	254,000	334,836	80,836
Total revenues	<u>994,000</u>	<u>1,184,698</u>	<u>190,698</u>
EXPENDITURES:			
Current:			
Fire	113,202	68,056	45,146
Police	1,690,633	149,553	1,541,080
Capital outlay:			
Fire	32,136	32,136	-
Police	1,117,604	615,483	502,121
Total expenditures	<u>2,953,575</u>	<u>865,228</u>	<u>2,088,347</u>
Excess (deficiency) of revenues over (under) expenditures	(1,959,575)	319,470	2,279,045
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(170,879)</u>	<u>(170,879)</u>
Net change in fund balance	(1,959,575)	148,591	2,108,166
Fund balance, July 1	<u>2,352,096</u>	<u>2,352,096</u>	<u>-</u>
Fund balance, June 30	<u>\$ 392,521</u>	<u>\$ 2,500,687</u>	<u>\$ 2,108,166</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 82,000	\$ 119,860	\$ 37,860
From other agencies	<u>3,218,000</u>	<u>3,097,680</u>	<u>(120,320)</u>
Total revenues	<u>3,300,000</u>	<u>3,217,540</u>	<u>(82,460)</u>
EXPENDITURES:			
Current:			
Traffic safety	228,845	209,314	19,531
Public right of way	1,921,155	1,667,617	253,538
Capital outlay:			
Traffic safety	56,595	-	56,595
Public right of way	2,709,035	26,935	2,682,100
Drainage	<u>122,350</u>	<u>62,700</u>	<u>59,650</u>
Total expenditures	<u>5,037,980</u>	<u>1,966,566</u>	<u>3,071,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,737,980)</u>	<u>1,250,974</u>	<u>2,988,954</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	53,764	53,764
Transfers out	<u>-</u>	<u>(417,051)</u>	<u>(417,051)</u>
Total other financing sources (uses)	<u>-</u>	<u>(363,287)</u>	<u>(363,287)</u>
Net change in fund balance	(1,737,980)	887,687	2,625,667
Fund balance, July 1	<u>2,088,430</u>	<u>2,088,430</u>	<u>-</u>
Fund balance, June 30	<u>\$ 350,450</u>	<u>\$ 2,976,117</u>	<u>\$ 2,625,667</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 650,000	\$ 607,396	\$ (42,604)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>68,550</u>	<u>43,678</u>	<u>24,872</u>
Excess of revenues over expenditures	581,450	563,718	(17,732)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance	81,450	63,718	(17,732)
Fund balance, July 1	<u>1,125,691</u>	<u>1,125,691</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,207,141</u>	<u>\$ 1,189,409</u>	<u>\$ (17,732)</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 600,000	\$ 599,677	\$ (323)
EXPENDITURES:			
Current:			
Community services	<u>758,178</u>	<u>708,672</u>	<u>49,506</u>
(Deficiency) of revenues under expenditures	(158,178)	(108,995)	49,183
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>210,178</u>	<u>138,950</u>	<u>(71,228)</u>
Net change in fund balance	52,000	29,955	(22,045)
Fund balance, July 1	<u>(29,955)</u>	<u>(29,955)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 22,045</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (22,045)</u></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, 2007**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 43,000	\$ 91,302	\$ 48,302
Investment earnings	94,000	287,645	193,645
Charges for current services	<u>388,000</u>	<u>1,233,164</u>	<u>845,164</u>
Total revenues	<u>525,000</u>	<u>1,612,111</u>	<u>1,087,111</u>
EXPENDITURES:			
Current:			
Community services	6,000	-	6,000
Parks and greenbelts	51,000	11,982	39,018
Community planning and development	140,109	126,299	13,810
Capital outlay:			
Traffic safety	892,295	-	892,295
Public right of way	342,465	369,279	(26,814)
Drainage	309,612	3,831	305,781
Parks and greenbelts	<u>599,661</u>	<u>-</u>	<u>599,661</u>
Total expenditures	<u>2,341,142</u>	<u>511,391</u>	<u>1,829,751</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,816,142)</u>	<u>1,100,720</u>	<u>2,916,862</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	358	358
Transfers out	<u>-</u>	<u>(51,309)</u>	<u>(51,309)</u>
Total other financing sources (uses)	<u>-</u>	<u>(50,951)</u>	<u>(50,951)</u>
Net change in fund balance	(1,816,142)	1,049,769	2,865,911
Fund balance, July 1	<u>5,528,596</u>	<u>5,528,596</u>	<u>-</u>
Fund balance, June 30	<u>\$ 3,712,454</u>	<u>\$ 6,578,365</u>	<u>\$ 2,865,911</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 6,500	\$ 11,969	\$ 5,469
Other revenues	<u>105,000</u>	<u>113,672</u>	<u>8,672</u>
Total revenues	<u>111,500</u>	<u>125,641</u>	<u>14,141</u>
EXPENDITURES:			
Current:			
Community buildings	5,000	-	5,000
Community services	<u>379,064</u>	<u>470,487</u>	<u>(91,423)</u>
Total expenditures	<u>384,064</u>	<u>470,487</u>	<u>(86,423)</u>
Net change in fund balance	(272,564)	(344,846)	(72,282)
Fund balance, July 1	<u>420,936</u>	<u>420,936</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 148,372</u></u>	<u><u>\$ 76,090</u></u>	<u><u>\$ (72,282)</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 1,307,374	\$ 1,306,572	\$ (802)
EXPENDITURES:			
Current:			
Traffic safety	1,423,976	1,266,679	157,297
Public right of way	20,533	22,058	(1,525)
Municipal support	23,927	28,735	(4,808)
Capital outlay:			
Traffic safety	221,413	48,779	172,634
Total expenditures	<u>1,689,849</u>	<u>1,366,251</u>	<u>323,598</u>
Net change in fund balance	(382,475)	(59,679)	322,796
Fund balance, July 1	<u>923,751</u>	<u>923,751</u>	<u>-</u>
Fund balance, June 30	<u>\$ 541,276</u>	<u>\$ 864,072</u>	<u>\$ 322,796</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, 2007**

