

City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2010 - June 30, 2011



City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2011

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, 2011**

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Introductory Section

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CITY OF GARDEN GROVE

William J. Dalton
Mayor
Steven R. Jones
Mayor Pro Tem
Dina Nguyen
Council Member
Bruce A. Broadwater
Council Member
Kris Beard
Council Member

November 23, 2011

Honorable Mayor and City Council
City of Garden Grove, California

Transmitted through the City Manager

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, 2011. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To accomplish this, City Management designed and established internal controls, which provide reasonable, but not absolute, assurance as to the effectiveness and efficiency of its operations, reliability of its financial reporting, and its compliance with applicable laws and regulations. Cost benefit considerations are weighed in meeting reasonable assurance objectives.

We believe the data, as presented, is accurate in all material respects and is 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. We also believe 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 Macias, Gini, & O'Connell LLP, independent auditors for the City of Garden Grove. The Independent Auditor's 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

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addition to the Single Audit report, on the fair presentation of the financial statements. These Single Audit reports are available, as a separately issued report, upon a request to the Finance Director.

GAAP requires a narrative introduction, overview and analysis to accompany 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 170,000. It is the fifth largest City in Orange County and the twenty-fifth largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as a significant segment of the population and 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 spans 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 Garden Grove Agency for Community Development, Garden Grove Housing Authority, Garden Grove Sanitary District, and Garden Grove Public Financing Authority. Additional information is available on these blended component units in note A.1.a - d, in the notes to the financial statements.

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

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and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting principles (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 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

California, along with the rest of the nation, is slowly emerging from the most severe economic downturn since the Great Depression. During the past two years, the nation underwent significant financial hardship, including job cuts, sales drops, depressed housing markets, factory slowdowns and tight credit availability. Although recent reports and economic indicators suggest the state and national economies are stabilizing after the staggering downturn. The pace of the recovery is still very tepid and consumer spending, a key local government revenue driver, is likely to be hamstrung for some time by slow income and job growth, a reduction in wealth, and limited credit availability.

The City is situated in the middle of Orange County, California. Orange County economy appears to be more resilient. The county economic downturn was not as precipitous, and the recovery is projected to lead other California communities. However, for Garden Grove the recession has been deeper than anticipated and resulted in larger than expected revenue drop-offs. As a result, the City continues to grapple with some financial challenges particularly a structural budget deficit (gap between ongoing revenues and expenditures). To ensure the financial health and stability of the city, a 3-Year Budget Implementation Plan, focusing on an array of both temporary and permanent cost reduction initiatives, economic development and revenue generating priorities, and the use of fiscal reserves, is being utilized to close the gap between revenues and expenditures and balance the City's budget. Addressing the situation over a three year approach, will continue to allow the City to provide critical, front-line services to the public while helping the City Council achieve goals for public safety, improved transportation infrastructure, park improvements and enhanced long-term financial stability. During this time, all revenues and expenditures will be closely monitored and appropriate adjustments will be made along the way.

As Garden Grove moves past the recent economic downturn, our future success will depend not only on expenditure reductions but on the eventual resumption of economic growth to help close the structural deficit caused by the recession. While many economic indicators are signaling that the economy

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is gradually improving, growth in City revenues has been slow and remains flat in many categories. Nevertheless, we are cautiously optimistic that improvement is near. With prudent fiscal management, the City Council's visionary leadership, and the dedication of our employees, the City of Garden Grove is well positioned to meet its future obligations and service goals. As in past years, we will continue to strive to strengthen the City's financial condition through planning, effective management, and expanding the City's economic base through aggressive redevelopment, economic development and active pursuit of State, federal and local grant funds.

Long-Term Financial Planning

For Financial Planning purposes, the City maintains a comprehensive citywide Five-Year Financial Forecast and Plan, and a focused General Fund Three-Year Budget Plan.

Five-Year Operating Plan

In accordance with the provisions of the City of Garden Grove Municipal Code, a five-year forecast covering operating revenue and expenditures, labor usage, sources and uses of funds are prepared annually based on national and local economic assumptions.

Five-Year Capital Plan

The City of Garden Grove is responsible for the planning and operation of capital improvements that lie within the public right-of-way. These improvements include streets, traffic signals and control devices, storm drains, streetlights, parks, sewers and water systems. In addition, the City must develop and maintain the elements of its own buildings and systems.

General Fund Three-Year Budget Plan

The Three-Year Budget plan articulates the City's budget cost reduction and revenue strategies designed to ride out short to medium term situations such as the current economic recession and bring the City's structural budget deficit under control. The City's 3-Year Budget Implementation Plan focuses on a range of temporary and permanent cost reduction initiatives, economic development and revenue generation priorities and the use of fiscal reserves to be implemented over the next three fiscal years. Addressing the situation over a three year approach allows the City to continue to provide critical services to the public while allowing the City Council to achieve its goals for public safety, improved transportation infrastructure, park improvements and enhanced long-term financial stability for the City. The FY2011-2012 budget reflects the implementation of the third year of the 3-Year Plan that included \$6.83 million in cost reductions initiatives, the use of \$9.0 million in reserves, transfers and other one-time revenues. With the additional reductions, the City continues to weather the effects of the recession while providing requisite services to its residents.

Major Initiatives

(1) Employee Development

The City continues to invest in developing its managers and professional staff by providing employee training and development opportunities that enhance employee skills, knowledge and organizational effectiveness. These programs include: Franklin Covey's Seven Habits for Managers and Leading at the Speed of Trust workshops; ethics, writing, public speaking and computer trainings; as well as a variety of job specific trainings and educational seminars. These training programs have allowed the City to foster an environment in which it provides efficient, quality services and improved performance while maintaining a smaller staff.

(2) Economic Development

Significant Economic Development activities this year include continuing to implement the International West Master Plan; assisting in the development and expansion of new hotels, continuing to implement the Disposition and Development Agreement for the McWhinney Water Park Hotel on the west side of Harbor Boulevard, facilitating development of a 600 unit residential mixed-use project for the Brookhurst Triangle; and continuing to implement the development of 53 town homes for the Century Triangle. The Water Park Hotel and Century Triangle developments together are expected to generate over 600 new jobs and \$6 million in annual tax revenue for the City.

Financial Policies

The City maintains financial policies over various programs and activities:

Enterprise Fund Business Principles

The City of Garden Grove maintains a set of business principles and policies for managing its enterprise fund operations. They include the following: To break even and operate efficiently; To maintain two months cash flow as well as \$500,000.00 in reserves for contingencies. Additionally, replacement sinking funds should approach 5% of system value, and system and facilities are maintained up to industry standards by adequately funding new Capital Improvement Programs.

Investment Policy

The City of Garden Grove maintains an investment policy that is updated annually and reviewed and approved by the City Council. The City's investment objectives as outlined in the policy are in the following order: safety of principal, liquidity and yield. To meet these objectives, the City of Garden Grove attempts to obtain the highest yield on its investments consistent with the preservation of principal and liquidity. The yield benchmark for the City is the 6-month Treasury Bill as listed in the Money Rates section of the Wall Street Journal.

Purchasing Policy

The City's centralized purchasing policy is to procure needed supplies, services, and equipment at the correct quality, within the required time, and at the best price for the City of Garden Grove in a manner consistent with legal requirements, good business practice and proper fiscal control. The goal is to serve the public with integrity while ensuring the receipt of the best value for the tax dollar.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garden Grove for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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.



Kingsley Okereke
Finance Director

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, 2010

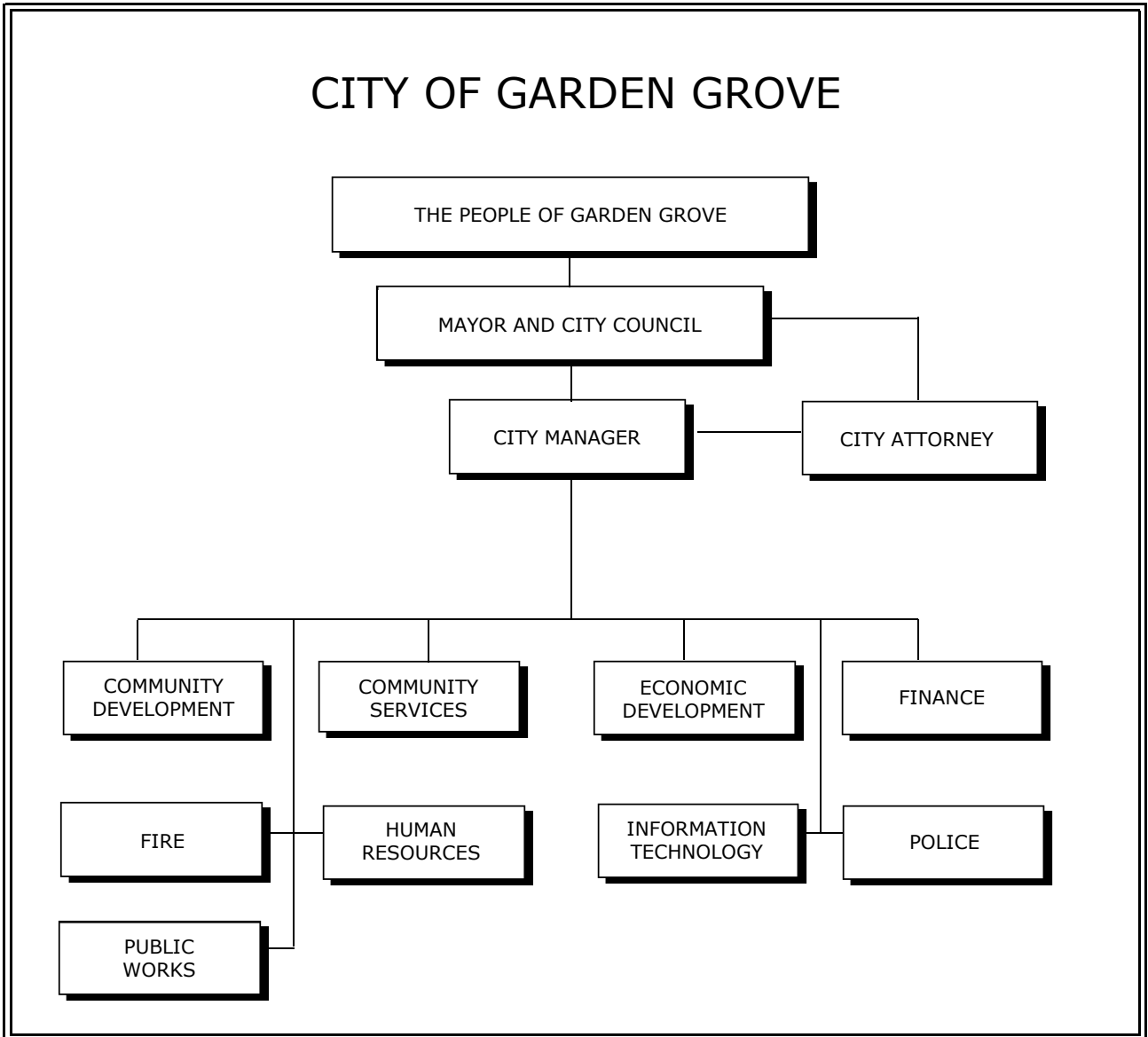
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

William J Dalton
Mayor

Steven R Jones
Mayor Pro Tem

Bruce A Broadwater
Council Member

Dina Nguyen
Council Member

Kris Beard
Council Member

CITY OFFICIALS

Matthew J Fertal
City Manager

Tom Nixon
City Attorney

Dave Bertka
Fire Chief

Susan Emery
Community Development Director

Charles Kalil
Information Technology Director

Kim Huy
Community Services Director

John Clark
Human Resources Director

Vacant
Economic Development Director

Kevin Raney
Police Chief

Kingsley Okereke
Finance Director

William Murray
Public Works Director

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Financial Section

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The Honorable City Council
City of Garden Grove, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A(1)(4)(j) to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note D (9) (c) to the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements, schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements, schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical sections 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.

Macias Fini & O'Connell LLP

Newport Beach, California

November 23, 2011

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, 2011. 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 Assets of the City exceeded its Liabilities at June 30, 2011, by \$922.6 million, an increase of \$32.1 million over prior year. Of the \$922.6 million of net assets, \$649.7 million is invested in capital assets net of related debt and \$97.6 million is restricted for specific purposes. The unrestricted balance of \$175.3 million is available to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2011, the City's governmental funds fund balance totaled \$147.0 million, an increase of \$6.1 million compared to the prior year.
- The unreserved deficit amount of \$29.7 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.
- On September 15, 2010, the City sold the Bahia Village and Emerald Isle mobile home parks for approximately \$25 million and used a large portion of the proceeds to retire outstanding related bonds.
- In May 2010, the City reworked its agreement with the solid waste disposal company, Garden Grove Disposal. The City transferred billing and collection responsibility to Garden Grove Disposal and implemented franchise fee of 7.25%. The effect of these changes are reflected in the proprietary fund statements.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 City's major program costs and their corresponding major resources. 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, Mobile Home Parks and RV Park operations.

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 expendable resources, as well as on balances of expendable 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 funds balance sheet and

the governmental funds 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 various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Housing Authority special revenue fund, HOME grant special revenue fund, Community Project debt service fund, Community Project capital projects fund, and Low Income Housing capital projects fund all of which are considered to be major funds. Data from the other eighteen 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 of 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 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 primarily 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 is considered to be major funds of the City.

Conversely, 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 basic 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 \$922.6 million at the close of the current fiscal year.

The largest portion of the City’s net assets, 70.4%, 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.

City of Garden Grove, Net Assets (in millions)						
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 288.0	\$ 283.2	\$ 65.1	\$ 55.4	\$ 353.1	\$ 338.6
Capital assets	670.6	665.9	124.0	127.2	794.6	793.1
Total assets	<u>958.6</u>	<u>949.1</u>	<u>189.1</u>	<u>182.6</u>	<u>1,147.7</u>	<u>1,131.7</u>
Long-term liabilities	134.9	146.4	48.6	62.3	183.5	208.7
Other liabilities	35.2	25.5	6.4	7.0	41.6	32.5
Total liabilities	<u>170.1</u>	<u>171.9</u>	<u>55.0</u>	<u>69.3</u>	<u>225.1</u>	<u>241.2</u>
Net assets	<u>\$ 788.5</u>	<u>\$ 777.2</u>	<u>\$ 134.1</u>	<u>\$ 113.3</u>	<u>\$ 922.6</u>	<u>\$ 890.5</u>
Invested in capital assets, net of related debt	561.0	553.1	88.7	85.1	649.7	638.2
Restricted	97.6	94.6	-	-	97.6	94.6
Unrestricted	<u>129.9</u>	<u>129.5</u>	<u>45.4</u>	<u>28.2</u>	<u>175.3</u>	<u>157.8</u>
Total net assets	<u>\$ 788.5</u>	<u>\$ 777.2</u>	<u>\$ 134.1</u>	<u>\$ 113.3</u>	<u>\$ 922.6</u>	<u>\$ 890.5</u>

A portion of the City’s net assets, \$97.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$175.3 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 total net asset balance for the government as a whole with a \$32.1 million increase in City’s net assets over the restated prior fiscal year-end balance.

**City of Garden Grove, Change in Net Assets
(in millions)**

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 14.8	\$ 15.3	\$ 42.8	\$ 48.8	\$ 57.6	\$ 64.1
Operating grants and contributions	46.5	43.0	-	-	46.5	43.1
Capital grants and contributions	6.3	14.5	-	2.0	6.3	16.5
General revenues:						
Sales taxes	16.8	14.1	-	-	16.8	14.1
Property taxes	52.3	42.2	-	-	52.3	42.2
Other taxes	18.3	15.6	-	-	18.3	15.6
Earning on investments	4.2	8.8	1.5	1.6	5.7	10.4
Other	0.4	2.2	12.9	-	13.3	2.2
Total revenues	<u>159.6</u>	<u>155.7</u>	<u>57.2</u>	<u>52.4</u>	<u>216.9</u>	<u>208.1</u>
Expenses:						
Fire	18.7	18.8	-	-	18.7	18.8
Police	44.9	42.6	-	-	44.9	42.6
Traffic safety	2.9	3.6	-	-	2.9	3.6
Public right of way	13.0	16.1	-	-	13.0	16.1
Drainage	1.4	1.4	-	-	1.4	1.4
Community buildings	4.3	4.5	-	-	4.3	4.5
Community services	4.1	4.4	-	-	4.1	4.4
Parks and greenbelts	1.6	2.1	-	-	1.6	2.1
Community planning and development	49.1	44.7	-	-	49.1	44.7
Municipal support	3.2	5.2	-	-	3.2	5.2
Interest on Long-term debt	5.1	5.8	-	-	5.1	5.8
Water utility	-	-	26.2	25.3	26.2	25.3
Sewage collection	-	-	5.2	5.4	5.2	5.4
Solid waste disposal	-	-	3.5	7.7	3.5	7.7
Mobile home parks	-	-	0.9	1.8	0.9	1.8
RV park	-	-	0.6	0.4	0.6	0.4
Total expenses	<u>148.3</u>	<u>149.1</u>	<u>36.4</u>	<u>40.6</u>	<u>184.7</u>	<u>189.7</u>
Change in net assets	11.3	6.6	20.8	11.8	32.2	18.3
Net assets, July 1	<u>777.2</u>	<u>770.6</u>	<u>113.3</u>	<u>101.5</u>	<u>890.4</u>	<u>872.1</u>
Net assets, June 30	<u>\$ 788.5</u>	<u>\$ 777.2</u>	<u>\$ 134.1</u>	<u>\$ 113.3</u>	<u>\$ 922.6</u>	<u>\$ 890.4</u>

Governmental Activities. The City of Garden Grove governmental activities net assets increased by \$11.3 million for the year ended June 30, 2011. Key element of this increase is as follows:

- This increase was mainly due to overall revenue increases of \$3.9 million from prior year. Expenses remained relatively the same versus the prior year.