	<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	\$ 692,473	\$ (7,527)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>700,000</u>	<u>857,305</u>	<u>(157,305)</u>
(Deficiency) of revenues under expenditures	-	(164,832)	(164,832)
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>164,832</u>	<u>164,832</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 5,565	\$ 7,940	\$ 2,375
Charges for current services	<u>27,501</u>	<u>27,487</u>	<u>(14)</u>
Total revenues	33,066	35,427	2,361
EXPENDITURES:			
Current:			
Public right of way	<u>48,993</u>	<u>47,601</u>	<u>1,392</u>
Net change in fund balance	(15,927)	(12,174)	3,753
Fund balance, July 1	<u>186,187</u>	<u>186,187</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 170,260</u></u>	<u><u>\$ 174,013</u></u>	<u><u>\$ 3,753</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 2,000	\$ 14,934	\$ 12,934
From other agencies	258,485	207,185	(51,300)
Other revenues	<u>-</u>	<u>2,876</u>	<u>2,876</u>
Total revenues	<u>260,485</u>	<u>224,995</u>	<u>(35,490)</u>
EXPENDITURES:			
Current:			
Community planning and development	18,899	-	18,899
Municipal support	<u>398,209</u>	<u>326,404</u>	<u>71,805</u>
Total expenditures	<u>417,108</u>	<u>326,404</u>	<u>90,704</u>
Net change in fund balance	(156,623)	(101,409)	55,214
Fund balance, July 1	<u>395,123</u>	<u>395,123</u>	<u>-</u>
Fund balance, June 30	<u>\$ 238,500</u>	<u>\$ 293,714</u>	<u>\$ 55,214</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
From other agencies	\$ -	\$ 81,050	\$ 81,050
EXPENDITURES:			
Current:			
Community services	-	81,160	(81,160)
Excess (deficiency) of revenues over (under) expenditures	-	(110)	(110)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(2,622)	(2,622)
Net change in fund balance	-	(2,732)	(2,732)
Fund balance, July 1	<u>2,622</u>	<u>2,622</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,622</u>	<u>\$ (110)</u>	<u>\$ (2,732)</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, 2007**

	<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	\$ -	\$ -	\$ 47,656	\$ 47,656
From other agencies	10,996,707	12,570,372	8,362,774	(4,207,598)
Other revenues	-	-	255,740	255,740
Total revenues	<u>10,996,707</u>	<u>12,570,372</u>	<u>8,666,170</u>	<u>(3,904,202)</u>
EXPENDITURES:				
Current:				
Fire	80,192	216,384	86,015	130,369
Police	904,724	1,151,460	412,487	738,973
Traffic safety	1,000	1,000	-	1,000
Public right of way	1,706,083	2,896,820	1,580,560	1,316,260
Community services	684,280	684,280	574,396	109,884
Community planning and development	1,860,363	1,860,363	1,439,040	421,323
Capital outlay:				
Fire	69,448	69,448	69,448	-
Police	185,489	467,879	210,748	257,131
Traffic safety	129,791	129,791	-	129,791
Drainage	1,912,124	1,912,124	188,394	1,723,730
Parks and greenbelts	2,867,900	2,867,900	107,801	2,760,099
Community planning and development	418,586	418,586	-	418,586
Debt service:				
Principal retirement	610,000	610,000	610,000	-
Interest and other charges	579,531	579,531	579,531	-
Total expenditures	<u>12,009,511</u>	<u>13,865,566</u>	<u>5,858,420</u>	<u>8,007,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,012,804)</u>	<u>(1,295,194)</u>	<u>2,807,750</u>	<u>4,102,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,219	28,219
Transfers out	-	-	(17,346)	(17,346)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,873</u>	<u>10,873</u>
Net change in fund balance	(1,012,804)	(1,295,194)	2,818,623	4,113,817
Fund balance, July 1	<u>(2,986,647)</u>	<u>(2,986,647)</u>	<u>(2,986,647)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (3,999,451)</u></u>	<u><u>\$ (4,281,841)</u></u>	<u><u>\$ (168,024)</u></u>	<u><u>\$ 4,113,817</u></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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 2,593	\$ 2,593
From other agencies	1,804,042	1,412,188	(391,854)
Other revenues	-	535,744	535,744
Total revenues	<u>1,804,042</u>	<u>1,950,525</u>	<u>146,483</u>
EXPENDITURES:			
Current:			
Community planning and development	<u>2,232,192</u>	<u>1,465,250</u>	<u>766,942</u>
Net change in fund balance	(428,150)	485,275	913,425
Fund balance, July 1	<u>30,813</u>	<u>30,813</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (397,337)</u></u>	<u><u>\$ 516,088</u></u>	<u><u>\$ 913,425</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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 112,000	\$ 331,376	\$ 219,376
From other agencies	37,749,763	2,817,957	(34,931,806)
Other revenues	<u>50,000</u>	<u>4,000</u>	<u>(46,000)</u>
Total revenues	<u>37,911,763</u>	<u>3,153,333</u>	<u>(34,758,430)</u>
EXPENDITURES:			
Capital outlay:			
Traffic safety	4,886,214	265,894	4,620,320
Public right of way	<u>37,702,417</u>	<u>3,175,258</u>	<u>34,527,159</u>
Total expenditures	<u>42,588,631</u>	<u>3,441,152</u>	<u>39,147,479</u>
Net change in fund balance	(4,676,868)	(287,819)	4,389,049
Fund balance, July 1	<u>4,697,211</u>	<u>4,697,211</u>	<u>-</u>
Fund balance, June 30	<u>\$ 20,343</u>	<u>\$ 4,409,392</u>	<u>\$ 4,389,049</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, 2007**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 38,918	\$ 38,918
OTHER FINANCING USES			
Transfers out	-	(785,122)	(785,122)
Net change in fund balance	-	(746,204)	(746,204)
Fund balance, July 1	760,979	760,979	-
Fund balance, June 30	\$ 760,979	\$ 14,775	\$ (746,204)

**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, 2007**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 500,000	\$ 393,502	\$ (106,498)
OTHER FINANCING SOURCES			
Transfers in	-	512,171	512,171
Transfers out	(500,000)	(915,345)	(415,345)
Total other financing sources (uses)	(500,000)	(403,174)	96,826
Net change in fund balance	-	(9,672)	(9,672)
Fund balance, July 1	1,582	1,582	-
Fund balance, June 30	\$ 1,582	\$ (8,090)	\$ (9,672)