Business-type activities. Business-type activities net assets increased by \$20.8 million for the year ended June 30, 2011. Key element of this increase is as follows:

- The change in net assets increased by \$9.0 million over prior year primarily due to the sale of the mobile home parks. Expenses decreased by \$4.2 million due to the change in contract with Garden Grove disposal.

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 *expendable* 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 ending fund balances totaled \$147.0 million, an increase of \$6.1 million compared to the prior year.

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the fiscal year, the total general fund balance was \$47.9 million of which \$4.6 million was unassigned. The total unassigned general fund balance increased by \$1.5 million compared to the previous year.

The Cash and cash investments balance is \$5.7 million at year-end which represents a decrease of \$2.2 million from the prior year. The decrease in the Cash and cash investments balance is as a result of the City paying down its liabilities throughout the year. Accounts payable balance was \$0.9 million at year-end, which represents a decrease of \$1.0 million from the prior year.

Overall, the General Fund revenues for fiscal year ended June 30, 2011 increased \$8.4 million or 11% from the previous year. The increase in revenues was largely a result of higher tax revenues and a one-time land sale of \$2.3 million.

- **Housing Authority special revenue fund.** The Housing Authority special revenue fund balance decreased in the amount of \$0.2 million due to continued decrease in Section 8 program funding per the Department of Housing and Urban Development policies. This program at year-end has a fund balance of \$1.3 million.
- **HOME Grant special revenue fund.** The HOME grant special revenue fund balance decreased by \$15.5 thousand due to decrease in funding from the Department of Housing and Urban Development policies. This program at year-end has a fund balance of \$0.2 million.
- **Community Project debt service fund.** The Community Project debt service fund reserve, which provides an accounting of resources used to pay

principal and interest on the Agency's Tax Allocation Bonds, ended the year with a fund balance \$0.1 million.

- **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 program at year-end has a fund balance of \$34.9 million.
- **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 ending fund balance of \$30.8 million represents an increase of \$4.5 million from the prior fiscal year.

Proprietary funds. The RV Park is the only non-major enterprise fund of the City's six enterprise funds. The City's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail.

The Water Utility fund ended the year with net assets of \$46.0 million, which represents an increase of \$4.6 million over the prior year largely due to income from operations. The ending net assets for the Sewage Collection, Solid Waste Disposal, Mobile Home Parks and RV Park funds were \$62.7 million, \$1.5 million, \$19.6 million and \$3.4 million, respectively. 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 some changes between the original budget and the final amended budget, and between the final amended budget and actual results. The changes are outlined below.

Original Budget vs. Final Budget

There were no significant budgetary differences between the original and the final amended budget. The amendments to the original budget totaled \$0.2 million, which is less than 1% of the total budget.

Final Budget vs. Actual

General Fund actual revenues of \$83.4 million were greater than final budgeted revenues of \$78.0 million by \$5.4 million. The increases were primarily due to an increase in tax revenue.

Actual General Fund expenditures of \$82.3 million were less than final budgeted expenditures of \$83.3 million by \$1.0 million or 1%.

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, 2011, amounts to \$794.5 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. The value of the City's capital assets as of June 30, 2011 is as follows:

	Government activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 411.3	\$ 413.0	\$ 6.4	\$ 18.2	\$ 417.7	\$ 431.2
Construction in progress	5.7	9.8	8.9	2.1	14.6	11.9
Depreciable Capital Assets	253.5	243.1	108.7	106.9	362.2	350.0
Total capital assets	<u>\$ 670.5</u>	<u>\$ 665.9</u>	<u>\$ 124.0</u>	<u>\$ 127.2</u>	<u>\$ 794.5</u>	<u>\$ 793.1</u>

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

- A variety of street widening and expansion projects for \$14.7 million and related construction in progress projects for \$5.7 million.
- An improvement to the City water utility system of \$2.5 million and related construction in progress for \$5.4 million.
- An improvement to the City sewer system of \$2.8 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. The City's long-term debt was \$167.4 million at the end of the fiscal year. The debt decreased by \$13.7 million from the prior year largely as a result of the sale of the mobile home parks which resulted in retirement of the mobile home park debt.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The City of Garden Grove assessed valuation as of June 30, 2011 is \$9,625,578,786. The current debt limitation for the City of Garden Grove is \$361.0 million. There are no outstanding general obligation bonds of the City for the fiscal year ended June 30, 2011.

Additional information on the City of Garden Grove’s long-term debt can be found in the financial statements Note 8 of this report.

	Government activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 49.4	\$ 51.3	\$ -	\$ -	\$ 49.4	\$ 51.3
Certificates of participation	19.5	20.0	-	10.4	19.5	30.4
2008 Subordinate Note	1.9	2.0	-	-	1.9	2.0
Agreements payable	43.3	42.3	-	-	43.3	42.3
Capital lease purchase	2.5	3.2	-	-	2.5	3.2
Sewer revenue COP	-	-	21.3	21.8	21.3	21.8
Water revenue bonds	-	-	29.5	30.1	29.5	30.1
Total	\$ 116.6	\$ 118.8	\$ 50.8	\$ 62.3	\$ 167.4	\$ 181.1

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

California, along with the rest of the nation, is slowly emerging from the most severe economic downturn since the Great Depression. During the past two years, the nation underwent significant financial hardship, including job cuts, sales drops, depressed housing markets, factory slowdowns and tight credit availability. Although recent reports and economic indicators suggest the state and national economies are stabilizing after the staggering downturn, the pace of the recovery is still very tepid and consumer spending, a key local government revenue driver, is likely to be hamstrung for some time by slow income and job growth, a reduction in wealth, and limited credit availability.

The City is situated in the middle of Orange County, California. Orange County economy appears to be more resilient. The county economic downturn was not as precipitous, and the recovery is projected to lead other California communities. However, for Garden Grove the recession has been deeper than anticipated and resulted in larger than expected revenue drop-offs. As a result, the City continues to grapple with some financial challenges particularly a structural budget deficit (gap between ongoing revenues and expenditures).

The City’s 2011-2012 fiscal year basic operating budget of \$91.2 million and capital budget of \$6.1 million was balanced and adopted by the City Council on June 28, 2011. The adopted FY2011-2012 budget reflects the implementation of the third year of a 3-Year Budget Implementation Plan that included \$6.83 million in cost reductions, and the use of \$9.0 million in reserves, transfers and other one-time revenues. The 3-Year plan was put in place in response to the economic downturn that began in late 2008, and has continued since unabated. To ensure the financial health and stability of the City, the 3-Year Budget Implementation Plan, focusing on an array of both temporary and permanent cost reduction initiatives, economic development and revenue generating priorities, and the use of fiscal reserves, is being utilized to close the gap between revenues and expenditures and balance the City’s budget. Addressing the situation over a three year approach, allowed the City to continue to provide critical, front-line services to the public while helping the City Council achieve goals for public safety, improved transportation infrastructure, park improvements and enhanced long-term financial stability. Work is currently underway on a new 3-year budget

implementation plan that outlines critical initiatives and funding alternatives, which will enable the City to present and sustain a balanced general fund budget in each of the next three years.

As Garden Grove moves past the recent economic downturn, our future success will depend not only on expenditure reductions but on the eventual resumption of economic growth to help close the structural deficit caused by the recession. While many economic indicators are signaling that the economy is gradually improving, growth in City revenues has been slow and remains flat in many categories. Nevertheless, we are cautiously optimistic that improvement is near. With prudent fiscal management, the City Council's visionary leadership, and the dedication of our employees, the City of Garden Grove is well positioned to meet its future obligations and service goals.

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.



Basic Financial Statements

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 161,176,297	\$ 55,727,708	\$ 216,904,005
Cash and investments with fiscal agents	4,788,464	15,064,189	19,852,653
Taxes receivable	4,577,926	149,843	4,727,769
Accounts receivable	3,561,783	5,779,844	9,341,627
Interest receivable	1,021,726	351,347	1,373,073
Intergovernmental receivable	3,242,640	-	3,242,640
Internal balances	12,540,927	(12,540,927)	-
Inventory	701,440	-	701,440
Prepaid items	165,426	-	165,426
Total current assets	<u>191,776,629</u>	<u>64,532,004</u>	<u>256,308,633</u>
Noncurrent assets:			
Deposits	847,336	15,000	862,336
Notes receivable, net	17,769,342	-	17,769,342
Land held for resale	76,302,992	-	76,302,992
Deferred issuance cost	1,347,191	594,061	1,941,252
Capital assets not being depreciated:			
Land	411,323,938	6,387,342	417,711,280
Construction in progress	5,735,479	8,885,083	14,620,562
Capital assets net of depreciation:	<u>253,490,710</u>	<u>108,704,316</u>	<u>362,195,026</u>
Total noncurrent assets	<u>766,816,988</u>	<u>124,585,802</u>	<u>891,402,790</u>
Total assets	<u>958,593,617</u>	<u>189,117,806</u>	<u>1,147,711,423</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	11,605,826	3,497,944	15,103,770
Accrued liabilities	1,588,303	621,620	2,209,923
Refundable deposits	2,846,573	457,157	3,303,730
Unearned revenue	3,578,078	-	3,578,078
Interest payable	1,264,518	104,900	1,369,418
Long-term liabilities due within one year	14,335,690	1,755,000	16,090,690
Total current liabilities	<u>35,218,988</u>	<u>6,436,621</u>	<u>41,655,609</u>
Noncurrent liabilities:			
Due in more than one year	<u>134,881,181</u>	<u>48,573,026</u>	<u>183,454,207</u>
Total noncurrent liabilities	<u>134,881,181</u>	<u>48,573,026</u>	<u>183,454,207</u>
Total liabilities	<u>170,100,169</u>	<u>55,009,647</u>	<u>225,109,816</u>
NET ASSETS			
Invested in capital assets, net of related debt	560,992,918	88,712,904	649,705,822
Restricted for:			
Community planning and development	45,395,050	-	45,395,050
Low income housing	30,778,626	-	30,778,626
Streets and roads	12,744,528	-	12,744,528
Public safety	2,437,782	-	2,437,782
Developer impact projects	6,278,383	-	6,278,383
Unrestricted	<u>129,866,161</u>	<u>45,395,255</u>	<u>175,261,416</u>
Total net assets	<u>\$ 788,493,448</u>	<u>\$ 134,108,159</u>	<u>\$ 922,601,607</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, 2011**

Functions/programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Fire	\$ 18,709,506	\$ 3,399,585	\$ 49,649
Police	44,898,347	3,606,763	1,200,752
Traffic safety	2,904,707	1,342,358	120,000
Public right of way	13,013,119	145,628	7,891,663
Drainage	1,374,321	-	-
Community buildings	4,318,981	-	-
Community services	4,088,180	914,636	201,646
Parks and greenbelts	1,583,695	1,367,951	247,986
Community planning and development	49,087,862	1,384,433	36,255,635
Municipal support	3,154,114	2,636,200	496,959
Interest on long term debt	5,132,413	-	-
Total governmental activities	<u>148,265,245</u>	<u>14,797,554</u>	<u>46,464,290</u>
Business-type activities:			
Water utility	26,152,077	30,260,675	-
Sewage collection	5,187,475	9,108,543	-
Solid waste disposal	3,520,920	3,078,402	-
Mobile home parks	889,186	1,200	-
RV park	608,172	316,770	-
Total business-type activities	<u>36,357,830</u>	<u>42,765,590</u>	<u>-</u>
Total primary government	<u>\$ 184,623,075</u>	<u>\$ 57,563,144</u>	<u>\$ 46,464,290</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
- Investment income
- Miscellaneous

Total general revenues

Income before special item

Special item:

- Gain on disposal of assets

Change in net assets

Net assets - beginning

Net assets - ending

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

Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		Total
	Governmental Activities	Business-type Activities	
\$ 1,173	\$ (15,259,099)	\$ -	\$ (15,259,099)
60,000	(40,030,832)	-	(40,030,832)
21,573	(1,420,776)	-	(1,420,776)
5,569,810	593,982	-	593,982
77,946	(1,296,375)	-	(1,296,375)
-	(4,318,981)	-	(4,318,981)
-	(2,971,898)	-	(2,971,898)
519,844	552,086	-	552,086
110,656	(11,337,138)	-	(11,337,138)
-	(20,955)	-	(20,955)
-	(5,132,413)	-	(5,132,413)
<u>6,361,002</u>	<u>(80,642,399)</u>	<u>-</u>	<u>(80,642,399)</u>
-	-	4,108,598	4,108,598
-	-	3,921,068	3,921,068
-	-	(442,518)	(442,518)
-	-	(887,986)	(887,986)
-	-	(291,402)	(291,402)
-	-	<u>6,407,760</u>	<u>6,407,760</u>
<u>\$ 6,361,002</u>	<u>(80,642,399)</u>	<u>6,407,760</u>	<u>(74,234,639)</u>
	16,776,350	-	16,776,350
	52,268,227	-	52,268,227
	2,349,125	-	2,349,125
	3,425,691	-	3,425,691
	11,696,706	-	11,696,706
	800,742	-	800,742
	4,239,992	1,510,023	5,750,015
	425,157	-	425,157
	<u>91,981,990</u>	<u>1,510,023</u>	<u>93,492,013</u>
	<u>11,339,591</u>	<u>7,917,783</u>	<u>19,257,374</u>
	-	12,885,509	12,885,509
	11,339,591	20,803,292	32,142,883
	<u>777,153,857</u>	<u>113,304,867</u>	<u>890,458,724</u>
	<u>\$ 788,493,448</u>	<u>\$ 134,108,159</u>	<u>\$ 922,601,607</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds		
	General Fund	Housing Authority	HOME Grant
ASSETS			
Cash and cash investments	\$ 5,686,109	\$ 1,503,336	\$ 124,811
Cash and cash investments with fiscal agents	-	-	-
Taxes receivable	3,944,385	-	-
Accounts receivable	2,683,368	74,950	36,067
Interest receivable	273,305	10,686	1,396
Intergovernmental receivable	-	-	8,932
Notes receivable	255,145	-	11,645,599
Allowance for note receivable	-	-	-
Intercity loans receivable	40,055,622	-	-
Land held for resale	-	-	-
Prepaid items	135,354	3,723	-
Deposits	-	-	-
Total assets	<u>53,033,288</u>	<u>1,592,695</u>	<u>11,816,805</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	946,539	11,723	-
Accrued liabilities	873,445	-	-
Refundable deposits	1,748,539	306,709	10,176
Due to other funds	-	-	-
Deferred revenue	1,523,985	-	11,645,599
Intercity loans payable	-	-	-
Total liabilities	<u>5,092,508</u>	<u>318,432</u>	<u>11,655,775</u>
Fund balances:			
Nonspendable:			
Intercity loan	40,055,622	-	-
Prepaid items	135,354	3,723	-
Deposits	-	-	-
Restricted:			
Fire	-	-	-
Police	-	-	-
Public right of way	-	-	-
Drainage	-	-	-
Community services	-	-	-
Community planning and development	-	1,270,540	161,030
Municipal support	-	-	-
Committed:			
Post-employment benefits	1,000,000	-	-
Community planning and development	-	-	-
Assigned:			
Property tax lawsuit	500,000	-	-
Building improvements	1,300,000	-	-
Other purposes	383,736	-	-
Unassigned	4,566,068	-	-
Total fund balance	<u>47,940,780</u>	<u>1,274,263</u>	<u>161,030</u>
Total liabilities and fund balances	<u>\$ 53,033,288</u>	<u>\$ 1,592,695</u>	<u>\$ 11,816,805</u>

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

Debt Service Fund		Capital Projects Funds			
Community Project	Community Project	Low Income Housing	Nonmajor Governmental Funds	Total Governmental Funds	
\$ -	\$ 19,130,143	\$ 7,147,728	\$ 30,354,980	\$ 63,947,107	
-	-	-	4,788,464	4,788,464	
118,554	-	29,641	485,346	4,577,926	
-	67,387	24,416	512,895	3,399,083	
-	133,971	40,600	170,808	630,766	
-	-	-	3,233,708	3,242,640	
-	1,635,769	3,547,368	755,460	17,839,341	
-	-	(70,000)	-	(70,000)	
-	-	13,829,748	-	53,885,370	
-	66,583,086	9,719,906	-	76,302,992	
-	-	-	-	139,077	
-	-	-	815,236	815,236	
<u>118,554</u>	<u>87,550,356</u>	<u>34,269,407</u>	<u>41,116,897</u>	<u>229,498,002</u>	
-	6,660,832	-	1,629,250	9,248,344	
-	19,745	13,413	529,941	1,436,544	
-	724,930	-	56,219	2,846,573	
-	-	-	4,115,499	4,115,499	
-	3,945,005	3,477,368	3,002,223	23,594,180	
-	41,260,392	-	-	41,260,392	
-	52,610,904	3,490,781	9,333,132	82,501,532	
-	-	13,829,748	-	53,885,370	
-	-	-	-	139,077	
-	-	-	815,236	815,236	
-	-	-	1,022	1,022	
-	-	-	2,456,862	2,456,862	
-	-	-	13,080,003	13,080,003	
-	-	-	287,221	287,221	
-	-	-	1,450,028	1,450,028	
118,554	64,688,850	16,948,878	13,920,568	97,108,420	
-	-	-	199,182	199,182	
-	-	-	-	1,000,000	
-	-	-	994,404	994,404	
-	-	-	-	500,000	
-	-	-	-	1,300,000	
-	-	-	-	383,736	
-	(29,749,398)	-	(1,420,761)	(26,604,091)	
<u>118,554</u>	<u>34,939,452</u>	<u>30,778,626</u>	<u>31,783,765</u>	<u>146,996,470</u>	
<u>\$ 118,554</u>	<u>\$ 87,550,356</u>	<u>\$ 34,269,407</u>	<u>\$ 41,116,897</u>	<u>\$ 229,498,002</u>	