**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, 2007**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ 15,000	\$ 24,436	\$ 9,436
Other revenues	-	11,663	11,663
Total revenues	<u>15,000</u>	<u>36,099</u>	<u>21,099</u>
EXPENDITURES:			
Capital outlay:			
Police	142,800	142,798	2
Community services	251,504	263,688	(12,184)
Community planning and development	445,696	42,960	402,736
Loss on sale of land held for resale	-	275,890	(275,890)
Total expenditures	<u>840,000</u>	<u>725,336</u>	<u>114,664</u>
(Deficiency) of revenues under expenditures	<u>(825,000)</u>	<u>(689,237)</u>	<u>135,763</u>
OTHER FINANCING SOURCES			
Transfers in	500,000	915,346	415,346
Transfers out	-	(512,172)	(512,172)
Total other financing sources (uses)	<u>500,000</u>	<u>403,174</u>	<u>(96,826)</u>
Net change in fund balance	(325,000)	(286,063)	38,937
Fund balance, July 1	<u>887,186</u>	<u>887,186</u>	<u>-</u>
Fund balance, June 30	<u>\$ 562,186</u>	<u>\$ 601,123</u>	<u>\$ 38,937</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, 2007**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 21,308,737	\$ 8,959,938	\$ 19,125,419
Accounts receivable	63,731	112	1,122,935
Interest receivable	274,267	-	-
Due from other funds	1,933,044	-	-
Inventory	-	81,168	-
Prepaid expense	-	-	-
Deposits	-	-	33,749
Total current assets	<u>23,579,779</u>	<u>9,041,218</u>	<u>20,282,103</u>
Noncurrent Assets:			
Capital assets			
Depreciable buildings, property, and equipment, net	<u>21,233</u>	<u>7,096,640</u>	<u>-</u>
Total assets	<u>23,601,012</u>	<u>16,137,858</u>	<u>20,282,103</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	62,520	249,281	668,467
Other current liabilities	16,155	30,827	-
Refundable deposits	-	1,444	-
Total current liabilities	<u>78,675</u>	<u>281,552</u>	<u>668,467</u>
Noncurrent liabilities:			
Accrued compensated absences	-	-	6,214,031
Claims payable	<u>21,508,477</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>21,508,477</u>	<u>-</u>	<u>6,214,031</u>
Total liabilities	<u>21,587,152</u>	<u>281,552</u>	<u>6,882,498</u>
NET ASSETS			
Invested in capital assets	21,233	7,096,640	-
Unrestricted	<u>1,992,627</u>	<u>8,759,666</u>	<u>13,399,605</u>
Total net assets	<u>\$ 2,013,860</u>	<u>\$ 15,856,306</u>	<u>\$ 13,399,605</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,769,341	\$ 121,254	\$ 1,661,365	\$ 24,686,258	\$ 77,632,312
1,569	-	2,500	-	1,190,847
21,366	-	-	298,004	593,637
-	-	-	-	1,933,044
-	424,080	-	-	505,248
-	-	-	263,144	263,144
-	-	-	-	33,749
<u>1,792,276</u>	<u>545,334</u>	<u>1,663,865</u>	<u>25,247,406</u>	<u>82,151,981</u>
<u>313,695</u>	<u>38,953</u>	<u>-</u>	<u>-</u>	<u>7,470,521</u>
<u>2,105,971</u>	<u>584,287</u>	<u>1,663,865</u>	<u>25,247,406</u>	<u>89,622,502</u>
112,632	102,401	41,393	90,079	1,326,773
48,577	8,428	2,001	8,026	114,014
-	-	-	-	1,444
<u>161,209</u>	<u>110,829</u>	<u>43,394</u>	<u>98,105</u>	<u>1,442,231</u>
-	-	-	-	6,214,031
-	-	-	5,927,635	27,436,112
-	-	-	5,927,635	33,650,143
<u>161,209</u>	<u>110,829</u>	<u>43,394</u>	<u>6,025,740</u>	<u>35,092,374</u>
313,695	38,953	-	-	7,470,521
<u>1,631,067</u>	<u>434,505</u>	<u>1,620,471</u>	<u>19,221,666</u>	<u>47,059,607</u>
<u>\$ 1,944,762</u>	<u>\$ 473,458</u>	<u>\$ 1,620,471</u>	<u>\$ 19,221,666</u>	<u>\$ 54,530,128</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, 2007