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

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

Fund balances - total governmental funds	\$ 146,996,470
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	663,261,076
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.	20,016,102
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:	75,970,015
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.	(117,750,215)
Net assets of governmental activities	<u><u>\$ 788,493,448</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, 2011

	Special Revenue Funds		
	General Fund	Housing Authority	HOME Grant
REVENUES			
Taxes	\$ 64,693,623	\$ -	\$ -
Licenses and permits	934,987	-	-
Fines, forfeits, and penalties	2,016,452	-	-
Investment earnings	2,490,611	34,938	1,261
Charges for current services	8,020,557	-	-
From other agencies	1,610,649	29,889,304	305,613
Other revenues	3,674,789	251,726	67,978
Total revenues	<u>83,441,668</u>	<u>30,175,968</u>	<u>374,852</u>
EXPENDITURES			
Current:			
Fire	18,813,320	-	-
Police	42,582,703	-	-
Traffic safety	371,514	-	-
Public right of way	3,554,992	-	-
Community buildings	3,161,457	-	-
Community services	2,316,403	-	-
Parks and greenbelts	857,057	-	-
Community planning and development	2,861,139	30,134,710	390,402
Municipal support	6,570,348	35,388	-
Capital outlay:			
Fire	-	-	-
Police	31,033	-	-
Traffic safety	-	-	-
Public right of way	147,448	-	-
Drainage	-	-	-
Community buildings	13,415	-	-
Parks and greenbelts	-	-	-
Community planning and development	-	-	-
Debt service:			
Principal retirement	881,774	-	-
Interest and other charges	101,919	-	-
Total expenditures	<u>82,264,522</u>	<u>30,170,098</u>	<u>390,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,177,146</u>	<u>5,870</u>	<u>(15,550)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	700,000	-	-
Transfers out	(1,958,286)	(162,135)	-
Issuance of debt	-	-	-
Total other financing sources (uses)	<u>(1,258,286)</u>	<u>(162,135)</u>	<u>-</u>
Net change in fund balance	(81,140)	(156,265)	(15,550)
Fund balance, July 1	<u>48,021,920</u>	<u>1,430,528</u>	<u>176,580</u>
Fund balance, June 30	<u>\$ 47,940,780</u>	<u>\$ 1,274,263</u>	<u>\$ 161,030</u>

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

Debt Service Fund		Capital Projects Funds			
Community Project	Community Project	Low Income Housing	Nonmajor Governmental Funds	Total Governmental Funds	
\$ 19,632,456	\$ -	\$ 5,031,583	\$ 1,972,301	\$ 91,329,963	
-	-	-	27,698	962,685	
-	-	-	894,321	2,910,773	
-	1,603,471	112,028	616,202	4,858,511	
-	-	-	3,981,767	12,002,324	
-	-	-	18,530,734	50,336,300	
-	841,551	1,349,448	207,314	6,392,806	
<u>19,632,456</u>	<u>2,445,022</u>	<u>6,493,059</u>	<u>26,230,337</u>	<u>168,793,362</u>	
-	-	-	48,694	18,862,014	
-	-	285,883	1,858,587	44,727,173	
-	-	-	2,361,684	2,733,198	
-	30,630	-	2,279,471	5,865,093	
-	5,324	16,264	5,223	3,188,268	
-	-	-	1,720,755	4,037,158	
-	-	-	806,755	1,663,812	
199,117	13,029,782	1,870,202	3,464,406	51,949,758	
-	408,091	90,679	254,124	7,358,630	
-	-	-	39,259	39,259	
-	-	-	552,076	583,109	
-	-	-	150,378	150,378	
-	-	-	13,321,383	13,468,831	
-	-	-	43,040	43,040	
-	-	-	540,923	554,338	
-	-	-	269,154	269,154	
-	-	-	645,795	645,795	
1,850,000	617,185	-	865,000	4,213,959	
2,487,388	557,306	-	1,790,947	4,937,560	
<u>4,536,505</u>	<u>14,648,318</u>	<u>2,263,028</u>	<u>31,017,654</u>	<u>165,290,527</u>	
<u>15,095,951</u>	<u>(12,203,296)</u>	<u>4,230,031</u>	<u>(4,787,317)</u>	<u>3,502,835</u>	
11,388,850	28,293,491	244,885	960,246	41,587,472	
(26,832,470)	(11,471,599)	-	(1,067,832)	(41,492,322)	
-	2,500,000	-	-	2,500,000	
<u>(15,443,620)</u>	<u>19,321,892</u>	<u>244,885</u>	<u>(107,586)</u>	<u>2,595,150</u>	
(347,669)	7,118,596	4,474,916	(4,894,903)	6,097,985	
<u>466,223</u>	<u>27,820,856</u>	<u>26,303,710</u>	<u>36,678,668</u>	<u>140,898,485</u>	
<u>\$ 118,554</u>	<u>\$ 34,939,452</u>	<u>\$ 30,778,626</u>	<u>\$ 31,783,765</u>	<u>\$ 146,996,470</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, 2011

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

Net change in fund balances - total governmental funds	\$	6,097,985
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation in the current period.		5,440,922
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.		997,080
Some revenues recognized in governmental funds in current year that were already recognized in governmental activities in prior year.		(1,685,504)
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, fleet management, employee benefits, telephones, information systems, risk management and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.		489,108
Change in net assets of governmental activities	<u>\$</u>	<u>11,339,591</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, 2011**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 11,932,109	\$ 22,594,568
Cash and cash investments with fiscal agents	13,482,163	1,582,026
Taxes receivable	-	87,456
Accounts receivable	4,647,388	1,064,409
Interest receivable	75,922	145,727
Due from other funds	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Prepaid items	-	-
Total current assets	<u>30,887,582</u>	<u>25,474,186</u>
Noncurrent assets:		
Deposits	15,000	-
Deferred issuance cost	336,335	257,726
Capital assets:	-	-
Land	1,471,805	915,537
Construction in progress	5,399,710	3,485,373
Depreciable capital assets, net	<u>53,879,448</u>	<u>54,823,218</u>
Total noncurrent assets	<u>61,102,298</u>	<u>59,481,854</u>
Total assets	<u>91,989,880</u>	<u>84,956,040</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,834,901	511,458
Accrued liabilities	231,761	384,970
Interest payable	63,761	41,139
Refundable deposits	448,774	8,383
Due to other funds	-	-
Current portion of long-term obligations		
Accrued compensated absences	-	-
Claims payable	-	-
Long-term debt	<u>1,280,000</u>	<u>475,000</u>
Total current liabilities	<u>4,859,197</u>	<u>1,420,950</u>
Noncurrent liabilities:		
Intercity loans payable	13,374,978	-
Noncurrent portion of long-term obligations:		
Accrued compensated absences	-	-
Claims payable	-	-
Long-term debt	<u>27,750,922</u>	<u>20,822,104</u>
Total noncurrent liabilities	<u>41,125,900</u>	<u>20,822,104</u>
Total liabilities	<u>45,985,097</u>	<u>22,243,054</u>
NET ASSETS		
Invested in capital assets, net of related debt	45,202,204	39,509,050
Unrestricted	<u>802,579</u>	<u>23,203,936</u>
Total net assets	<u>\$ 46,004,783</u>	<u>\$ 62,712,986</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.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ 1,501,104	\$ 19,501,972	\$ 197,955	\$ 55,727,708	\$ 97,229,190
-	-	-	15,064,189	-
62,387	-	-	149,843	-
-	-	68,047	5,779,844	162,700
9,007	120,691	-	351,347	390,960
-	-	-	-	4,922,347
-	-	-	750,000	-
-	-	-	-	701,440
-	-	-	-	26,349
<u>1,572,498</u>	<u>19,622,663</u>	<u>266,002</u>	<u>77,822,931</u>	<u>103,432,986</u>
-	-	-	15,000	32,100
-	-	-	594,061	-
-	-	-	-	-
-	-	4,000,000	6,387,342	-
-	-	-	8,885,083	-
1,650	-	-	108,704,316	7,289,052
<u>1,650</u>	<u>-</u>	<u>4,000,000</u>	<u>124,585,802</u>	<u>7,321,152</u>
<u>1,574,148</u>	<u>19,622,663</u>	<u>4,266,002</u>	<u>202,408,733</u>	<u>110,754,138</u>
79,467	-	72,118	3,497,944	2,357,482
4,889	-	-	621,620	151,759
-	-	-	104,900	1,510
-	-	-	457,157	-
-	-	806,848	806,848	-
-	-	-	-	5,753,116
-	-	-	-	3,470,921
-	-	-	1,755,000	410,635
<u>84,356</u>	<u>-</u>	<u>878,966</u>	<u>7,243,469</u>	<u>12,145,423</u>
-	-	-	13,374,978	-
-	-	-	-	3,996,532
-	-	-	-	17,237,695
-	-	-	48,573,026	513,574
<u>-</u>	<u>-</u>	<u>-</u>	<u>61,948,004</u>	<u>21,747,801</u>
<u>84,356</u>	<u>-</u>	<u>878,966</u>	<u>69,191,473</u>	<u>33,893,224</u>
1,650	-	4,000,000	88,712,904	6,775,478
<u>1,488,142</u>	<u>19,622,663</u>	<u>(612,964)</u>	<u>44,504,356</u>	<u>70,085,436</u>
<u>\$ 1,489,792</u>	<u>\$ 19,622,663</u>	<u>\$ 3,387,036</u>	<u>133,217,260</u>	<u>\$ 76,860,914</u>
			890,899	
			<u>\$ 134,108,159</u>	

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Operating revenues		
Charges for services	\$ -	\$ -
Water sales	29,953,482	-
Mobile home parks operation	-	-
Property assessments	-	2,089,493
Sewer user fees	-	6,896,019
RV park operations	-	-
Other	307,193	123,031
Total operating revenues	<u>30,260,675</u>	<u>9,108,543</u>
Operating expenses		
Salaries and wages	3,703,950	1,664,282
Contractual services	5,032,865	981,439
Liability claims	-	-
Materials and supplies	373,081	141,256
Water production expenses	12,410,697	-
Mobile home parks on-site operations	-	-
RV park on-site operations	-	-
Depreciation and amortization	2,070,821	1,414,006
Total operating expenses	<u>23,591,414</u>	<u>4,200,983</u>
Operating income (loss)	<u>6,669,261</u>	<u>4,907,560</u>
Nonoperating revenues (expenses)		
Investment income	390,625	461,851
Other nonoperating revenues	-	-
Interest expense	(2,330,468)	(1,004,975)
Total nonoperating revenues (expenses)	<u>(1,939,843)</u>	<u>(543,124)</u>
Income (loss) before contributions and transfers	4,729,418	4,364,436
Transfers in	-	-
Transfers out	(162,391)	-
Income (loss) before special item	<u>4,567,027</u>	<u>4,364,436</u>
Special item		
Gain on disposal of assets	-	-
Change in net assets	4,567,027	4,364,436
Total net assets, July 1	<u>41,437,756</u>	<u>58,348,550</u>
Total net assets, June 30	<u>\$ 46,004,783</u>	<u>\$ 62,712,986</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.

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ -	\$ -	\$ -	\$ -	\$ 43,540,542
-	-	-	29,953,482	-
-	1,200	-	1,200	-
1,631,452	-	-	3,720,945	-
-	-	-	6,896,019	-
-	-	314,465	314,465	-
1,446,950	-	2,305	1,879,479	-
<u>3,078,402</u>	<u>1,200</u>	<u>316,770</u>	<u>42,765,590</u>	<u>43,540,542</u>
341,048	-	-	5,709,280	33,123,326
3,178,083	-	-	9,192,387	1,348,620
-	-	-	-	6,487,405
1,239	7,992	207	523,775	1,713,061
-	-	-	12,410,697	-
-	339,652	-	339,652	-
-	-	607,965	607,965	-
550	4,687	-	3,490,064	1,251,569
<u>3,520,920</u>	<u>352,331</u>	<u>608,172</u>	<u>32,273,820</u>	<u>43,923,981</u>
<u>(442,518)</u>	<u>(351,131)</u>	<u>(291,402)</u>	<u>10,491,770</u>	<u>(383,439)</u>
25,595	631,952	-	1,510,023	802,341
-	-	-	-	894
-	(536,855)	-	(3,872,298)	(47,250)
<u>25,595</u>	<u>95,097</u>	<u>-</u>	<u>(2,362,275)</u>	<u>755,985</u>
(416,923)	(256,034)	(291,402)	8,129,495	372,546
-	-	-	-	167,241
-	-	-	(162,391)	(100,000)
<u>(416,923)</u>	<u>(256,034)</u>	<u>(291,402)</u>	<u>7,967,104</u>	<u>439,787</u>
-	12,885,509	-	12,885,509	-
(416,923)	12,629,475	(291,402)	20,852,613	439,787
<u>1,906,715</u>	<u>6,993,188</u>	<u>3,678,438</u>		<u>76,421,127</u>
<u>\$ 1,489,792</u>	<u>\$ 19,622,663</u>	<u>\$ 3,387,036</u>		<u>\$ 76,860,914</u>
			(49,321)	
			<u>\$ 20,803,292</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 30,765,675	\$ 9,036,616
Payments to suppliers	(18,298,275)	(1,764,752)
Payments to employees	(3,747,235)	(1,575,352)
Receipts from user departments	-	-
Net cash provided (used) by operating activities	<u>8,720,165</u>	<u>5,696,512</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from (to) other fund	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(8,023,138)	(4,276,749)
Proceeds from disposal of capital assets	-	-
Principal paid on capital debt	(1,050,000)	(460,000)
Interest paid on capital debt	(2,320,299)	(1,005,741)
Net cash provided (used) by capital and related financing activities	<u>(11,393,437)</u>	<u>(5,742,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>404,999</u>	<u>570,145</u>
Net cash provided by investing activities	<u>404,999</u>	<u>570,145</u>
Net increase (decrease) in cash and cash equivalents	(2,268,273)	524,167
Cash and cash equivalents, July 1	<u>27,682,545</u>	<u>23,652,427</u>
Cash and cash equivalents, June 30	<u>\$ 25,414,272</u>	<u>\$ 24,176,594</u>
Noncash investing, capital, and financing activities:		
Contributions of capital assets to governmental activities	(162,391)	-

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	
\$ 4,574,091 (4,074,260) (360,035) -	\$ 15,032 (354,212) -	\$ 331,434 (536,053) -	\$ 44,722,848 (25,027,552) (5,682,622) -	\$ - (7,433,824) (31,208,811) 44,982,106
<u>139,796</u>	<u>(339,180)</u>	<u>(204,619)</u>	<u>14,012,674</u>	<u>6,339,471</u>
-	541,569	265,279	806,848	2,178,963
-	541,569	265,279	806,848	2,178,963
-	(4,688)	-	(12,304,575)	(251,132)
-	24,937,971	-	24,937,971	-
-	(10,427,419)	-	(11,937,419)	(482,388)
-	(784,938)	-	(4,110,978)	(47,251)
-	13,720,926	-	(3,415,001)	(780,771)
33,055	556,752	-	1,564,951	1,146,699
33,055	556,752	-	1,564,951	1,146,699
172,851	14,480,067	60,660	12,969,472	8,884,362
1,328,253	5,021,905	137,295	57,822,425	88,344,828
<u>\$ 1,501,104</u>	<u>\$ 19,501,972</u>	<u>\$ 197,955</u>	<u>\$ 70,791,897</u>	<u>\$ 97,229,190</u>

- - - (162,391) 167,241

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 6,669,261	\$ 4,907,560
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,070,821	1,414,006
Nonoperating revenue	-	-
Decrease (increase) in taxes receivable	-	9,398
Decrease (increase) in accounts receivable	505,000	(81,325)
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	832	-
Decrease (increase) in deposits	-	-
Increase (decrease) in accounts payable	(509,198)	(642,057)
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued liabilities	(43,285)	88,930
Increase (decrease) in refundable deposits	26,734	-
Increase (decrease) in claims payable	-	-
Total adjustments	<u>2,050,904</u>	<u>788,952</u>
Net cash provided (used) by operating activities	<u>\$ 8,720,165</u>	<u>\$ 5,696,512</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	
\$ (442,518)	\$ (351,131)	\$ (291,402)	\$ 10,491,770	\$ (383,439)
550	4,687	-	3,490,064	1,251,569
-	-	-	-	894
17,509	-	-	26,907	-
1,478,179	13,832	14,665	1,930,351	1,168,052
-	-	-	-	250,928
-	-	-	832	-
-	-	-	-	22,231
(894,937)	(6,568)	72,118	(1,980,642)	(383,487)
-	-	-	-	1,984,806
(18,987)	-	-	26,658	(106,618)
-	-	-	26,734	(10)
-	-	-	-	2,534,545
582,314	11,951	86,783	3,520,904	6,722,910
\$ 139,796	\$ (339,180)	\$ (204,619)	\$ 14,012,674	\$ 6,339,471

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011**

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 these financial statements 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 debt service funds and capital project funds 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. See footnote D.9.C for recent changes in legislation affecting California Redevelopment Agencies.
- 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

- d. The Garden Grove Public Financing Authority (the "Authority") was established on June 22, 1993 as a joint powers agency organized under the laws of the State of California. The Authority is composed of the City and the Agency for Community Development and was formed to assist in the financing of public and capital improvements. It is reported as debt service funds and enterprise funds 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 Authority budget and the City provides staffing.