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>
Operating revenues:			
Charges for services	\$ 6,187,297	\$ 4,761,264	\$ 21,997,422
Operating expenses:			
Salaries and wages	500,403	786,137	11,226,405
Contractual services	55,221	479,339	10,382,928
Liability claims	4,597,491	-	-
Materials and supplies	497	542,026	263,251
Depreciation	10,099	976,354	-
Total operating expenses	<u>5,163,711</u>	<u>2,783,856</u>	<u>21,872,584</u>
Operating income (loss)	<u>1,023,586</u>	<u>1,977,408</u>	<u>124,838</u>
Nonoperating revenues (expenses):			
Investment income	968,108	-	-
Gain (loss) on disposal of assets	-	43,873	-
Total nonoperating revenues (expenses)	<u>968,108</u>	<u>43,873</u>	<u>-</u>
Income (loss) before transfers	1,991,694	2,021,281	124,838
Transfers out	<u>-</u>	<u>-</u>	<u>(52,866)</u>
Change in net assets	1,991,694	2,021,281	71,972
Total net assets, July 1	<u>22,166</u>	<u>13,835,025</u>	<u>13,327,633</u>
Total net assets, June 30	<u>\$ 2,013,860</u>	<u>\$ 15,856,306</u>	<u>\$ 13,399,605</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
<u>\$ 1,338,786</u>	<u>\$ 183,146</u>	<u>\$ 591,725</u>	<u>\$ 2,141,637</u>	<u>\$ 37,201,277</u>
1,026,607	155,259	54,305	129,105	13,878,221
184,192	20,185	497,157	1,060,203	12,679,225
-	-	-	(1,629,796)	2,967,695
188,785	(2,645)	3,166	4,595	999,675
37,351	7,791	-	-	1,031,595
<u>1,436,935</u>	<u>180,590</u>	<u>554,628</u>	<u>(435,893)</u>	<u>31,556,411</u>
<u>(98,149)</u>	<u>2,556</u>	<u>37,097</u>	<u>2,577,530</u>	<u>5,644,866</u>
79,073	-	-	1,073,739	2,120,920
-	300	-	-	44,173
<u>79,073</u>	<u>300</u>	<u>-</u>	<u>1,073,739</u>	<u>2,165,093</u>
(19,076)	2,856	37,097	3,651,269	7,809,959
-	-	-	(100,000)	(152,866)
<u>(19,076)</u>	<u>2,856</u>	<u>37,097</u>	<u>3,551,269</u>	<u>7,657,093</u>
<u>1,963,838</u>	<u>470,602</u>	<u>1,583,374</u>	<u>15,670,397</u>	<u>46,873,035</u>
<u>\$ 1,944,762</u>	<u>\$ 473,458</u>	<u>\$ 1,620,471</u>	<u>\$ 19,221,666</u>	<u>\$ 54,530,128</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,123,566	\$ 4,808,688	\$ 21,820,900
Payments to suppliers	(2,261,818)	(890,079)	(11,062,859)
Payments to employees	(500,403)	(786,137)	(10,773,423)
Internal activity-payments to/from other funds	4,649,337	-	-
Net cash provided (used) by operating activities	<u>8,010,682</u>	<u>3,132,472</u>	<u>(15,382)</u>
CASH FLOWS FROM NO CAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to/from other funds	-	-	(52,866)
Net cash provided (used) by no capital financing activities	<u>-</u>	<u>-</u>	<u>(52,866)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(2,005,860)	-
Proceeds from disposal of capital assets	-	43,873	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,961,987)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	832,155	-	-
Net cash provided by investing activities	<u>832,155</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,842,837	1,170,485	(68,248)
Cash and cash equivalents, July 1	12,465,900	7,789,453	19,193,667
Cash and cash equivalents, June 30	<u>\$ 21,308,737</u>	<u>\$ 8,959,938</u>	<u>\$ 19,125,419</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,023,586	\$ 1,977,408	\$ 124,838
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	976,354	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(63,731)	47,424	(176,522)
(Increase) decrease in due to/from other funds	4,649,337	-	-
(Increase) decrease in inventory	-	10,766	-
(Increase) decrease in prepaid expenses	13,500	-	11,035
(Increase) decrease in deposits	-	-	(1,649)
Increase (decrease) in accounts payable	54,124	126,076	(426,066)
Increase (decrease) in compensated absences	-	-	452,982
Increase (decrease) in other accrued liabilities	(4,777)	(7,000)	-
Increase (decrease) in refundable deposits	-	1,444	-
Increase (decrease) in claims payable	2,328,544	-	-
Total adjustments	<u>6,987,096</u>	<u>1,155,064</u>	<u>(140,220)</u>
Net cash provided (used) by operating activities	<u>\$ 8,010,682</u>	<u>\$ 3,132,472</u>	<u>\$ (15,382)</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,338,786	\$ 183,146	\$ 591,725	\$ 2,141,637	\$ 37,008,448
(259,382)	(101,821)	(493,025)	(1,570,770)	(16,639,754)
(1,026,607)	(155,259)	(54,305)	(129,105)	(13,425,239)
-	-	-	-	4,649,337
52,797	(73,934)	44,395	441,762	11,592,792
-	-	-	(100,000)	(152,866)
-	-	-	(100,000)	(152,866)
(79,301)	-	-	-	(2,085,161)
-	300	-	-	44,173
(79,301)	300	-	-	(2,040,988)
70,226	-	-	946,876	1,849,257
70,226	-	-	946,876	1,849,257
43,722	(73,634)	44,395	1,288,638	11,248,195
1,725,619	194,888	1,616,970	23,397,620	66,384,117
\$ 1,769,341	\$ 121,254	\$ 1,661,365	\$ 24,686,258	\$ 77,632,312
\$ (98,149)	\$ 2,556	\$ 37,097	\$ 2,577,530	\$ 5,644,866
37,351	7,791	-	-	1,031,595
-	-	-	-	(192,829)
-	-	-	-	4,649,337
-	(136,557)	-	-	(125,791)
-	-	-	(257,451)	(232,916)
-	-	-	-	(1,649)
100,549	49,902	8,332	3,140	(83,943)
-	-	-	-	452,982
13,046	2,374	(1,034)	6,968	9,577
-	-	-	-	1,444
-	-	-	(1,888,425)	440,119
150,946	(76,490)	7,298	(2,135,768)	5,947,926
\$ 52,797	\$ (73,934)	\$ 44,395	\$ 441,762	\$ 11,592,792

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Statistical Section

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Statistical Section

This part of the City of Garden Grove's Comprehensive Annual Report provides detailed information to better understand information presented within the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Financial Trends

Contain trend information to assist the reader understand and assess how the City's financial position has changed over time

Revenue Capacity

Contain information to help the reader understand and assess factors affecting the City's most significant local revenue source, the property tax

Debt Capacity

This information is intended to assist the user in understanding and assessing the affordability of the City's outstanding debt and the City's ability to issue additional debt

Demographic and Economic Information

This information assists the reader in understanding the socioeconomic environment within which the City's financial activities take place.

Operation Information

Provides service and infrastructure information to assist readers using the City's financial statement to understand how it relates to the services and activities performed by the City

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in FY2002; the government-wide schedules include information beginning in that year.

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**CITY OF GARDEN GROVE
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities:						
Invested in capital assets, net of related debt	\$ 277,821	\$ 673,346	\$ 669,375	\$ 668,448	\$ 667,547	\$ 666,751
Restricted	26,469	27,433	40,237	42,863	48,109	52,214
Unrestricted	1,867	4,915	2,604	15,484	23,592	35,623
Total governmental activities net assets	<u>\$ 306,157</u>	<u>\$ 705,694</u>	<u>\$ 712,216</u>	<u>\$ 726,795</u>	<u>\$ 739,248</u>	<u>\$ 754,588</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 54,296	\$ 56,157	\$ 59,287	\$ 60,506	\$ 66,085	\$ 64,996
Restricted	53	53	-	-	-	-
Unrestricted	5,955	5,023	3,872	2,603	4,256	14,855
Total business-type activities net assets	<u>\$ 60,304</u>	<u>\$ 61,233</u>	<u>\$ 63,159</u>	<u>\$ 63,109</u>	<u>\$ 70,341</u>	<u>\$ 79,851</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 332,117	\$ 729,503	\$ 728,662	\$ 728,954	\$ 733,632	\$ 731,747
Restricted	26,522	27,486	40,237	42,863	48,109	52,214
Unrestricted	7,822	9,938	6,476	18,087	27,848	50,478
Total primary government net assets	<u>\$ 366,461</u>	<u>\$ 766,927</u>	<u>\$ 775,375</u>	<u>\$ 789,904</u>	<u>\$ 809,589</u>	<u>\$ 834,439</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: Finance Office, City of Garden Grove

**CITY OF GARDEN GROVE
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses:						
Governmental activities:						
Municipal support	\$ 4,732	\$ 5,384	\$ 5,224	\$ 6,967	\$ 7,700	\$ 6,678
Fire	12,498	13,847	14,048	16,288	18,152	17,465
Police	27,709	28,229	29,078	33,519	36,207	38,013
Traffic safety	3,051	3,164	2,500	2,309	2,956	3,264
Public right of way	11,817	12,116	12,419	13,910	14,677	15,073
Drainage	1,298	1,426	1,411	871	1,479	1,538
Community buildings	2,750	2,352	2,580	1,818	(288)	97
Community services	6,657	5,024	3,319	3,377	3,132	3,629
Parks and greenbelts	1,215	1,558	1,338	1,526	3,648	1,787
Community planning and development	28,643	32,809	36,715	40,820	47,611	42,847
Interest on long-term debt	5,232	6,427	8,018	5,585	6,730	6,854
Total governmental activities expenses	<u>105,602</u>	<u>112,336</u>	<u>116,650</u>	<u>126,990</u>	<u>142,004</u>	<u>137,245</u>
Business-type activities:						
Water	16,888	17,697	19,141	20,066	19,673	20,398
Sanitary District	8,400	8,217	9,576	10,010	11,482	11,188
Mobile home parks/RV park	1,341	1,512	1,483	1,498	1,965	2,079
Total business-type activities expenses	<u>26,629</u>	<u>27,426</u>	<u>30,200</u>	<u>31,574</u>	<u>33,120</u>	<u>33,665</u>
Total primary government expenses	<u>132,231</u>	<u>139,762</u>	<u>146,850</u>	<u>158,564</u>	<u>175,124</u>	<u>170,910</u>
Program revenues:						
Governmental activities:						
Charges for services:						
Municipal support	1,755	2,012	1,912	1,974	2,375	2,464
Fire	679	771	793	663	712	705
Police	1,996	2,191	2,958	3,144	3,509	3,100
Traffic safety	1,323	1,738	1,326	1,324	1,318	1,306
Public right of way	185	135	229	413	314	350
Drainage	-	64	-	-	-	-
Community services	973	901	884	923	841	855
Parks and greenbelts	1,381	1,434	1,406	1,372	1,424	1,457
Community planning and development	1,394	1,716	1,887	1,879	3,324	2,449
Operating grants and contributions	34,408	37,354	38,267	38,343	41,590	43,709
Capital grants and contributions	867	4,563	3,099	7,442	10,931	2,534
Total governmental activities program revenues	<u>44,961</u>	<u>52,879</u>	<u>52,761</u>	<u>57,477</u>	<u>66,338</u>	<u>58,929</u>
Business-type activities:						
Charges for services:						
Water	15,963	16,547	18,828	17,899	18,413	20,786
Sanitary District	8,903	8,807	10,238	10,311	12,563	16,941
Mobile home parks	1,869	1,886	1,975	2,063	2,761	2,699
Operating grants and contributions	617	443	526	595	732	538
Capital grants and contributions	226	286	356	300	5,317	754
Total business-type activities program revenues	<u>27,578</u>	<u>27,969</u>	<u>31,923</u>	<u>31,168</u>	<u>39,786</u>	<u>41,718</u>
Total primary government program revenues	<u>72,539</u>	<u>80,848</u>	<u>84,684</u>	<u>88,645</u>	<u>106,124</u>	<u>100,647</u>
Net revenues (expenses):						
Governmental activities	(60,641)	(59,457)	(63,889)	(69,513)	(75,666)	(78,316)
Business-type activities	949	543	1,723	(406)	6,666	8,053
Total net revenues (expenses)	<u>(59,692)</u>	<u>(58,914)</u>	<u>(62,166)</u>	<u>(69,919)</u>	<u>(69,000)</u>	<u>(70,263)</u>

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	\$ 24,368	\$ 25,974	\$ 27,468	\$ 31,070	\$ 34,439	\$ 36,251
Sales taxes	17,099	17,913	18,556	19,492	19,453	19,696
Transient occupancy taxes	4,281	5,862	8,628	9,820	11,411	12,180
Other taxes	4,077	4,208	4,361	4,438	4,729	4,952
Motor vehicle in lieu, unrestricted	9,354	9,983	7,598	14,494	13,129	13,603
Investment income	2,799	2,857	2,460	3,963	3,248	4,747
Other general revenues	973	950	1,271	746	1,642	3,095
Transfers	421	70	70	70	70	70
Total governmental activities	<u>63,372</u>	<u>67,817</u>	<u>70,412</u>	<u>84,093</u>	<u>88,121</u>	<u>94,594</u>
Business-type activities:						
Investment income	793	454	274	424	637	1,527
Transfers	(421)	(70)	(70)	(70)	(70)	(70)
Total business-type activities	<u>372</u>	<u>384</u>	<u>204</u>	<u>354</u>	<u>567</u>	<u>1,457</u>
Total primary government	<u>63,744</u>	<u>68,201</u>	<u>70,616</u>	<u>84,447</u>	<u>88,688</u>	<u>96,051</u>
Changes in net assets						
Governmental activities	63,372	67,817	70,412	84,093	88,121	94,594
Business-type activities	372	384	204	354	567	1,457
Total primary government	<u>\$ 63,744</u>	<u>\$ 68,201</u>	<u>\$ 70,616</u>	<u>\$ 84,447</u>	<u>\$ 88,688</u>	<u>\$ 96,051</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Source: Finance Office, City of Garden Grove

**CITY OF GARDEN GROVE
FUND BALANCE OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(Modified Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General fund:						
Reserved	\$ 27,244	\$ 34,909	\$ 42,290	\$ 41,624	\$ 43,299	\$ 46,878
Unreserved	9,301	10,307	6,693	19,122	27,006	25,482
Total general fund	<u>\$ 36,545</u>	<u>\$ 45,216</u>	<u>\$ 48,983</u>	<u>\$ 60,746</u>	<u>\$ 70,305</u>	<u>\$ 72,360</u>
All other governmental funds:						
Reserved	\$ 49,459	\$ 53,589	\$ 55,528	\$ 58,881	\$ 49,018	\$ 57,165
Unreserved, reported in:						
Special revenue funds	4,376	5,649	5,685	720	10,071	10,724
Debt service funds	-	-	2	5	2	(8)
Capital projects funds	(6,249)	(16,051)	(16,031)	(18,025)	(21,607)	(26,409)
Total all other governmental funds	<u>\$ 47,586</u>	<u>\$ 43,187</u>	<u>\$ 45,184</u>	<u>\$ 41,581</u>	<u>\$ 37,484</u>	<u>\$ 41,472</u>

The City of Garden Grove has elected to show only six years of data for this schedule.