Complete financial statements for the Garden Grove Agency for Community Development and Garden Grove Housing Authority can be obtained from: The City of Garden Grove Finance Department, 11222 Acacia Parkway, Garden Grove, California 92840. Separate reports are not issued for the Garden Grove Sanitary District and Garden Grove Public Financing Authority.

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

Special Item

The City sold its capital assets related to its Mobile Home Parks in September 2010. The sale resulted in substantial revenue for the Mobile Home Park Fund of \$12,885,509 which is presented as a special item in the government-wide statement of activities and in the proprietary fund statements of revenues, expenses and changes in net assets. The sale also resulted in a discontinuance of the operations of the Mobile Home Park Fund. There were no liabilities related to this discontinuance of operations that needed to be accrued as of June 30, 2011.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) 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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

exchange-like transactions are recognized when the exchange takes place. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as in accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, revenues from other agencies 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.

Home Grant special revenue fund

The Home Grant 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.

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

The City reports the following major enterprise funds:

Water Utility fund

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

Sewage Collection fund

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

Solid Waste Disposal fund

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

Mobile Home Parks fund

The purpose of this fund is to account for the operation and debt service obligations of the Bahia Trailer 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 systems, warehouse operations, telephone system, and risk management services provided to City departments on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes 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, investment income, and gain on sale of assets.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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 enterprise funds and internal service 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. The City has elected not to follow subsequent private-sector guidance.

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 except for the Fleet Management, Employee Benefits, Warehouse Operations, and Telephone System Internal Service Funds by management decision.

The City's cash and cash equivalents are 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 nonspendable fund balance in applicable governmental funds to indicate that they are not in spendable form.

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 receivable 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

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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.

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

The property tax calendar is as follows:

Lien date:	January 1
Levy date:	July 1
Due date:	First installment - November 1 Second installment - February 1
Delinquent date:	First installment - After December 10 Second installment - After 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 20, 2010	7% - 10%
December 12, 2010	20% - 25%
December 18, 2010	15% - 20%
January 23, 2011	1% - 5%
March 6, 2011	5% - 7%
April 24, 2011	30% - 35%
May 22, 2011	1% - 5%
July 14, 2011	1% - 2% (Collections through June 30)

d. Inventory, 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, determined upon execution of a disposition and development agreement, at June 30, 2011 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 and in the proprietary fund 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, except for enterprise funds.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (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	3	0
Bu	ilding improvements		0
Street	infrastructure		2
	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 Benefits) 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. 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.

i. 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 by the debt service funds.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

j. Implementation of Governmental Accounting Standards Board (GASB) Statement

In February 2009, GASB released a new statement, GASB Statement 54 - Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement provides for additional classifications as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The details for the fund balance classifications prescribed under this Statement are separately discussed in Note 10.

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a 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* excluding internal service fund capital assets are as follows:

Capital assets	\$ 905,188,502
Accumulated depreciation	(241,927,426)
	<u>\$ 663,261,076</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.

Note receivables not available to pay for current period expenditures	\$ 17,769,340
Grant receivables not available to pay for current period expenditures	2,246,762
	<u>\$ 20,016,102</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	\$ 76,421,127
Change in net assets	439,787
Internal service funds net assets - end of year	<u>76,860,914</u>
Less allocation to enterprise funds	(890,899)
Adjustment to statement of Net Assets - Governmental	<u>\$ 75,970,015</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (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 governmental funds. The details of this \$117,750,215 adjustment are as follows:

Tax allocation refunding bonds	\$	48,415,000
Certificates of participation		19,510,000
2008 Subordinate note		1,890,000
Agreements payable		43,322,426
Capital lease		1,618,502
Interest payable		1,263,008
Postemployment benefit obligation		2,141,533
Unamortized bond issuance cost		(1,347,191)
Unamortized bonds premiums		936,937
	\$	<u>117,750,215</u>

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

The governmental funds 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 as depreciation expense". The details of this difference are as follows:

Capital outlay capitalization for year	\$	15,753,903
Current year governmental depreciation		(10,312,981)
	\$	<u>5,440,922</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	\$	1,850,000
Certificates of participation		515,000
2008 Subordinate note		65,000
Agreements payable		1,482,268
Capital lease payable		301,690
Proceeds from notes		(2,500,000)
Amortization of issuance costs		(68,891)
Amortization of premium		49,313
Change in interest payable		(128,025)
Change in postemployment benefit obligation		(569,275)
Total long term debt adjustment	\$	<u>997,080</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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 does not budget for the 2002 Capital Improvement Project debt service fund, 2003 Tax Allocation capital projects fund, and Garden Grove Tourism Improvement District special revenue fund.

The legal level of budgetary control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council. 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.

2. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

<u>Fund</u>	<u>Type of Fund</u>	<u>Amount over Budget</u>
Housing Authority	Special revenue fund	\$ 3,053,215
Community Project	Debt service fund	191,767
Golf Course	Special revenue fund	2,182
Garden Grove Cable	Special revenue fund	49,691
Street Lighting	Special revenue fund	124,726

The Housing Authority, Golf Course, Garden Grove Cable, Street Lighting, and Garden Grove Tourism Improvement District special revenue funds unbudgeted expenditures were funded by future revenues and transfers. The Community Project capital project fund and the 2003 Tax Allocation capital project fund were funded by transfers.

3. Deficit fund equity

The following fund had a deficit at June 30, 2011:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
2008 RDA Loan	Debt service fund	\$ 147,820

The deficit in the 2008 RDA Loan debt service fund is expected to be eliminated with future revenues and transfers.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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. See footnote D.9.C. for recent changes in legislation affecting California Redevelopment Agencies.

D. DETAILED NOTES ON ALL FUNDS

1. Cash and investments

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

Statement of net assets:	
Cash and investments	\$ 216,904,005
Cash and investments with fiscal agent	19,852,653
Total cash and investments	<u>\$ 236,756,658</u>

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

Cash on hand	\$ 43,930
Deposits with financial institutions	5,274,023
Investments	231,438,705
Total cash and investments	<u>\$ 236,756,658</u>

Investments Authorized by the City’s Investment Policy

The following table 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of *Portfolio	Maximum Investment in One Issuer
Securities of the U.S. Government or its Agencies	5 years	None	None
Federal Home Loan Bank (FHLB)	5 years	None	None
Federal National Mortgage Association (FNMA)	5 years	None	None
Federal Farm Credit Bank (FFCB)	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
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage-backed Securities	5 years	20%	None
Repurchase Agreement (Overnight)	30 days	None	None
Passbook Savings Account	N/A	None	None

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

Investments Authorized by Debt Agreements

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	Percentage Of *Portfolio	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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 29,500,000	1.25
U.S. Agency Securities		
FHLB	50,840,000	1.46
FFCB	40,300,000	1.38
FNMA	46,855,000	2.00
Local Agency Investment Fund (LAIF)	44,091,053	0.50
Held by fiscal agent:		
Investments Contracts	2,773,488	0.50
Money Market Funds	17,079,164	0.50
Total	<u>\$ 231,438,705</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

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	Not Rated
U.S. Treasury	\$ 29,500,000	N/A	\$ 29,500,000	-	-
U.S. Agency Securities					
FHLB	50,840,000	N/A	-	50,840,000	-
FFCB	40,300,000	N/A	-	40,300,000	-
FNMA	46,855,000	N/A	-	46,855,000	
Local Agency Investment Fund	44,091,053	N/A	-		44,091,053
Held by fiscal agent:					
Investment Contracts	2,773,488	AAA	-	2,773,488	-
Money Market Funds	17,079,164	AAA	-	17,079,164	-
Total	<u>\$ 231,438,705</u>		<u>\$ 29,500,000</u>	<u>\$ 157,847,652</u>	<u>\$ 44,091,053</u>

Concentration of Credit Risk

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

<u>Issuer</u>	<u>Investment Type</u>	<u>Investment Type</u>
FHLB	U.S. Agency Securities	\$ 50,840,000
FFCB	U.S. Agency Securities	40,300,000
FNMA	U.S. Agency Securities	46,855,000

Custodial Credit Risk

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

The total amount invested by all public agencies in LAIF as of June 30, 2011 was \$24.1 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 had a balance of \$66.3 billion, of that amount, 5.01% was invested in medium-term and short-term structured notes and asset-backed securities.

2. Intercity loans receivable/payable at June 30, 2011 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 for 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.

\$13,374,978

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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

The General fund has loaned to the Community Project capital projects fund a total of \$2,863,113 to assist in funding the Agency's operating budget since 2004. The loans accrue interest at a rate of 6.5% per annum. On March 8, 2011, City Council authorized a loan amortization schedule. Principal payments ranging from \$699,984 to \$900,505 are due annually.

3,285,472

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 March 8, 2011, the City Council authorized a loan amortization schedule. Principal payments ranging from \$761,037 to \$1,114,235 are due annually.

3,885,172

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%. The Agency is responsible for making payments 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.

19,510,000

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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

The Community Project capital projects fund has five loans from the Low Income Housing capital project fund, that were used to make the fiscal year 2003-04 (\$999,032), 2004-05 (\$1,680,565), and 2005-06 (\$1,517,267) mandated Educational Revenue Augmentation Fund payments and "Supplemental" Education Revenue Augmentation Fund payments for the fiscal year 2009-10 (\$7,906,610) and 2010-11 (\$1,626,274). 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%. No interest was accrued on the 2009-10 and 2010-11. The loans are due in 10 years from the loan establishment except for 2009-10 and 2010-11 loans which are due on May 10, 2015 and June 30, 2016, respectively. The Community Project capital projects fund has one additional loan of \$100,000 from the Low Income Housing capital project fund that was used to acquire a property held for resale. This loan is interest free and due in the fiscal year 2011-12.

13,829,748

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$54,635,370

3. Interfund receivables, payables, and transfers

a. The composition of interfund receivable/payable balances as of June 30, 2011 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Nonmajor governmental funds	\$ -	\$ 4,115,499
Nonmajor RV Park enterprise fund	-	806,848
Internal service funds	<u>4,922,347</u>	<u>-</u>
Total	<u>\$ 4,922,347</u>	<u>\$ 4,922,347</u>

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

b. The composition of interfund transfer balances for the year ended June 30, 2011 is as follows:

	Transfers In						Total
	General fund	Community Project debt service fund	Community Project capital projects fund	Low Income Housing capital projects fund	Nonmajor governmental funds	Internal service funds	
Transfers out:							
General Fund	\$ -	\$ -	\$ 1,461,020	\$ -	\$ 492,416	\$ 4,850	\$ 1,958,286
Housing Authority	-	-	-	162,135	-	-	162,135
Community Projects debt service fund	-	-	26,832,470	-	-	-	26,832,470
Community Projects capital project fund	-	11,388,850	-	82,749	-	-	11,471,599
Nonmajor governmental funds	600,000	-	-	-	467,832	-	1,067,832
Water Utility enterprise fund	-	-	-	-	-	162,391	162,391
Internal service funds	100,000	-	-	-	-	-	100,000
Total	\$ 700,000	\$ 11,388,850	\$ 28,293,490	\$ 244,884	\$ 960,248	\$ 167,241	\$ 41,754,713

- \$1,461,020 transfer from the General fund to the Community Project capital projects fund was to provide hotel assistance payments.
- \$26,832,470 transfer from the Community Project debt service fund to the Community Project capital projects fund was to provide financing of Community Project expenditures based on the reimbursement agreement (see note A.4.j).
- \$11,388,850 transfer from the Community Project capital projects fund to the Community Project debt service fund was for repayment of outstanding debt.
- \$600,000 transfer from Golf Course special revenue fund (Nonmajor governmental fund) to the General fund was to pay for administrative costs.

4. Notes receivable at June 30, 2011 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.

\$68,974

b. 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,

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

these note receivables are offset by deferred revenue in the Community Project and Low Income Housing capital project funds. Revenue will be recognized when received.

2,454,500

c. *Trask Avenue relocation:*

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

17,603

d. *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 governmental funds. Revenue will be recognized when received.

2,642,061

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

e. Rental rehabilitation –Home Grant Special Revenue fund and Other nonmajor 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.

12,401,058

f. 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.

255,145

TOTAL NOTES RECEIVABLE

\$17,839,341

Less: Allowance for doubtful accounts

(70,000)

TOTAL NOTES RECEIVABLE, NET

\$17,769,341

5. 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 estimated net realizable value, as determined upon execution of a disposition and development agreement. Land held for resale at June 30, 2011 is \$76,302,992.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

6. Capital assets

Capital asset activity for the year ended June 30, 2011 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	\$ 413,028,775	\$ 604,400	\$ (2,309,237)	\$ 411,323,938
Construction in progress	9,760,472	10,235,400	(14,260,393)	5,735,479
Total capital assets, not being depreciated	<u>422,789,247</u>	<u>10,839,800</u>	<u>(16,569,630)</u>	<u>417,059,417</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	341,681,247	14,684,750	-	356,365,997
Storm drain assets	69,258,302	2,400,116	-	71,658,418
Buildings and park assets	44,612,600	3,902,645	(126,019)	48,389,226
Furniture and equipment	30,354,863	1,146,412	(293,853)	31,207,422
Total capital assets, being depreciated	<u>485,907,012</u>	<u>22,133,923</u>	<u>(419,872)</u>	<u>507,621,063</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(167,284,938)	(7,418,159)	-	(174,703,097)
Storm drain assets	(36,686,608)	(1,380,257)	-	(38,066,865)
Buildings and park assets	(18,866,653)	(1,155,113)	-	(20,021,766)
Furniture and equipment	(20,015,187)	(1,611,021)	287,583	(21,338,625)
Total accumulated depreciation	<u>(242,853,386)</u>	<u>(11,564,550)</u>	<u>287,583</u>	<u>(254,130,353)</u>
Total capital assets, being depreciated, net	<u>243,053,626</u>	<u>10,569,373</u>	<u>(132,289)</u>	<u>253,490,710</u>
Governmental activities capital assets, net	<u>\$ 665,842,873</u>	<u>\$ 21,409,173</u>	<u>\$ (16,701,919)</u>	<u>\$ 670,550,127</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 18,187,782	\$ 1,500	\$ (11,801,940)	\$ 6,387,342
Construction in progress	2,081,701	8,885,083	(2,081,701)	8,885,083
Total capital assets, not being depreciated	<u>20,269,483</u>	<u>8,886,583</u>	<u>(13,883,641)</u>	<u>15,272,425</u>
Capital assets, being depreciated:				
Buildings and structures	124,023	-	(109,023)	15,000
Water system	93,322,894	2,451,761	-	95,774,655
Sewer system	92,978,252	4,737,476	(1,966,028)	95,749,700
Machinery and equipment	293,420	16,485	(25,281)	284,624
Total capital assets, being depreciated:	<u>186,718,589</u>	<u>7,205,722</u>	<u>(2,100,332)</u>	<u>191,823,979</u>
Less accumulated depreciated for:				
Buildings and structures	(100,089)	-	100,089	-
Water system	(39,874,595)	(2,054,694)	-	(41,929,289)
Sewer system	(39,620,257)	(1,427,080)	85,143	(40,962,194)
Machinery and equipment	(225,705)	(17,866)	15,391	(228,180)
Total accumulated depreciation	<u>(79,820,646)</u>	<u>(3,499,640)</u>	<u>200,623</u>	<u>(83,119,663)</u>
Total capital assets, being depreciated, net	<u>106,897,943</u>	<u>3,706,082</u>	<u>(1,899,709)</u>	<u>108,704,316</u>
Business-type activities capital assets, net	<u>\$ 127,167,426</u>	<u>\$ 12,592,665</u>	<u>\$ (15,783,350)</u>	<u>\$ 123,976,741</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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

	Governmental Activities	Business-type Activities
Traffic safety	\$ 359,453	\$ -
Right of way	7,418,159	-
Drainage	1,380,257	-
Community buildings	1,155,113	-
Water	-	2,067,365
Sewage collection	-	1,431,725
Solid waste disposal	-	550
Internal service fund	1,251,568	-
Total	<u>\$ 11,564,550</u>	<u>\$ 3,499,640</u>

7. Deferred revenue

The deferred revenue in the General fund in the amount of \$1,523,985 represents \$1,268,840 due from the State of California for mandated cost reimbursements, and \$255,145 for a developer's note receivable.

Deferred revenue in the Community Project capital project fund of \$1,635,769, Low Income Housing capital projects fund of \$3,477,368 and the HOME special revenue fund of \$11,645,599 are associated with the notes receivable discussed in Note D4. Deferred revenue in Community Project capital project fund of \$2,309,236 is related to land held for resale.