Source: Finance Office, City of Garden Grove

CITY OF GARDEN GROVE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues:						
Taxes	\$ 59,470	\$64,392	\$67,876	\$79,808	\$83,684	\$87,437
Licenses and permits	938	1,119	1,303	1,380	1,672	1,859
Fines and forfeitures	1,501	1,515	2,094	2,323	2,939	2,567
Investment earnings	3,414	3,565	3,223	4,409	3,803	5,148
Charges for services	10,192	10,724	11,027	10,839	12,614	11,401
From other agencies	32,406	39,152	36,574	39,016	40,825	42,230
Other	3,127	2,864	2,760	2,788	3,477	3,597
Total revenues	<u>111,048</u>	<u>123,331</u>	<u>124,857</u>	<u>140,563</u>	<u>149,014</u>	<u>154,239</u>
Expenditures						
Current:						
Municipal support	4,666	5,213	5,321	6,628	7,198	6,367
Fire	12,974	14,054	14,551	15,874	17,189	17,946
Police	27,650	28,593	30,297	32,537	34,803	38,600
Traffic safety	2,190	2,121	2,295	2,680	2,818	3,274
Public right of way	5,562	5,476	4,368	4,233	5,380	6,881
Community buildings	2,210	2,575	2,033	2,088	2,738	3,529
Community services	7,185	5,583	3,574	3,347	3,409	3,846
Parks and greenbelts	1,485	1,307	1,285	1,460	5,558	1,653
Community planning and development	21,325	26,957	28,227	28,929	31,057	29,537
Capital outlay	16,910	21,039	19,756	28,040	28,138	19,233
Debt service:						
Principal retirement	4,308	3,981	5,609	4,850	4,909	4,621
Interest and other charges	5,652	6,342	9,058	5,907	6,738	6,873
Total expenditures	<u>112,117</u>	<u>123,241</u>	<u>126,374</u>	<u>136,573</u>	<u>149,935</u>	<u>142,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,069)</u>	<u>90</u>	<u>(1,517)</u>	<u>3,990</u>	<u>(921)</u>	<u>11,879</u>
Other financing sources (uses):						
Transfers in	13,693	17,579	28,766	22,836	29,549	26,474
Transfers out	(13,172)	(17,409)	(27,517)	(22,666)	(29,379)	(26,251)
Issuance of debt	26,279	6,833	58,356	4,001	1,500	-
Gain(Loss) on sale of capital assets	-	-	-	-	612	(1,322)
Contribution to Housing Authority	-	-	-	-	-	(3,796)
Payment to bond escrow agent	-	-	(52,325)	-	-	-
Total other financing sources (uses)	<u>26,800</u>	<u>7,003</u>	<u>7,280</u>	<u>4,171</u>	<u>2,282</u>	<u>(4,895)</u>
Net change in fund balances	<u>\$ 25,731</u>	<u>\$ 7,093</u>	<u>\$ 5,763</u>	<u>\$ 8,161</u>	<u>\$ 1,361</u>	<u>\$ 6,984</u>
Debt service as a percentage of noncapital expenditures	11.7%	11.2%	16.0%	11.0%	10.6%	10.3%

The City of Garden Grove has elected to show only six years of data for this schedule.

Source: Finance Office, City of Garden Grove

**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
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
2006	19,452,971	13,262,684	2,234,667	2,494,139	11,410,684	13,128,604	61,983,749
2007	19,695,520	14,177,626	2,413,279	2,538,442	12,179,453	13,603,437	64,607,757

Source: Finance Office, City of Garden Grove

**CITY OF GARDEN GROVE
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (In Thousands)**

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
1998	\$ 4,626,553	\$ 246,003	\$ 4,872,556	\$ 1,211,282	\$ 197,886	\$ 1,409,169	1.034%
1999	4,784,032	253,573	5,037,605	1,245,998	201,865	1,447,863	1.034%
2000	5,066,585	275,398	5,341,983	1,339,007	194,516	1,533,523	1.034%
2001	5,485,695	286,423	5,772,118	1,400,145	215,011	1,615,157	1.034%
2002	5,858,899	328,907	6,187,806	1,566,566	216,556	1,783,123	1.034%
2003	6,237,993	302,093	6,540,085	1,714,551	216,939	1,931,489	1.034%
2004	6,690,749	299,913	6,990,662	1,864,236	238,481	2,102,717	1.031%
2005	7,256,567	300,045	7,556,612	1,958,661	242,817	2,201,478	1.031%
2006	8,044,199	282,324	8,326,523	2,154,902	258,917	2,413,820	1.030%
2007	8,876,151	321,203	9,197,354	2,312,965	277,545	2,590,510	1.030%

NOTE:

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

Source: Orange County Assessor's Office

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

Fiscal Year	Basic Levy	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
1998	1.0000	0.02500	0.00890	-	-	-	-	1.03390
1999	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2000	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2001	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2002	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2003	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2004	1.0000	0.02500	0.00610	-	-	-	-	1.03110
2005	1.0000	0.02500	0.00580	-	-	-	-	1.03080
2006	1.0000	0.02500	0.00470	-	-	-	-	1.02970
2007	1.0000	0.02500	0.00470	-	-	-	-	1.02970

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 of 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
PRICIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Ashford Anaheim LP	\$ 76,629,141	0.65%	\$ -	0.00%
Landmark Hotels	92,697,951	0.79%	-	0.00%
Ohi Resort Hotels LLC	37,649,192	0.32%	-	0.00%
RLJ Anaheim Hotel LLC	35,603,304	0.30%	-	0.00%
Swedlow Inc.	26,565,523	0.23%	35,391,376	0.56%
Kilroy Realty LP	29,021,072	0.25%	-	0.00%
BB Promenade LLC	23,925,006	0.20%	-	0.00%
Calwest Industrial	46,306,909	0.39%	-	0.00%
American Medical International Inc.	19,971,681	0.17%	26,899,077	0.43%
CC Technology LP	19,800,892	0.17%	-	0.00%
Gateway Properties	-	-	31,840,543	0.51%
Hughes Lyon	-	-	27,457,156	0.44%
Air Industries Corp.	-	-	21,483,699	0.34%
Linfinity Microelectronics	-	-	21,444,377	0.34%
James River Paper Co.	-	-	14,679,101	0.23%
Fujita Corp.	-	-	12,650,391	0.20%
Mead Corp.	-	-	12,388,921	0.20%
Choe, Kyong Sun	-	-	11,403,600	0.18%
	\$ 408,170,671	3.46%	\$ 215,638,241	3.43%

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

**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
1998	0.003	\$ 7,347,609	\$ 7,084,765	96.4	\$ 235,421	\$ 7,320,186	99.6	\$ 150,644	2.0%
1999	0.003	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0%
2000	0.003	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.003	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.003	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%
2003	0.003	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.003	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.003	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%
2006	0.003	12,913,558	12,338,230	95.5	156,891	12,495,121	96.8	114,095	0.9%
2007	0.003	13,989,410	13,080,248	93.5	197,376	13,277,624	94.9	286,295	2.0%

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
Finance Office, City of Garden Grove

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**CITY OF GARDEN GROVE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Certificates of Participation	Revenue Bonds	Tax Allocation Bonds 1	Loans	Capital Leases	
1998	\$ -	\$ 3,135,000	\$ 58,170,000	\$ 25,868,000	\$ 975,000	\$ 88,148,000
1999	-	2,845,000	57,110,000	22,930,000	535,000	83,420,000
2000	-	2,545,000	56,000,000	21,220,000	66,000	79,831,000
2001	-	2,230,000	54,835,000	21,230,000	-	78,295,000
2002	22,735,000	1,900,000	53,610,000	19,571,400	2,449,937	100,266,337
2003	22,735,000	-	52,325,000	24,142,198	3,916,355	103,118,553
2004	22,735,000	-	57,025,000	19,032,833	3,416,890	102,209,723
2005	22,325,000	-	57,025,000	17,371,380	4,639,399	101,360,779
2006	21,895,000	-	57,025,000	15,159,293	3,872,578	97,951,871
2007	21,455,000	-	55,400,000	13,414,185	3,061,446	93,330,631

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

¹ *The City refunded the \$52,325,000 of tax allocation bonds in 2003.*

² *These ratios are calculated using personal income and population for the prior calendar year.*

³ *The City issues \$21,845,000 in Sewer COP in 2006*

Source: Finance Office, City of Garden Grove

Business-type Activities

Water Revenue Bonds	Sewer Revenue COP³	Certificates of Participation	Loans	Total Business-type Activities	Total Primary Government	Percentage of Personal Income²	Debt Per Capita²
\$ 18,958,000	\$ -	\$ 17,088,000	\$ 433,000	\$ 36,479,000	\$ 124,627,000	0.64%	807
18,584,000	-	16,106,000	-	34,690,000	118,110,000	0.55%	755
18,194,000	-	15,063,000	-	33,257,000	113,088,000	0.49%	714
17,784,000	-	13,947,000	-	31,731,000	110,026,000	0.43%	650
17,470,000	-	13,690,000	-	31,160,000	131,426,337	0.47%	777
17,020,000	-	13,360,000	-	30,380,000	133,498,553	0.46%	786
16,845,000	-	13,010,000	-	29,855,000	132,064,723	0.43%	777
16,410,000	-	12,640,000	-	29,050,000	130,410,779	0.40%	758
15,775,000	21,845,000	12,250,000	-	49,870,000	147,821,871	0.42%	861
15,130,000	21,845,000	11,840,000	-	48,815,000	142,145,631	0.40%	823

**CITY OF GARDEN GROVE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(In Thousands, except Per Capita)**

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Total		
1998	\$ -	\$ 58,170	\$ 58,170	0.93%	377
1999	-	57,110	57,110	0.88%	365
2000	-	56,000	56,000	0.81%	354
2001	-	54,835	54,835	0.74%	324
2002	22,735	53,610	76,345	0.96%	451
2003	22,735	52,325	75,060	0.89%	442
2004	22,735	57,025	79,760	0.88%	469
2005	22,325	57,025	79,350	0.81%	461
2006	21,895	57,025	78,920	0.73%	459
2007	21,455	55,400	76,855	0.65%	445

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

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

Source: Finance Office, City of Garden Grove

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2007**

2006-07 Assessed Valuation:	\$	11,290,792,778		
Redevelopment Incremental Valuation:		2,093,438,313		Estimated
Adjusted Assessed Valuation:	\$	9,197,354,465	%	Share of
			Applicable	Overlapping
OVERLAPPING TAX AND ASSESSMENT DEBT:			(1)	Debt
Orange County Teeter Plan Obligations			2.700 %	\$ 3,340,575
Metropolitan Water District			0.565	2,029,000
Coast Community College District			6.132	21,658,461
North Orange County Joint Community College District			2.618	6,234,086
Rancho Santiago Community College District			5.419	17,592,160
Anaheim Union High School District			0.087	109,758
Huntington Beach Union High School District			1.594	3,249,748
Anaheim School District			0.100	110,612
Magnolia School District			0.296	27,587
City of Garden Grove 1915 Act Bonds			100.000	230,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT				\$ 54,581,988
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:				
Orange County General Fund Obligations			2.700 %	\$ 16,133,850
Orange County Pension Obligations			2.700	2,427,113
Orange County Board of Education Certificates of Participation			2.700	532,440
Orange County Transit Authority			2.700	33,345
Municipal Water District of Orange County Water Facilities Corporation			3.220	669,760
Orange Unified School District Certificates of Participation			1.472	757,786
Anaheim Union High School District Certificates of Participation			0.087	34,047
Huntington Beach Union High School District Certificates of Participation			1.594	270,980
Westminster School District Certificates of Participation			11.594	2,062,573
City of Garden Grove General Fund Obligations			100.00	33,295,000
Orange County Sanitation District No. 2 Certificates of Participation			3.825	4,502,216
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT				\$ 60,719,110
Less: Orange County Transit Authority (80% self-supporting)				26,676
MWDOC Water Facilities Corporation (100% self-supporting)				669,760
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT				\$ 60,022,674
GROSS COMBINED TOTAL DEBT				(2) \$ 115,301,098
NET COMBINED TOTAL DEBT				\$ 114,604,662

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

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

Ratios to 2006-07 Assessed Valuation:

Total Overlapping Tax and Assessment Debt

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$33,295,000)	0.36%
Gross Combined Total Debt	1.25%
Net Combined Total Debt	1.25%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0