Certain federal, state and county grants have advanced funds for project expenditures, and certain grant receivables are not available to pay for current period expenditures. These funds are recorded in nonmajor governmental funds as deferred revenue in the amount of \$2,387,541 in the Other Grants and Contributions special revenue fund and \$583,129 in the Street Rehabilitation special revenue fund.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

8. Long-Term Debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2011.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Tax allocation bonds	\$ 50,265,000	\$ -	\$ (1,850,000)	\$ 48,415,000	\$ 1,945,000
Certificates of participation	20,025,000	-	(515,000)	19,510,000	540,000
Unamortized premium	986,250	-	(49,313)	936,937	-
2008 Subordinate Note	1,955,000	-	(65,000)	1,890,000	65,000
Agreements payable	42,304,694	2,500,000	(1,482,268)	43,322,426	1,871,461
Capital lease payable	3,221,507	15,529	(694,325)	2,542,711	690,192
Governmental activities long-term debt	118,757,451	2,515,529	(4,655,906)	116,617,074	5,111,653
Other non-current liabilities:					
Claims payable	18,257,000	6,487,405	(4,035,789)	20,708,616	3,470,921
Compensated absences	7,764,842	8,038,473	(6,053,667)	9,749,648	5,753,116
OPEB liabilities	1,572,258	883,991	(314,716)	2,141,533	-
Governmental activities long-term liabilities	\$ 146,351,551	\$ 17,925,398	\$ (15,060,078)	\$ 149,216,871	\$ 14,335,690
Business-type activities					
Water revenue COP	\$ 13,095,000	\$ -	\$ (720,000)	\$ 12,375,000	\$ 740,000
Add: premium	147,894	-	(10,564)	137,330	-
Less: deferred refunding	(503,324)	-	35,952	(467,372)	-
Water revenue bonds	16,625,000	-	(330,000)	16,295,000	540,000
Add: premium/discount	745,006	-	(54,041)	690,965	-
Sewer revenue COP	21,405,000	-	(460,000)	20,945,000	475,000
Add: premium	366,281	-	(14,179)	352,102	-
Mobile Home COP	10,465,000	-	(10,465,000)	-	-
Less: discount	(37,581)	-	37,581	-	-
Business-type activities long- term liabilities	\$ 62,308,276	\$ -	\$ (11,980,251)	\$ 50,328,025	\$ 1,755,000

b. Governmental long-term debt at June 30, 2011 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 (i i) finance additional redevelopment activities of the Agency. The tax allocation refunding bonds are secured and to be serviced from tax increment revenues excluding dedicated housing tax increment, through the fiscal year 2029. The remaining principal and interest requirements on the debt is \$73,565,351. Planned tax increment revenue recognized during the year was \$20.1 million against the total debt service payment of \$4.3 million. 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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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, 2011. \$48,415,000

Unamortized bond premium 936,937

Total 49,351,937

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, 2032. 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, 2011. 19,510,000

Subordinate Note:

On June 1, 2008, the Agency for Community Development entered into a note purchase agreement in the amount of \$2,015,000, to refund a note issued to Katella Cottages LLC under a Disposition and Development Agreement dated May 11, 2004. The Note has an annual interest rate of 6% with principal payments due annually on October 1 through October 1, 2027. Principal payments range from \$60,000 to \$170,000. 1,890,000

Agreements payable:

\$7,660,000 Federal Housing and Community Development Section 108 Loan was issued for the purpose of refinancing the \$13,380,000 Section 108 Loan that was issued for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The City has pledged future Community Development Grant funds including program income to satisfy the City's obligations under this loan agreement until fiscal year 2016. The remaining principal and interest requirements on the loan is \$9,035,821. Pledged revenue recognized during the year was \$1.8 million against the total debt service payment of \$186,672. Principal payments ranging from \$750,000 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. 6,110,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

<p>\$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.</p>	80,477
<p>\$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.</p>	580,448
<p>\$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.</p>	311,501
<p>On June 2, 2008, the Agency for Community Development entered into an agreement with Union Bank of California for a term loan in the amount of \$32,000,000 for the purpose of acquiring certain parcels of real property. The terms of the loan comprise of refunded capitalized interest rate of 4.22% for year 1 through 3, interest rate of Libor plus 0.75 basis points for year 4 and fully amortized loan with principal and interest payments of Libor plus 0.75 basis points for years 5 through 12.</p>	32,000,000
<p>On August 24, 2009, the Agency for Community Development entered into an agreement with M. David Paul & Associates in the loan amount of \$2,320,000, in accordance with a purchase and sale agreement secured by deed of trust for the purchase of real property located on 12900 Euclid Street in Garden Grove. The loan has annual interest rate of 5% with interest payments of \$580,000 due annually until August 25, 2013.</p>	1,740,000
<p>On October 8, 2010, the Agency for Community Development entered into an agreement with Richard Kil and Yong Hui Kil in the loan amount of \$2,500,000, in accordance with a purchase and sale agreement secured by deed of trust for the purchase of real property located on 12272 & 12292 Harbor Boulevard in Garden Grove. The loan has annual interest rate of 6.50% Interest payments ranging from \$121,878 to \$162,504 due annually until July 8, 2012.</p>	<u>2,500,000</u>
<p><i>Total agreements payable</i></p>	<u>43,322,426</u>
<p><u>Capital leases payable:</u></p>	
<p>\$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.</p>	887,951
<p>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.</p>	730,550

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

In November 2007, the City entered into a capital lease arrangement in the amount of \$376,774 for 22 copy machines. The interest rate is 5.35% with a monthly payment of \$7,170 through December 2012. 123,766

In October 2008, the City entered into a capital lease arrangements in the amount of \$1,598,140 for 3 fire pumper trucks. The interest rate is 3.99% with a monthly payment of \$29,425 through October 2013. 785,464

In February 2011, the City entered into a capital lease arrangement in the amount of \$15,529 for copy machines. The interest rate is 13.829% with a monthly payment of \$360 through May 2016. 14,980

Total capital leases payable 2,542,711

TOTAL GOVERNMENTAL LONG TERM DEBT \$116,617,074

C. Proprietary long-term debt at June 30, 2011 consisted of the following items:

2004 Revenue certificates of participation - Water Utility enterprise fund:

\$16,845,000 Refunding Revenue Certificates of Participation, 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 by \$2,354,695. 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 certificates of participation 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 2.0% to 5.0% over the life of the certificate. Such certificates are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2011. \$12,375,000

Unamortized bond premium fees 137,330
Unamortized deferred refunding cost (467,372)

Total 2004 Revenue certificates of participation 12,044,958

2004 Revenue certificates of participation - Water Utility enterprise fund - debt service coverage:

The Refunding Revenue Certificates of Participation were issued on April 20, 2004 for current refunding of the Water Revenue Bonds, Series 1993. These certificates of participation are to be secured and to be serviced from revenues derived by the ownership and operations of the water system including all connection charges and fees collected by the City through the fiscal year 2024. At June 30, 2011 total interest and principal remaining on the certificates is \$16,514,841. Revenue recognized during the year was \$30.26 million against debt service payments of \$1,290,513. The Utility covenants that rates and

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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	\$ 30,260,675
Non-operating revenues	390,625
Gross revenue	<u>30,651,300</u>
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(21,520,591)</u>
Net revenues	<u>\$ 9,130,709</u>
Debt service requirement for next year: \$1,284,937 x 125%	<u>\$ 1,606,171</u>

2010 Revenue Bonds – Water utility enterprise fund:

\$16,625,000 Revenue Bonds, Series 2010, were issued on April 30, 2010 to finance the acquisition, expansion, construction and improvement of certain additional water facilities of the water system of the City. The bonds are secured and to be serviced from net revenues derived from the ownership or operation of the water system excluding proceeds from customers' deposits and any proceeds assessments restricted by law to be used by the City to pay parity obligations or other obligations. Revenue recognized during the year was \$30.26 million against debt service payments of \$1,258,886. The Bonds are due in annual principal installments of \$320,000 to \$1,165,000 beginning December 15, 2010 and is payable semiannually on June 15 and December 15 through December 2030.

	16,295,000
Unamortized bond premium	<u>690,965</u>
Total 2010 Revenue bonds	<u>16,985,965</u>

2006 Revenue certificates of participation – Sewage collection enterprise fund:

Garden Grove Sanitary District Revenue Certificates of Participation in the amount of \$21,845,000 were issued on April 12, 2006. The certificates are secured and to be serviced from the total revenues for the fiscal year excluding any proceeds of taxes or assessments restricted by law and less the operations and maintenance costs excluding depreciation through the fiscal year 2036. At June 30, 2011 total interest and principal remaining on the certificates is \$36,619,775. Net revenue recognized during the year was \$6.8 million against debt service payments of \$1,462,341. 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 certificates are due in annual principal installments of \$440,000 to \$1,395,000 beginning June 15, 2010 through 2036. Interest rates range from 4.0% to 4.5% and is payable semiannually on June 15 and December 15. Such bonds are subject to federal arbitrage regulations. No arbitrage liability is reported at June 30, 2011.

	\$20,945,000
Unamortized bond premium	<u>352,102</u>
Total 2006 revenue certificates of participation	<u>\$21,297,102</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

2006 Revenue certificates of participation – Sewage collection enterprise fund - debt service coverage:

The Garden Grove Sanitary District Revenue Certificates of Participation in the amount of \$21,845,000 were issued on April 12, 2006. These certificates of participation are to be secured and to be serviced from revenues derived by the ownership and operations of the sewer system including all connection charges and fees collected by the District through the fiscal year 2036. At June 30, 2011 total interest and principal remaining on the certificates is \$36,619,775. Revenue recognized during the year was \$9.6 million against debt service payments of \$1,465,741. The Utility covenants that rates and charges for the sewer service will be sufficient to yield net revenues equal to 115% 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	\$ 9,108,543	
Non-operating revenues	461,851	
Gross revenue	<u>9,570,394</u>	
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(2,786,977)</u>	
Net revenues	<u>\$ 6,783,417</u>	
Debt service requirement for next year: \$1,462,341x 115%	<u>\$ 1,681,692</u>	
TOTAL PROPRIETARY LONG TERM DEBT		<u>\$50,328,025</u>
TOTAL LONG TERM DEBT		<u>\$166,945,099</u>

D. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2011, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2012	\$ 1,945,000	\$ 2,402,238	\$ 4,347,238
2013	2,020,000	2,320,413	4,340,413
2014	2,105,000	2,232,756	4,337,756
2015	2,195,000	2,130,406	4,325,406
2016	2,310,000	2,012,150	4,322,150
2017-2021	13,525,000	8,029,597	21,554,597
2022-2026	15,940,000	4,557,166	20,497,166
2027-2029	8,375,000	1,465,625	9,840,625
Total	<u>\$ 48,415,000</u>	<u>\$ 25,150,351</u>	<u>\$ 73,565,351</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2012	\$ 540,000	\$ 1,019,452	\$ 1,559,452
2013	560,000	995,827	1,555,827
2014	580,000	970,627	1,550,627
2015	620,000	944,527	1,564,527
2016	645,000	915,387	1,560,387
2017-2021	3,770,000	4,014,269	7,784,269
2022-2026	4,925,000	2,858,187	7,783,187
2027-2031	6,390,000	1,394,769	7,784,769
2032	1,480,000	75,850	1,555,850
Total	<u>\$ 19,510,000</u>	<u>\$ 13,188,895</u>	<u>\$ 32,698,895</u>

Year Ending June 30	2008 Subordinate Note		
	Principal	Interest	Total
2012	\$ 65,000	\$ 113,400	\$ 178,400
2013	70,000	109,500	179,500
2014	75,000	105,300	180,300
2015	80,000	100,800	180,800
2016	85,000	96,000	181,000
2017-2021	505,000	397,500	902,500
2022-2026	680,000	225,900	905,900
2027-2028	330,000	30,000	360,000
Total	<u>\$ 1,890,000</u>	<u>\$ 1,178,400</u>	<u>\$ 3,068,400</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2012	\$ 1,871,461	\$ 1,346,496	\$ 3,217,957
2013	8,104,458	1,230,205	9,334,663
2014	5,664,102	935,628	6,599,730
2015	5,143,171	759,147	5,902,318
2016	5,558,415	596,979	6,155,394
2017-2020	16,980,819	1,000,402	17,981,221
Total	<u>\$ 43,322,426</u>	<u>\$ 5,868,857</u>	<u>\$ 49,191,283</u>

Year Ending June 30	Capital leases payable		
	Principal	Interest	Total
2012	\$ 690,192	\$ 106,004	\$ 796,196
2013	725,942	71,829	797,771
2014	502,761	41,447	544,208
2015	169,019	22,766	191,785
2016	93,248	17,249	110,497
2017-2020	361,549	25,854	387,403
Total	<u>\$ 2,542,711</u>	<u>\$ 285,149</u>	<u>\$ 2,827,860</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

E. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2011, including interest payments, are as follows.

Year Ending June 30	2004 Water Utility Revenue Certificates of Participation		
	Principal	Interest	Total
2012	\$ 740,000	\$ 544,937	\$ 1,284,937
2013	765,000	515,762	1,280,762
2014	800,000	484,462	1,284,462
2015	830,000	449,787	1,279,787
2016	865,000	413,812	1,278,812
2017-2021	4,905,000	1,468,831	6,373,831
2022-2024	3,470,000	262,250	3,732,250
Total	<u>\$ 12,375,000</u>	<u>\$ 4,139,841</u>	<u>\$ 16,514,841</u>

Year Ending June 30	2006 Sewage Collection Revenue Certificates of Participation		
	Principal	Interest	Total
2012	\$ 475,000	\$ 987,341	\$ 1,462,341
2013	495,000	968,341	1,463,341
2014	515,000	948,541	1,463,541
2015	535,000	927,941	1,462,941
2016	560,000	906,541	1,466,541
2017-2021	3,155,000	4,167,389	7,322,389
2022-2026	3,905,000	3,418,550	7,323,550
2027-2031	4,960,000	2,367,631	7,327,631
2032-2036	6,345,000	982,500	7,327,500
Total	<u>\$ 20,945,000</u>	<u>\$ 15,674,775</u>	<u>\$ 36,619,775</u>

Year Ending June 30	2010 Water Revenue Bonds		
	Principal	Interest	Total
2012	\$ 540,000	\$ 838,527	\$ 1,378,527
2013	555,000	827,427	1,382,427
2014	575,000	810,477	1,385,477
2015	600,000	787,277	1,387,277
2016	625,000	763,077	1,388,077
2017-2021	3,540,000	3,389,387	6,929,387
2022-2026	4,430,000	2,452,018	6,882,018
2027-2031	5,430,000	889,672	6,319,672
Total	<u>\$ 16,295,000</u>	<u>\$ 10,757,862</u>	<u>\$ 27,052,862</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

F. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, administrative leave, compensated time off, and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2011 is \$9,749,647.

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, 17.25 hours per month after 19 years, and 20.50 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 18 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 24 hours per month after 4 years, 26 hours per month after 9 years, 28 hours per month after 14 years, 30 hours per month after 19 years, and 33 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 \$5,142,221 at June 30, 2011.

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 police and 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 75% 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 30 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 30 percent of the total accumulated benefit, or \$4,607,426 June 30, 2011.

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	\$ 5,404,100	\$ 4,413,276	\$ (4,675,155)	\$ 5,142,221	\$ 4,370,888
Sick leave	2,360,742	3,625,196	(1,378,512)	4,607,426	1,382,228
	<u>\$ 7,764,842</u>	<u>\$ 8,038,472</u>	<u>\$ (6,053,667)</u>	<u>\$ 9,749,647</u>	<u>\$ 5,753,116</u>

G. 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 \$13,993,000 for claims outstanding including claims incurred but not reported on June 30, 2011, which has been included as 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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

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, 2011, in the amount of \$6,715,619 which has been included as liabilities in the Risk Management internal service fund.

The City is a defendant in various lawsuits. Attempts are made to settle these cases via arbitration and/or settlement conferences. If unsuccessful, the currently outstanding cases proceed to trial with the outcome unpredictable. The City believes that it has meritorious defenses to the allegations contained in the cases. However, the City has accrued and reserved reasonable amounts based on the actuarial analysis and attorney recommendations to cover the potential losses to the extent the exposures are deemed probable and estimable.

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, 2011. 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, 2011 and June 30, 2010 are as follows:

<u>Workers' Compensation</u>	<u>2011</u>	<u>2010</u>
Liability, July 1	\$ 13,993,000	\$ 28,702,313
Prior year adjustment	-	(14,081,848)
Costs and claims incurred	2,864,509	1,677,409
Claim payments	(2,864,510)	(2,304,874)
Liability, June 30	<u>\$ 13,992,999</u>	<u>\$ 13,993,000</u>
Due within one year	\$ 2,582,479	\$ 2,763,414
Due in more than one year	11,410,520	11,229,586
	<u>\$ 13,992,999</u>	<u>\$ 13,993,000</u>
<u>Risk Management</u>		
Liability, July 1	\$ 4,264,000	\$ 11,436,986
Prior year adjustment	-	(7,871,147)
Costs and claims incurred	3,622,896	2,142,114
Claim payments	(1,171,279)	(1,443,953)
Liability, June 30	<u>\$ 6,715,617</u>	<u>\$ 4,264,000</u>
Due within one year	\$ 888,442	\$ 554,039
Due in more than one year	5,827,175	3,709,961
	<u>\$ 6,715,617</u>	<u>\$ 4,264,000</u>

H. Public Employees Retirement System

1. 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), an 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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

2. 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. To be eligible for CalPERS retirement, employees must be at least age 55 for the miscellaneous plan and age 50 for safety plan and have five years of service credit. Upon retirement, retirement benefits are calculated using a formula that includes using years of service credit at retirement age and final compensation. Final compensation is calculated from the highest average full-time monthly pay rate for a 1-year period. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Normal Actuarial Cost Method. 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, 2011 was 14.00% for miscellaneous employees and 27.00% 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.