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

**CITY OF GARDEN GROVE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	1998	1999	2000	2001
Assessed valuation	\$ 4,872,556,124	\$ 5,037,605,029	\$ 5,341,983,245	\$ 5,772,118,122
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,218,139,031	1,259,401,257	1,335,495,811	1,443,029,531
Debt limit percentage	15%	15%	15%	15%
Debt limit	182,720,855	188,910,189	200,324,372	216,454,430
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 182,720,855</u>	<u>\$ 188,910,189</u>	<u>\$ 200,324,372</u>	<u>\$ 216,454,430</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Source: Finance Office, City of Garden Grove
Orange County Tax Assessor's Office

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 6,187,806,030	\$ 6,540,085,405	\$ 6,990,662,115	\$ 7,556,611,904	\$ 8,326,522,578	\$ 9,197,354,465
25%	25%	25%	25%	25%	25%
1,546,951,508	1,635,021,351	1,747,665,529	1,889,152,976	2,081,630,645	2,299,338,616
15%	15%	15%	15%	15%	15%
232,042,726	245,253,203	262,149,829	283,372,946	312,244,597	344,900,792
-	-	-	-	-	-
<u>\$ 232,042,726</u>	<u>\$ 245,253,203</u>	<u>\$ 262,149,829</u>	<u>\$ 283,372,946</u>	<u>\$ 312,244,597</u>	<u>\$ 344,900,792</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**CITY OF GARDEN GROVE
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Water Revenue Bonds							
Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
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	3.91
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
2006	18,651,805	17,225,625	1,426,180	645,000	644,700	1,289,700	1.11
2007	20,516,447	17,921,191	2,595,256	665,000	629,938	1,294,938	2.00

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

Source: Finance Office, City of Garden Grove

Tax Allocation Bonds				
Debt Service Requirement				
Tax Increment	Principal	Interest	total	Coverage
\$ -	\$ -	\$ -	\$ -	N/A
-	-	-	-	N/A
-	-	-	-	N/A
-	-	-	-	N/A
-	-	-	-	N/A
-	-	-	-	N/A
13,403,657	-	3,004,843	3,004,843	4.46
14,607,268	-	2,759,550	2,759,550	5.29
16,339,702	1,625,000	2,741,269	4,366,269	3.74
17,250,293	1,660,000	2,698,088	4,358,088	3.96

**CITY OF GARDEN GROVE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1998	154,398	\$ 1,944,398	\$ 12,789	3.8
1999	156,534	2,138,494	13,851	3.7
2000	158,332	2,304,707	14,723	2.9
2001	169,212	2,566,403	16,209	3.9
2002	169,212	2,820,545	16,669	5.3
2003	169,911	2,891,439	17,088	4.8
2004	169,911	3,039,717	17,890	4.2
2005	172,042	3,243,822	19,091	5.2
2006	171,765	3,479,894	20,227	4.8
2007	172,781	3,595,557	20,933	4.3

Sources: Finance Office, City of Garden Grove
 Orange County Cities demographics as provided by California State University Fullerton
 State Employment Development Department

**CITY OF GARDEN GROVE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>2007</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Crystal Cathedral	600	0.74%
Garden Grove Hospital/Medical Center	541	0.66%
Air Industries Corp.	538	0.66%
Leiner Halth Products LLC	411	0.50%
Hyatt Regency	400	0.49%
Driessen Aircraft Interior Sys.	370	0.45%
Time Warner Communications	364	0.45%
Saint Gobain Performance	363	0.45%
OfficeMax Inc.	360	0.44%
GKN Aerospace	300	0.37%

1998 data was not available

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

Source: Garden Grove Chamber of Commerce

**CITY OF GARDEN GROVE
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY DEPARTMENT
LAST TEN FISCAL YEARS**

<u>Department</u>	<u>Full-Time and Part-time Employees as of June 30</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Administrative Services	-	-	-	-	-	-	-	31	34	-
City Manager	32	31	32	39	43	43	39	13	14	9
Community Development	47	48	49	50	50	50	48	45	44	56
Community Services	170	172	153	157	157	148	143	149	155	146
Economic Development	-	-	-	-	-	-	-	-	-	12
Finance	39	41	38	32	32	33	32	32	32	34
Fire	102	103	103	109	109	113	111	109	110	112
Information Technology	-	-	-	-	-	-	-	-	-	20
Personnel	20	24	32	40	57	57	13	13	13	9
Police	339	305	299	318	322	321	316	316	314	328
Public Works	164	170	190	189	184	185	177	179	192	192
Total	<u>913</u>	<u>894</u>	<u>896</u>	<u>934</u>	<u>954</u>	<u>950</u>	<u>879</u>	<u>887</u>	<u>908</u>	<u>918</u>
Full Time employees	595	615	622	648	678	687	633	637	647	661
Part time employees	318	279	274	286	276	263	246	250	261	257

Source: City Budget Book/Department Budgets

**CITY OF GARDEN GROVE
OPERATING INDICATORS
BY FUNCTION
LAST TWO FISCAL YEARS**

	<u>2006</u>	<u>2007</u>
Police:		
Arrests	4,044	7,767
Traffic citations issued	8,718	11,574
Fire:		
Number of emergency calls	16,215	15,534
Public Right-of-Way:		
Parking citations issued	29,261	30,052
Permits issued	5,951	3,175
Community Services:		
Number of recreation classes	1,475	1,525
Housing vouchers	2,337	2,337
Community Planning and Development		
Building permits issued	2,626	2,213
Water:		
Number of accounts	34,052	34,090
Average daily consumption (thousands of gallons)	31,229	49,864
Solid Waste Disposal:		
Number of accounts	31,028	30,928
Drainage:		
Channels cleaned (miles)	5	5
Municipal Support:		
Passports issued	412	723
Source: City of Garden Grove		

**CITY OF GARDEN GROVE
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST TWO FISCAL YEARS**

	<u>2006</u>	<u>2007</u>
Police:		
Stations	1	1
Fire:		
Fire stations	7	7
Public Right-of-Way:		
Streets (miles)	288	305
Community Services:		
Parks	16	16
Park acreage	142	142
Community centers	1	1
Water:		
Water mains (miles)	418	360
Number of connections	34,052	34,090
Sewage Collection:		
Sanitary sewers (miles)	330	312
Drainage:		
Storm drains (miles)	35	35

Source: City of Garden Grove

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GARDEN GROVE