The funded status of the plans based on the actuarial valuations is as follows:

Valuation Date 6/30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability % of Payroll
<u>Miscellaneous Plan</u>						
2010	\$ 206,013,680	\$ 171,251,973	\$ 34,761,707	83.1%	\$ 27,751,566	125.3%
<u>Safety Plan</u>						
2010	350,374,623	278,146,251	72,228,372	79.4%	25,883,106	279.1%

The actuarial valuation for 6/30/2010 is the most recent valuation available.

The Schedule of Funding progress presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. Annual pension cost

For the fiscal year ended June 30, 2011 the City of Garden Grove's annual pension cost of \$10,760,520 for CalPERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members. Both (a) and (b) include an inflation component of 3.00%.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

FYE	Annual Pension Cost		% of Annual Pension Cost Contribution	Net Pension Obligation
	Miscellaneous	Safety		
6/30/2009	\$ 3,717,488	\$ 7,458,119	100%	0
6/30/2010	3,843,311	7,275,564	100%	0
6/30/2011	3,723,192	7,037,328	100%	0

Plan assets and unfunded status were \$0 as of June 30, 2011.

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 closed amortization period.

I. Postemployment benefits

1. Plan Description

The City provides retiree medical benefits under the Cal PERS health plan, an agent mul tiple-employer public employee defined postemployment benefit plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

2. Eligibility

Employees are eligible for retiree health benefits if they retire from the Ci ty on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the Ci ty. Membership of the pl an consisted of 581 eligible active employees and 236 enrolled eligible retirees at June 30, 2011. These amounts do not refl ect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

3. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements Effective January 1, 2007, the City's contribution rate was \$80. 80 per month for each retiree. For the year ended June 30, 2011, the City contributed \$314,716 to the plan. Plan members receiving benefits contributed \$1,948,004 (approximately 85% of total premiums) through their required contribution.

Annual OPEB Cost and Net OPEB Obligation. The Ci ty's annual other postempl oyment benefit (OPEB) cost (expense) i s calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

	<u>June 30, 2011</u>
Annual required contribution	\$ 883,991
Interest on net OPEB obligation	78,613
Adjustment to annual required contribution	<u>(78,613)</u>
Annual OPEB cost (expense)	883,991
Contributions made	<u>(314,716)</u>
Increase in net OPEB obligation	569,275
Net OPEB Obligation, Beginning of Year	<u>1,572,258</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,141,533</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 827,400	29.3%	\$ 994,049
6/30/10	827,400	30.1%	1,572,258
6/30/11	883,991	33.8%	2,157,468

4. Funding Status and Progress

<u>Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability % of Payroll</u>
3/1/2011	10,272,641	-	10,272,641	0.0%	6,128,115	167.6%

The actuarial valuation as of 3/1/2011 is the most recent actuarial valuation available.

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

5. Actuarial Methods and Assumptions

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 5 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 4 percent annual. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years using a closed amortization period. It is assumed the City's payroll will increase 3 percent per year.

J. 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.

9. Commitments and contingencies

A. Grants

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.

B. Claims

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.

C. Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Garden Grove intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On July 19, 2011, City Ordinance No. 2796 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$7,108,972 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$2,000,000 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

10. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the followings:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.
- In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

11. 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, 2011 totaled \$686,802 in the Low Income Housing capital projects fund and \$50,160 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011 (CONTINUED)**

12. 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. Separate financial statements are not issued.

13. Subsequent Event

On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the U. S. government from AAA to AA+. That action affected Standard & Poor's view of U.S public finance debt instruments that are directly or indirectly backed by the U.S. As a result, on August 8, 2011, Standard & Poor's lowered its long-term credit ratings of U.S. government-sponsored enterprises and public debt issues that have credit enhancement guarantees by those government-sponsored enterprises to AA+. These credit downgrades relate to the credit risk associated with the City's investments in U.S. treasury securities, federal home loan bank, federal national mortgage association, and federal farm credit bank.

**CITY OF GARDEN GROVE
SCHEDULE OF FUNDING PROGRESS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2011**

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability % of Payroll
<u>Miscellaneous Plan</u>						
2008	175,458,019	156,014,164	19,443,855	88.9%	26,708,350	72.8%
2009	196,093,694	163,533,008	32,560,686	83.4%	27,271,269	119.4%
2010	206,013,680	171,251,973	34,761,707	83.1%	27,751,566	125.3%
<u>Safety Plan</u>						
2008	307,528,360	255,332,325	52,196,035	83.0%	25,387,713	205.6%
2009	337,746,527	266,125,014	71,621,513	78.8%	27,159,540	263.7%
2010	350,374,623	278,146,251	72,228,372	79.4%	25,883,106	279.1%

**CITY OF GARDEN GROVE
SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS
JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2005	\$ -	\$ 7,586,050	\$ 7,586,050	0.0%	\$ 5,437,434	139.5%
March 1, 2009	-	8,860,567	8,860,567	0.0%	5,943,594	149.1%
March 1, 2011	-	10,272,641	10,272,641	0.0%	6,127,376	167.7%



Required Supplemental Information

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**CITY OF GARDEN GROVE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 60,592,000	\$ 60,592,000	\$ 64,693,623	\$ 4,101,623
Licenses and permits	674,000	674,000	934,987	260,987
Fines, forfeits, and penalties	1,880,000	1,880,000	2,016,452	136,452
Investment earnings	2,920,000	2,920,000	2,490,611	(429,389)
Charges for current services	7,629,057	7,629,057	8,020,557	391,500
From other agencies	511,000	511,000	1,610,649	1,099,649
Other revenues	3,769,600	3,769,600	3,674,789	(94,811)
Total revenues	<u>77,975,657</u>	<u>77,975,657</u>	<u>83,441,668</u>	<u>5,466,011</u>
EXPENDITURES				
Current:				
Fire	18,728,046	18,728,046	18,813,320	(85,274)
Police	41,593,858	41,593,858	42,582,703	(988,845)
Traffic safety	1,072,712	1,072,712	371,514	701,198
Public right of way	4,465,221	4,465,221	3,554,992	910,229
Drainage	-	-	-	-
Community buildings	3,410,207	3,410,207	3,161,457	248,750
Community services	2,441,219	2,441,219	2,316,403	124,816
Parks and greenbelts	1,024,169	1,024,169	857,057	167,112
Community planning and development	3,290,349	3,530,349	2,861,139	669,210
Municipal support	6,277,695	6,277,695	6,570,348	(292,653)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	31,033	(31,033)
Traffic safety	-	-	-	-
Public right of way	268,912	268,912	147,448	121,464
Drainage	-	-	-	-
Community buildings	-	-	13,415	(13,415)
Community services	5,000	5,000	-	5,000
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	475,000	475,000	881,774	(406,774)
Interest and other charges	-	-	101,919	(101,919)
Total expenditures	<u>83,052,388</u>	<u>83,292,388</u>	<u>82,264,522</u>	<u>1,027,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,076,731)</u>	<u>(5,316,731)</u>	<u>1,177,146</u>	<u>6,493,877</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,700,000	5,700,000	700,000	(5,000,000)
Transfers out	(1,807,859)	(1,807,859)	(1,958,286)	150,427
Issuance of debt	-	-	-	-
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>3,892,141</u>	<u>3,892,141</u>	<u>(1,258,286)</u>	<u>(4,849,573)</u>
Net change in fund balance	(1,184,590)	(1,424,590)	(81,140)	1,644,304
Fund balance, July 1	<u>48,021,920</u>	<u>48,021,920</u>	<u>48,021,920</u>	<u>62,388</u>
Fund balance, June 30	<u>\$ 46,837,330</u>	<u>\$ 46,597,330</u>	<u>\$ 47,940,780</u>	<u>\$ 1,706,692</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
HOUSING AUTHORITY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	34,938	34,938
Charges for current services	-	26,692,671	-	(26,692,671)
From other agencies	26,692,671	-	29,889,304	29,889,304
Other revenues	-	-	251,726	251,726
Total revenues	<u>26,692,671</u>	<u>26,692,671</u>	<u>30,175,968</u>	<u>3,483,297</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	27,064,195	27,064,195	30,134,710	(3,070,515)
Municipal support	52,688	52,688	35,388	17,300
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>27,116,883</u>	<u>27,116,883</u>	<u>30,170,098</u>	<u>(3,053,215)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(424,212)</u>	<u>(424,212)</u>	<u>5,870</u>	<u>430,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(162,135)	162,135
Issuance of debt	-	-	-	-
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(162,135)</u>	<u>162,135</u>
Net change in fund balance	(424,212)	(424,212)	(156,265)	592,217
Fund balance, July 1	<u>1,430,528</u>	<u>1,430,528</u>	<u>1,430,528</u>	<u>(1,049,967)</u>
Fund balance, June 30	<u>\$ 1,006,316</u>	<u>\$ 1,006,316</u>	<u>\$ 1,274,263</u>	<u>\$ (457,750)</u>

See accompanying note to required supplementary information.

**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, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	1,261	1,261
Charges for current services	-	-	-	-
From other agencies	1,188,701	1,371,323	305,613	(1,065,710)
Other revenues	-	-	67,978	67,978
Total revenues	<u>1,188,701</u>	<u>1,371,323</u>	<u>374,852</u>	<u>(996,471)</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	1,371,323	1,371,323	390,402	980,921
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,371,323</u>	<u>1,371,323</u>	<u>390,402</u>	<u>980,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(182,622)</u>	<u>-</u>	<u>(15,550)</u>	<u>(15,550)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(182,622)	-	(15,550)	(15,550)
Fund balance, July 1	<u>176,580</u>	<u>176,580</u>	<u>176,580</u>	<u>(542,731)</u>
Fund balance, June 30	<u>\$ (6,042)</u>	<u>\$ 176,580</u>	<u>\$ 161,030</u>	<u>\$ (558,281)</u>

CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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 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. All unexpended appropriations at year end lapse, unless City Council Resolution specifically designates them.



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, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 20,200,000	\$ 20,200,000	\$ 19,632,456	\$ (567,544)
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>20,200,000</u>	<u>20,200,000</u>	<u>19,632,456</u>	<u>(567,544)</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	1,857,350	1,857,350	199,117	1,658,233
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	1,850,000	(1,850,000)
Interest and other charges	2,487,388	2,487,388	2,487,388	-
Total expenditures	<u>4,344,738</u>	<u>4,344,738</u>	<u>4,536,505</u>	<u>(191,767)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,855,262</u>	<u>15,855,262</u>	<u>15,095,951</u>	<u>(759,311)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,388,850	11,388,850
Transfers out	-	-	(26,832,470)	(26,832,470)
Issuance of debt	-	-	-	-
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(15,443,620)</u>	<u>(15,443,620)</u>
Net change in fund balance	15,855,262	15,855,262	(347,669)	(16,202,931)
Fund balance, July 1	<u>466,223</u>	<u>466,223</u>	<u>466,223</u>	<u>(21,539,237)</u>
Fund balance, June 30	<u>\$ 16,321,485</u>	<u>\$ 16,321,485</u>	<u>\$ 118,554</u>	<u>\$ (37,742,168)</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, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	17,000	17,000	1,603,471	1,586,471
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	3,101,691	3,101,691	841,551	(2,260,140)
Total revenues	<u>3,118,691</u>	<u>3,118,691</u>	<u>2,445,022</u>	<u>(673,669)</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	48,567	48,567	30,630	17,937
Drainage	-	-	-	-
Community buildings	-	-	5,324	(5,324)
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	22,651,518	18,841,515	13,029,782	5,811,733
Municipal support	368,739	368,739	408,091	(39,352)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	4,276,746	10,586,750	-	10,586,750
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	617,185	(617,185)
Interest and other charges	574,055	574,055	557,306	16,749
Total expenditures	<u>27,919,625</u>	<u>30,419,626</u>	<u>14,648,318</u>	<u>15,771,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,800,934)</u>	<u>(27,300,935)</u>	<u>(12,203,296)</u>	<u>15,097,639</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,540,000	1,540,000	28,293,491	26,753,491
Transfers out	-	-	(11,471,599)	11,471,599
Issuance of debt	-	736,000	2,500,000	(1,764,000)
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>1,540,000</u>	<u>2,276,000</u>	<u>19,321,892</u>	<u>36,461,090</u>
Net change in fund balance	(23,260,934)	(25,024,935)	7,118,596	51,558,729
Fund balance, July 1	<u>27,820,856</u>	<u>27,820,856</u>	<u>27,820,856</u>	<u>39,124,895</u>
Fund balance, June 30	<u>\$ 4,559,922</u>	<u>\$ 2,795,921</u>	<u>\$ 34,939,452</u>	<u>\$ 90,683,624</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, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 5,160,000	\$ 5,160,000	\$ 5,031,583	\$ (128,417)
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	43,000	43,000	112,028	69,028
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	1,112,309	1,112,309	1,349,448	237,139
Total revenues	<u>6,315,309</u>	<u>6,315,309</u>	<u>6,493,059</u>	<u>177,750</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	286,077	286,077	285,883	194
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	50,584	50,584	16,264	34,320
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	3,512,836	3,512,836	1,870,202	1,642,634
Municipal support	84,023	84,023	90,679	(6,656)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	55,000	55,000	-	55,000
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	21,171,957	21,171,957	-	21,171,957
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>25,160,476</u>	<u>25,160,477</u>	<u>2,263,028</u>	<u>22,897,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,845,167)</u>	<u>(18,845,168)</u>	<u>4,230,031</u>	<u>23,075,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	244,885	244,885
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Transfer of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>244,885</u>	<u>244,885</u>
Net change in fund balance	(18,845,167)	(18,845,168)	4,474,916	23,320,084
Fund balance, July 1	<u>26,303,710</u>	<u>26,303,710</u>	<u>26,303,710</u>	<u>16,691,947</u>
Fund balance, June 30	<u>\$ 7,458,543</u>	<u>\$ 7,458,542</u>	<u>\$ 30,778,626</u>	<u>\$ 40,012,031</u>

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, part 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 the fund.

Garden Grove Cable Fund

This fund represents a grant from a private cable corporation of 2% and its cable usage revenue. Expenditures are for public, educational, and governmental 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 for revenue received from the State of California Air Quality Management District for the primary purpose of establishing a ride share program for City employees.

Garden Grove Tourism Improvement District

This fund is used to account for the tourism marketing efforts through the Anaheim/Orange County Visitors and Convention Bureau and other activities and improvements that promote tourism in the Garden Grove Tourism Improvement District area.

Other Grants and Contributions Fund

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.

SPECIAL REVENUE FUNDS (continued)

Street Rehabilitation Fund

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

DEBT SERVICE FUNDS

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.

2008 RDA Loan Fund

This fund is used to account for the issuance of debt and the resources provided to pay for 2008 Agency for Community Development debt.

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.

2003 Tax Allocation Bond Fund

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

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 2,335,590	\$ 5,695,092	\$ 1,024,127	\$ 67,559
Cash and cash investments with fiscal agents	-	-	-	-
Taxes receivable	65,984	223,952	-	-
Accounts receivable	-	-	1,830	1,599
Interest receivable	16,287	33,460	-	-
Intergovernmental receivable	83,527	-	-	-
Notes receivable	-	-	-	-
Deposits	2,600	-	-	-
Total assets	<u>2,503,988</u>	<u>5,952,504</u>	<u>1,025,957</u>	<u>69,158</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	66,206	6,305	-	14,318
Accrued liabilities	-	26,242	-	-
Refundable deposits	-	-	-	54,840
Due to other funds	-	108,198	-	-
Deferred revenue	-	-	31,553	-
Total liabilities	<u>66,206</u>	<u>140,745</u>	<u>31,553</u>	<u>69,158</u>
Fund balances:				
Nonspendable:				
Deposits	2,600	-	-	-
Restricted:				
Fire	-	-	-	-
Police	2,435,182	-	-	-
Public right of way	-	5,811,759	-	-
Drainage	-	-	-	-
Community services	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Committed:				
Community planning and development	-	-	994,404	-
Unassigned	-	-	-	-
Total fund balance	<u>2,437,782</u>	<u>5,811,759</u>	<u>994,404</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,503,988</u>	<u>\$ 5,952,504</u>	<u>\$ 1,025,957</u>	<u>\$ 69,158</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 6,267,478	\$ -	\$ -	\$ 4,800	\$ 192,662	\$ 196,670
-	-	-	-	-	-
-	-	11,370	5,696	388	-
-	29,416	3,603	-	-	1,879
38,791	-	-	-	1,232	893
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,306,269</u>	<u>29,416</u>	<u>14,973</u>	<u>10,496</u>	<u>194,282</u>	<u>199,442</u>
27,886	-	12,190	2,477	118	260
-	-	2,507	8,019	-	-
-	-	-	-	-	-
-	29,416	276	-	-	-
-	-	-	-	-	-
<u>27,886</u>	<u>29,416</u>	<u>14,973</u>	<u>10,496</u>	<u>118</u>	<u>260</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
58,701	-	-	-	-	-
287,221	-	-	-	-	-
-	-	-	-	-	-
5,932,461	-	-	-	194,164	-
-	-	-	-	-	199,182
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,278,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,164</u>	<u>199,182</u>
<u>\$ 6,306,269</u>	<u>\$ 29,416</u>	<u>\$ 14,973</u>	<u>\$ 10,496</u>	<u>\$ 194,282</u>	<u>\$ 199,442</u>

CONTINUED

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2011**

	Special Revenue Funds		
	GG Tourism Improvement District	Other Grants and Contributions	Street Rehabilitation
ASSETS			
Cash and investments	\$ 342,517	\$ 1,603,054	\$ 8,217,186
Cash and cash investments with fiscal agents	-	-	-
Taxes receivable	-	177,947	-
Accounts receivable	-	169,663	304,905
Interest receivable	2,041	10,750	55,761
Intergovernmental receivable	-	2,443,472	706,709
Notes receivable	-	755,460	-
Deposits	-	812,636	-
Total assets	<u>344,558</u>	<u>5,972,982</u>	<u>9,284,561</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	129,370	301,853	1,068,267
Accrued liabilities	-	78,855	414,318
Refundable deposits	-	1,379	-
Due to other funds	-	3,170,019	480,242
Deferred revenue	-	2,387,541	583,129
Total liabilities	<u>129,370</u>	<u>5,939,647</u>	<u>2,545,956</u>
Fund balances:			
Nonspendable:			
Deposits	-	812,636	-
Restricted:			
Fire	-	1,022	-
Police	-	21,680	-
Public right of way	-	470,938	6,738,605
Drainage	-	-	-
Community services	-	-	-
Community planning and development	215,188	-	-
Municipal support	-	-	-
Committed:			
Community planning and development	-	-	-
Unassigned	-	(1,272,941)	-
Total fund balances	<u>215,188</u>	<u>33,335</u>	<u>6,738,605</u>
Total liabilities and fund balances	<u>\$ 344,558</u>	<u>\$ 5,972,982</u>	<u>\$ 9,284,561</u>

Debt Service Funds			Capital Projects Funds		Total
2002 Capital Improvement Project	2008 RDA Loan	Buena-Clinton Project	Buena-Clinton Project	2003 Tax Allocation	Nonmajor Governmental Funds
\$ 69	\$ -	\$ 23,999	\$ 1,417,220	\$ 2,966,957	\$ 30,354,980
12,478	179,528	-	-	4,596,458	4,788,464
-	-	9	-	-	485,346
-	-	-	-	-	512,895
-	-	-	8,800	2,793	170,808
-	-	-	-	-	3,233,708
-	-	-	-	-	755,460
-	-	-	-	-	815,236
<u>12,547</u>	<u>179,528</u>	<u>24,008</u>	<u>1,426,020</u>	<u>7,566,208</u>	<u>41,116,897</u>
-	-	-	-	-	1,629,250
-	-	-	-	-	529,941
-	-	-	-	-	56,219
-	327,348	-	-	-	4,115,499
-	-	-	-	-	3,002,223
<u>-</u>	<u>327,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,333,132</u>
-	-	-	-	-	815,236
-	-	-	-	-	1,022
-	-	-	-	-	2,456,862
-	-	-	-	-	13,080,003
-	-	-	-	-	287,221
-	-	24,008	1,426,020	-	1,450,028
12,547	-	-	-	7,566,208	13,920,568
-	-	-	-	-	199,182
-	-	-	-	-	994,404
-	(147,820)	-	-	-	(1,420,761)
<u>12,547</u>	<u>(147,820)</u>	<u>24,008</u>	<u>1,426,020</u>	<u>7,566,208</u>	<u>31,783,765</u>
<u>\$ 12,547</u>	<u>\$ 179,528</u>	<u>\$ 24,008</u>	<u>\$ 1,426,020</u>	<u>\$ 7,566,208</u>	<u>\$ 41,116,897</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, 2011**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES				
Taxes	\$ 464,237	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	89,599	-	-	-
Investment earnings	56,139	100,169	-	1,247
Charges for current services	226,404	-	526,339	667,670
From other agencies	203,026	2,737,453	-	-
Other revenues	-	-	-	6,585
Total revenues	<u>1,039,405</u>	<u>2,837,622</u>	<u>526,339</u>	<u>675,502</u>
EXPENDITURES				
Current:				
Fire	43,049	-	-	-
Police	1,068,489	-	-	-
Traffic safety	-	217,366	-	-
Public right of way	-	1,582,634	-	-
Community buildings	-	-	-	-
Community services	-	-	-	799,137
Parks and greenbelts	-	-	84,866	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	39,259	-	-	-
Police	240,075	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	88,871	-	-
Drainage	-	43,040	-	-
Community buildings	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,390,872</u>	<u>1,931,911</u>	<u>84,866</u>	<u>799,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(351,467)</u>	<u>905,711</u>	<u>441,473</u>	<u>(123,635)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	123,484
Transfers out	-	-	(600,000)	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>123,484</u>
Net change in fund balance	(351,467)	905,711	(158,527)	(151)
Fund balance, July 1	<u>2,789,249</u>	<u>4,906,048</u>	<u>1,152,931</u>	<u>151</u>
Fund balance, June 30	<u>\$ 2,437,782</u>	<u>\$ 5,811,759</u>	<u>\$ 994,404</u>	<u>\$ -</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ 385	\$ -
27,698	-	-	-	-	-
-	-	-	-	-	-
123,941	-	1,090	182	4,044	3,383
486,886	-	1,342,358	703,077	29,033	-
-	-	-	-	-	203,820
-	116,173	-	-	-	2,737
<u>638,525</u>	<u>116,173</u>	<u>1,343,448</u>	<u>703,259</u>	<u>33,462</u>	<u>209,940</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,626,647	-	-	-
-	-	21,368	-	49,776	-
-	-	-	-	-	-
16,981	154,691	-	-	-	168
23,428	-	-	698,461	-	-
37,488	-	-	-	-	15,168
-	-	40,549	-	-	213,575
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,326	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
162,515	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>242,738</u>	<u>154,691</u>	<u>1,688,564</u>	<u>698,461</u>	<u>49,776</u>	<u>228,911</u>
<u>395,787</u>	<u>(38,518)</u>	<u>(345,116)</u>	<u>4,798</u>	<u>(16,314)</u>	<u>(18,971)</u>
-	161,533	203,913	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>161,533</u>	<u>203,913</u>	<u>-</u>	<u>-</u>	<u>-</u>
395,787	123,015	(141,203)	4,798	(16,314)	(18,971)
<u>5,882,596</u>	<u>(123,015)</u>	<u>141,203</u>	<u>(4,798)</u>	<u>210,478</u>	<u>218,153</u>
<u>\$ 6,278,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,164</u>	<u>\$ 199,182</u>

CONTINUED

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds		
	GG Tourism	Other	
	Improvement District	Grants and Contributions	Street Rehabilitation
REVENUES			
Taxes	\$ 1,013,803	\$ -	\$ -
Licenses and permits	-	-	-
Fines, forfeits and penalties	-	804,722	-
Investment earnings	4,047	66,683	229,584
Charges for current services	-	-	-
From other agencies	-	9,693,880	5,692,555
Other revenues	-	27,725	53,565
Total revenues	<u>1,017,850</u>	<u>10,593,010</u>	<u>5,975,704</u>
EXPENDITURES			
Current:			
Fire	-	5,645	-
Police	-	626,977	-
Traffic safety	-	517,671	-
Public right of way	-	414,133	211,560
Community buildings	-	5,223	-
Community services	-	729,353	-
Parks and greenbelts	-	-	-
Community planning and development	802,662	2,516,489	-
Municipal support	-	-	-
Capital outlay:			
Fire	-	-	-
Police	-	312,001	-
Traffic safety	-	-	150,378
Public right of way	-	2,577,426	10,652,760
Drainage	-	-	-
Community buildings	-	540,923	-
Parks and greenbelts	-	106,639	-
Community planning and development	-	629,634	-
Debt service:			
Principal retirement	-	800,000	-
Interest and other charges	-	261,368	-
Total expenditures	<u>802,662</u>	<u>10,043,482</u>	<u>11,014,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>215,188</u>	<u>549,528</u>	<u>(5,038,994)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,484	-
Transfers out	-	-	-
Proceeds of bonds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,484</u>	<u>-</u>
Net change in fund balances	215,188	553,012	(5,038,994)
Fund balances, July 1	<u>-</u>	<u>(519,677)</u>	<u>11,777,599</u>
Fund balances, June 30	<u>\$ 215,188</u>	<u>\$ 33,335</u>	<u>\$ 6,738,605</u>

Debt Service Funds			Capital Projects Funds		Total
2002 Capital Improvement Project	2008 RDA Loan	Buena-Clinton Project	Buena-Clinton Project	2003 Tax Allocation	Nonmajor Governmental Funds
\$ -	\$ -	\$ 493,876	\$ -	\$ -	\$ 1,972,301
-	-	-	-	-	27,698
-	-	-	-	-	894,321
6	33	-	25,654	-	616,202
-	-	-	-	-	3,981,767
-	-	-	-	-	18,530,734
-	-	-	529	-	207,314
<u>6</u>	<u>33</u>	<u>493,876</u>	<u>26,183</u>	<u>-</u>	<u>26,230,337</u>
-	-	-	-	-	48,694
-	-	-	163,121	-	1,858,587
-	-	-	-	-	2,361,684
-	-	-	-	-	2,279,471
-	-	-	-	-	5,223
-	-	-	20,425	-	1,720,755
-	-	-	-	-	806,755
-	-	-	13,003	79,596	3,464,406
-	-	-	-	-	254,124
-	-	-	-	-	39,259
-	-	-	-	-	552,076
-	-	-	-	-	150,378
-	-	-	-	-	13,321,383
-	-	-	-	-	43,040
-	-	-	-	-	540,923
-	-	-	-	-	269,154
-	-	-	16,161	-	645,795
-	65,000	-	-	-	865,000
-	1,529,579	-	-	-	1,790,947
<u>-</u>	<u>1,594,579</u>	<u>-</u>	<u>212,710</u>	<u>79,596</u>	<u>31,017,654</u>
<u>6</u>	<u>(1,594,546)</u>	<u>493,876</u>	<u>(186,527)</u>	<u>(79,596)</u>	<u>(4,787,317)</u>
-	-	-	467,832	-	960,246
-	-	(467,832)	-	-	(1,067,832)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(467,832)</u>	<u>467,832</u>	<u>-</u>	<u>(107,586)</u>
6	(1,594,546)	26,044	281,305	(79,596)	(4,894,903)
<u>12,541</u>	<u>1,446,726</u>	<u>(2,036)</u>	<u>1,144,715</u>	<u>7,645,804</u>	<u>36,678,668</u>
<u>\$ 12,547</u>	<u>\$ (147,820)</u>	<u>\$ 24,008</u>	<u>\$ 1,426,020</u>	<u>\$ 7,566,208</u>	<u>\$ 31,783,765</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 495,248	\$ 495,248	\$ 464,237	\$ (31,011)
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	20,000	20,000	89,599	69,599
Investment earnings	114,752	114,752	56,139	(58,613)
Charges for current services	50,000	50,000	226,404	176,404
From other agencies	-	-	203,026	203,026
Other revenues	-	-	-	-
Total revenues	<u>680,000</u>	<u>680,000</u>	<u>1,039,405</u>	<u>359,405</u>
EXPENDITURES				
Current:				
Fire	41,000	32,688	43,049	(10,361)
Police	2,116,652	1,911,549	1,068,489	843,060
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	59,000	67,312	39,259	28,053
Police	202,680	659,527	240,075	419,452
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,419,332</u>	<u>2,671,076</u>	<u>1,390,872</u>	<u>1,280,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,739,332)</u>	<u>(1,991,076)</u>	<u>(351,467)</u>	<u>1,639,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,739,332)	(1,991,076)	(351,467)	1,639,609
Fund balance, July 1	<u>2,789,249</u>	<u>2,789,249</u>	<u>2,789,249</u>	<u>2,453,774</u>
Fund balance, June 30	<u>\$ 1,049,917</u>	<u>\$ 798,173</u>	<u>\$ 2,437,782</u>	<u>\$ 4,093,383</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	138,000	138,000	100,169	(37,831)
Charges for current services	-	-	-	-
From other agencies	2,662,000	2,662,000	2,737,453	75,453
Other revenues	-	-	-	-
Total revenues	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,837,622</u>	<u>37,622</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	245,957	245,957	217,366	28,591
Public right of way	1,554,043	1,554,043	1,582,634	(28,591)
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	26,988	26,988	-	26,988
Public right of way	3,521,556	3,521,556	88,871	3,432,685
Drainage	1,836,575	1,836,575	43,040	1,793,535
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>7,185,119</u>	<u>7,185,119</u>	<u>1,931,911</u>	<u>5,253,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,385,119)</u>	<u>(4,385,119)</u>	<u>905,711</u>	<u>5,290,830</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(4,385,119)	(4,385,119)	905,711	5,290,830
Fund balance, July 1	<u>4,906,048</u>	<u>4,906,048</u>	<u>4,906,048</u>	<u>5,320,944</u>
Fund balance, June 30	<u>\$ 520,929</u>	<u>\$ 520,929</u>	<u>\$ 5,811,759</u>	<u>\$ 10,611,774</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	550,000	550,000	526,339	(23,661)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>550,000</u>	<u>550,000</u>	<u>526,339</u>	<u>(23,661)</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	82,684	82,684	84,866	(2,182)
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>82,684</u>	<u>82,684</u>	<u>84,866</u>	<u>(2,182)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>467,316</u>	<u>467,316</u>	<u>441,473</u>	<u>(25,843)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(600,000)	(600,000)	(600,000)	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Net change in fund balance	(132,684)	(132,684)	(158,527)	(25,843)
Fund balance, July 1	<u>1,152,931</u>	<u>1,152,931</u>	<u>1,152,931</u>	<u>555,238</u>
Fund balance, June 30	<u>\$ 1,020,247</u>	<u>\$ 1,020,247</u>	<u>\$ 994,404</u>	<u>\$ 529,395</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	1,247	1,247
Charges for current services	595,000	595,000	667,670	72,670
From other agencies	-	-	-	-
Other revenues	5,000	5,000	6,585	1,585
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>675,502</u>	<u>75,502</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	867,859	867,859	799,137	68,722
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>867,859</u>	<u>867,859</u>	<u>799,137</u>	<u>68,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,859)</u>	<u>(267,859)</u>	<u>(123,635)</u>	<u>144,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	267,859	267,859	123,484	(144,375)
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>267,859</u>	<u>267,859</u>	<u>123,484</u>	<u>(144,375)</u>
Net change in fund balance	-	-	(151)	(151)
Fund balance, July 1	<u>151</u>	<u>151</u>	<u>151</u>	<u>(28,048)</u>
Fund balance, June 30	<u>\$ 151</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ (28,199)</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	29,000	29,000	27,698	(1,302)
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	110,000	110,000	123,941	13,941
Charges for current services	486,000	486,000	486,886	886
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>625,000</u>	<u>625,000</u>	<u>638,525</u>	<u>13,525</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	16,994	16,994	16,981	13
Parks and greenbelts	48,994	48,994	23,428	25,566
Community planning and development	160,756	160,756	37,488	123,268
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	52,345	52,345	2,326	50,019
Drainage	214,604	214,604	-	214,604
Community buildings	-	-	-	-
Community services	21,000	21,000	-	21,000
Parks and greenbelts	834,945	834,945	162,515	672,430
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,349,638</u>	<u>1,349,638</u>	<u>242,738</u>	<u>1,106,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(724,638)</u>	<u>(724,638)</u>	<u>395,787</u>	<u>1,120,425</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,000,000)	(1,000,000)	-	(1,000,000)
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Net change in fund balance	(1,724,638)	(1,724,638)	395,787	120,425
Fund balance, July 1	<u>5,882,596</u>	<u>5,882,596</u>	<u>5,882,596</u>	<u>1,691,226</u>
Fund balance, June 30	<u>\$ 4,157,958</u>	<u>\$ 4,157,958</u>	<u>\$ 6,278,383</u>	<u>\$ 1,811,651</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 28,075	\$ 28,075	\$ -	\$ (28,075)
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	76,925	76,925	116,173	39,248
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>116,173</u>	<u>11,173</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	105,000	105,000	154,691	(49,691)
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>154,691</u>	<u>(49,691)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(38,518)</u>	<u>(38,518)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	161,533	161,533
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>161,533</u>	<u>161,533</u>
Net change in fund balance	-	-	123,015	123,015
Fund balance, July 1	<u>(123,015)</u>	<u>(123,015)</u>	<u>(123,015)</u>	<u>(28,655)</u>
Fund balance, June 30	<u>\$ (123,015)</u>	<u>\$ (123,015)</u>	<u>\$ -</u>	<u>\$ 94,360</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	1,090	1,090
Charges for current services	1,320,721	1,320,721	1,342,358	21,637
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,320,721</u>	<u>1,320,721</u>	<u>1,343,448</u>	<u>22,727</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	1,524,255	1,524,255	1,626,647	(102,392)
Public right of way	24,676	24,676	21,368	3,308
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	14,907	14,907	40,549	(25,642)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,563,838</u>	<u>1,563,838</u>	<u>1,688,564</u>	<u>(124,726)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(243,117)</u>	<u>(243,117)</u>	<u>(345,116)</u>	<u>(101,999)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	203,913	203,913
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>203,913</u>	<u>203,913</u>
Net change in fund balance	(243,117)	(243,117)	(141,203)	101,914
Fund balance, July 1	<u>141,203</u>	<u>141,203</u>	<u>141,203</u>	<u>1,349,053</u>
Fund balance, June 30	<u>\$ (101,914)</u>	<u>\$ (101,914)</u>	<u>\$ -</u>	<u>\$ 1,450,967</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	182	182
Charges for current services	700,000	700,000	703,077	3,077
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>700,000</u>	<u>700,000</u>	<u>703,259</u>	<u>3,259</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	700,000	700,000	698,461	1,539
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>700,000</u>	<u>700,000</u>	<u>698,461</u>	<u>1,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,798</u>	<u>4,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	4,798	4,798
Fund balance, July 1	<u>(4,798)</u>	<u>(4,798)</u>	<u>(4,798)</u>	<u>6,673</u>
Fund balance, June 30	<u>\$ (4,798)</u>	<u>\$ (4,798)</u>	<u>\$ -</u>	<u>\$ 11,471</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ 385	\$ 385
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	5,035	5,035	4,044	(991)
Charges for current services	28,065	28,065	29,033	968
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>33,100</u>	<u>33,100</u>	<u>33,462</u>	<u>362</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	28,893	116,893	49,776	67,117
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>28,893</u>	<u>116,893</u>	<u>49,776</u>	<u>67,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,207</u>	<u>(83,793)</u>	<u>(16,314)</u>	<u>67,479</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	4,207	(83,793)	(16,314)	67,479
Fund balance, July 1	<u>210,478</u>	<u>210,478</u>	<u>210,478</u>	<u>6,529</u>
Fund balance, June 30	<u>\$ 214,685</u>	<u>\$ 126,685</u>	<u>\$ 194,164</u>	<u>\$ 74,008</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, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	1,922	1,922	3,383	1,461
Charges for current services	-	-	-	-
From other agencies	788,544	78,854	203,820	124,966
Other revenues	-	-	2,737	2,737
Total revenues	<u>790,466</u>	<u>80,776</u>	<u>209,940</u>	<u>129,164</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	168	(168)
Parks and greenbelts	-	-	-	-
Community planning and development	14,734	14,734	15,168	(434)
Municipal support	244,166	244,166	213,575	30,591
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>258,900</u>	<u>258,900</u>	<u>228,911</u>	<u>29,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>531,566</u>	<u>(178,124)</u>	<u>(18,971)</u>	<u>159,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	531,566	(178,124)	(18,971)	159,153
Fund balance, July 1	<u>218,153</u>	<u>218,153</u>	<u>218,153</u>	<u>91,422</u>
Fund balance, June 30	<u>\$ 749,719</u>	<u>\$ 40,029</u>	<u>\$ 199,182</u>	<u>\$ 250,575</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	750,000	750,000	804,722	54,722
Investment earnings	-	-	66,683	66,683
Charges for current services	-	-	-	-
From other agencies	8,829,573	13,745,321	9,693,880	(4,051,441)
Other revenues	-	6,274	27,725	21,451
Total revenues	<u>9,579,573</u>	<u>14,501,595</u>	<u>10,593,010</u>	<u>(3,908,585)</u>
EXPENDITURES				
Current:				
Fire	12,918	12,919	5,645	7,274
Police	1,138,777	1,333,762	626,977	706,785
Traffic safety	796,272	796,272	517,671	278,601
Public right of way	76,932	514,932	414,133	100,799
Drainage	-	-	-	-
Community buildings	1,271,927	1,271,927	5,223	1,266,704
Community services	1,183,889	1,183,889	729,353	454,536
Parks and greenbelts	-	-	-	-
Community planning and development	3,952,917	4,692,247	2,516,489	2,175,758
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	37,600	-	37,600
Police	-	361,185	312,001	49,184
Traffic safety	-	-	-	-
Public right of way	1,570,012	2,646,054	2,577,426	68,628
Drainage	3,000,000	3,000,000	-	3,000,000
Community buildings	-	-	540,923	(540,923)
Community services	-	-	-	-
Parks and greenbelts	431,055	431,055	106,639	324,416
Community planning and development	1,345,118	1,409,977	629,634	780,343
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	800,000	(800,000)
Interest and other charges	-	-	261,368	(261,368)
Total expenditures	<u>14,779,815</u>	<u>17,691,819</u>	<u>10,043,482</u>	<u>7,648,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,200,242)</u>	<u>(3,190,224)</u>	<u>549,528</u>	<u>3,739,752</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,484	3,484
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,484</u>	<u>3,484</u>
Net change in fund balance	(5,200,242)	(3,190,224)	553,012	3,743,236
Fund balance, July 1	<u>(519,677)</u>	<u>(519,677)</u>	<u>(519,677)</u>	<u>494,329</u>
Fund balance, June 30	<u>\$ (5,719,919)</u>	<u>\$ (3,709,901)</u>	<u>\$ 33,335</u>	<u>\$ 4,237,565</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, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	225,700	225,700	229,584	3,884
Charges for current services	-	-	-	-
From other agencies	5,791,770	23,391,802	5,692,555	(17,699,247)
Other revenues	-	-	53,565	53,565
Total revenues	<u>6,017,470</u>	<u>23,617,502</u>	<u>5,975,704</u>	<u>(17,641,798)</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	593,426	593,426	211,560	381,866
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	1,875,756	1,790,656	150,378	1,640,278
Public right of way	28,891,997	31,573,277	10,652,760	20,920,517
Drainage	-	500,000	-	500,000
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	1,606,550	-	-	-
Total expenditures	<u>32,967,729</u>	<u>34,457,359</u>	<u>11,014,698</u>	<u>23,442,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,950,259)</u>	<u>(10,839,857)</u>	<u>(5,038,994)</u>	<u>5,800,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(26,950,259)	(10,839,857)	(5,038,994)	5,800,863
Fund balance, July 1	<u>11,777,599</u>	<u>11,777,599</u>	<u>11,777,599</u>	<u>15,400,311</u>
Fund balance, June 30	<u>\$ (15,172,660)</u>	<u>\$ 937,742</u>	<u>\$ 6,738,605</u>	<u>\$ 21,201,174</u>

**CITY OF GARDEN GROVE
2008 RDA LOAN
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	33	33
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	123,650	123,650	-	123,650
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	65,000	(65,000)
Interest and other charges	-	1,606,550	1,529,579	76,971
Total expenditures	<u>123,650</u>	<u>1,730,200</u>	<u>1,594,579</u>	<u>135,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,650)</u>	<u>(1,730,200)</u>	<u>(1,594,546)</u>	<u>135,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(123,650)	(1,730,200)	(1,594,546)	135,654
Fund balance, July 1	<u>1,446,726</u>	<u>1,446,726</u>	<u>1,446,726</u>	<u>2,045,415</u>
Fund balance, June 30	<u>\$ 1,323,076</u>	<u>\$ (283,474)</u>	<u>\$ (147,820)</u>	<u>\$ 2,181,069</u>

**CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 440,000	\$ 440,000	\$ 493,876	\$ 53,876
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>440,000</u>	<u>440,000</u>	<u>493,876</u>	<u>53,876</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Parks and greenbelts	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>440,000</u>	<u>440,000</u>	<u>493,876</u>	<u>53,876</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(467,832)	467,832
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(467,832)</u>	<u>467,832</u>
Net change in fund balance	440,000	440,000	26,044	521,708
Fund balance, July 1	<u>(2,036)</u>	<u>(2,036)</u>	<u>(2,036)</u>	<u>589,624</u>
Fund balance, June 30	<u>\$ 437,964</u>	<u>\$ 437,964</u>	<u>\$ 24,008</u>	<u>\$ 1,111,332</u>

CITY OF GARDEN GROVE
BUENA-CLINTON PROJECT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits, and penalties	-	-	-	-
Investment earnings	25,000	25,000	25,654	654
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	529	529
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>26,183</u>	<u>1,183</u>
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	142,800	142,800	163,121	(20,321)
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	27,900	27,900	20,425	7,475
Parks and greenbelts	-	-	-	-
Community planning and development	13,003	13,003	13,003	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	1,557,328	1,557,328	16,161	1,541,167
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,741,031</u>	<u>1,741,031</u>	<u>212,710</u>	<u>1,528,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,716,031)</u>	<u>(1,716,031)</u>	<u>(186,527)</u>	<u>1,529,504</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	467,832	467,832
Transfers out	-	-	-	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>467,832</u>	<u>467,832</u>
Net change in fund balance	(1,716,031)	(1,716,031)	281,305	1,997,336
Fund balance, July 1	<u>1,144,715</u>	<u>1,144,715</u>	<u>1,144,715</u>	<u>2,029,599</u>
Fund balance, June 30	<u>\$ (571,316)</u>	<u>\$ (571,316)</u>	<u>\$ 1,426,020</u>	<u>\$ 4,026,935</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 this fund. The fund is financed by charges to the various City departments for actual cost plus a contributory sum for vehicles/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 cost 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, 2011**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 32,802,702	\$ 15,046,261	\$ 17,973,125
Accounts receivable	-	41,988	113,041
Interest receivable	206,033	-	-
Due from other funds	4,922,347	-	-
Inventory	-	92,689	-
Prepaid items	-	-	26,349
Total current assets	<u>37,931,082</u>	<u>15,180,938</u>	<u>18,112,515</u>
Noncurrent Assets:			
Deposits	-	-	32,100
Capital assets			
Depreciable buildings, property, and equipment, net	<u>-</u>	<u>6,818,656</u>	<u>-</u>
Total assets	<u>37,931,082</u>	<u>21,999,594</u>	<u>18,144,615</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	105,404	2,143,640
Accrued liabilities	16,073	16,447	86,190
Refundable deposits	-	1,510	-
Current portion of long-term liabilities:			
Capital leases	-	327,709	-
Accrued compensated absences	-	-	5,753,116
Claims payable	2,582,479	-	-
Total current liabilities	<u>2,598,552</u>	<u>451,070</u>	<u>7,982,946</u>
Noncurrent liabilities:			
Capital leases	-	457,754	-
Accrued compensated absences	-	-	3,996,532
Claims payable	11,410,520	-	-
Total noncurrent liabilities	<u>11,410,520</u>	<u>457,754</u>	<u>3,996,532</u>
Total liabilities	<u>14,009,072</u>	<u>908,824</u>	<u>11,979,478</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	6,360,902	-
Unrestricted	23,922,010	14,729,868	6,165,137
Total net assets	<u>\$ 23,922,010</u>	<u>\$ 21,090,770</u>	<u>\$ 6,165,137</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 2,372,722	\$ 109,050	\$ 1,701,067	\$ 27,224,263	\$ 97,229,190
1,569	3,602	2,500	-	162,700
14,794	-	-	170,133	390,960
-	-	-	-	4,922,347
-	608,751	-	-	701,440
-	-	-	-	26,349
<u>2,389,085</u>	<u>721,403</u>	<u>1,703,567</u>	<u>27,394,396</u>	<u>103,432,986</u>
-	-	-	-	32,100
462,605	7,791	-	-	7,289,052
<u>2,851,690</u>	<u>729,194</u>	<u>1,703,567</u>	<u>27,394,396</u>	<u>110,754,138</u>
1,080	106,297	1,061	-	2,357,482
24,963	3,297	1,396	3,393	151,759
-	-	-	-	1,510
82,926	-	-	-	410,635
-	-	-	-	5,753,116
-	-	-	888,442	3,470,921
<u>108,969</u>	<u>109,594</u>	<u>2,457</u>	<u>891,835</u>	<u>12,145,423</u>
55,820	-	-	-	513,574
-	-	-	-	3,996,532
-	-	-	5,827,175	17,237,695
<u>55,820</u>	<u>-</u>	<u>-</u>	<u>5,827,175</u>	<u>21,747,801</u>
164,789	109,594	2,457	6,719,010	33,893,224
406,785	7,791	-	-	6,775,478
<u>2,280,116</u>	<u>611,809</u>	<u>1,701,110</u>	<u>20,675,386</u>	<u>70,085,436</u>
<u>\$ 2,686,901</u>	<u>\$ 619,600</u>	<u>\$ 1,701,110</u>	<u>\$ 20,675,386</u>	<u>\$ 76,860,914</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>
Operating revenues			
Charges for services	\$ 5,388,038	\$ 6,620,054	\$ 26,943,938
Operating expenses			
Salaries and wages	656,969	938,751	29,587,073
Contractual services	46,731	455,549	33,936
Liability claims	2,864,509	-	-
Materials and supplies	-	1,459,280	171,497
Depreciation	518	1,117,488	-
Total operating expenses	<u>3,568,727</u>	<u>3,971,068</u>	<u>29,792,506</u>
Operating income (loss)	<u>1,819,311</u>	<u>2,648,986</u>	<u>(2,848,568)</u>
Nonoperating revenues (expenses)			
Investment income	368,604	-	-
Other nonoperating revenues	-	-	-
Interest expense	-	(38,187)	-
Total nonoperating revenues (expenses)	<u>368,604</u>	<u>(38,187)</u>	<u>-</u>
Income (loss) before transfers	2,187,915	2,610,799	(2,848,568)
Transfers in	-	167,241	-
Transfers out	-	-	-
Change in net assets	2,187,915	2,778,040	(2,848,568)
Total net assets, July 1	<u>21,734,095</u>	<u>18,312,730</u>	<u>9,013,705</u>
Total net assets, June 30	<u>\$ 23,922,010</u>	<u>\$ 21,090,770</u>	<u>\$ 6,165,137</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,899,071	\$ 180,166	\$ 597,684	\$ 1,911,591	\$ 43,540,542
1,444,167	197,114	88,047	211,205	33,123,326
122,645	23,051	459,761	206,947	1,348,620
-	-	-	3,622,896	6,487,405
81,782	502	-	-	1,713,061
125,772	7,791	-	-	1,251,569
<u>1,774,366</u>	<u>228,458</u>	<u>547,808</u>	<u>4,041,048</u>	<u>43,923,981</u>
124,705	(48,292)	49,876	(2,129,457)	(383,439)
35,446	-	-	398,291	802,341
-	894	-	-	894
<u>(9,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,250)</u>
<u>26,383</u>	<u>894</u>	<u>-</u>	<u>398,291</u>	<u>755,985</u>
151,088	(47,398)	49,876	(1,731,166)	372,546
-	-	-	-	167,241
<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
151,088	(47,398)	49,876	(1,831,166)	439,787
<u>2,535,813</u>	<u>666,998</u>	<u>1,651,234</u>	<u>22,506,552</u>	<u>76,421,127</u>
<u>\$ 2,686,901</u>	<u>\$ 619,600</u>	<u>\$ 1,701,110</u>	<u>\$ 20,675,386</u>	<u>\$ 76,860,914</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 5,388,887	\$ 6,620,054	\$ 28,111,193
Payments to suppliers	(3,034,305)	(1,924,646)	(310,666)
Payments to employees	(656,969)	(971,251)	(27,588,499)
Net cash provided by operating activities	<u>1,697,613</u>	<u>3,724,157</u>	<u>212,028</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to/from other funds	<u>2,338,109</u>	-	-
Net cash provided (used) by noncapital and related financing activities	<u>2,338,109</u>	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(251,132)	-
Payments on capital lease agreements	-	(314,912)	-
Interest paid	-	(38,188)	-
Net cash used by capital and related financing activities	<u>-</u>	<u>(604,232)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	<u>569,263</u>	-	-
Net cash provided by investing activities	<u>569,263</u>	-	-
Net increase in cash and cash equivalents	4,604,985	3,119,925	212,028
Cash and cash equivalents - July 1	<u>28,197,717</u>	<u>11,926,336</u>	<u>17,761,097</u>
Cash and cash equivalents - June 30	<u>32,802,702</u>	<u>15,046,261</u>	<u>17,973,125</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>1,819,311</u>	<u>2,648,986</u>	<u>(2,848,568)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	518	1,117,488	-
Nonoperating revenue	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	849	-	1,167,254
(Increase) decrease in inventory	-	(21,689)	-
(Increase) decrease in deposits	-	-	22,231
Increase (decrease) in accounts payable	(98,271)	11,882	(127,464)
Increase (decrease) in compensated absences	-	-	1,984,806
Increase (decrease) in other accrued liabilities	(24,794)	(32,500)	13,769
Increase (decrease) in refundable deposits	-	(10)	-
Increase (decrease) in claims payable	-	-	-
Total adjustments	<u>(121,698)</u>	<u>1,075,171</u>	<u>3,060,596</u>
Net cash provided by operating activities	<u>\$ 1,697,613</u>	<u>\$ 3,724,157</u>	<u>\$ 212,028</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from governmental activities	-	167,241	-

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,899,071	\$ 453,626	\$ 597,684	\$ 1,911,591	\$ 44,982,106
(199,835)	(82,038)	(495,925)	(1,386,409)	(7,433,824)
(1,489,448)	(203,392)	(88,047)	(211,205)	(31,208,811)
209,788	168,196	13,712	313,977	6,339,471
-	(59,146)	-	(100,000)	2,178,963
-	(59,146)	-	(100,000)	2,178,963
-	-	-	-	(251,132)
(167,476)	-	-	-	(482,388)
(9,063)	-	-	-	(47,251)
(176,539)	-	-	-	(780,771)
46,052	-	-	531,384	1,146,699
46,052	-	-	531,384	1,146,699
79,301	109,050	13,712	745,361	8,884,362
2,293,421	-	1,687,355	26,478,902	88,344,828
2,372,722	109,050	1,701,067	27,224,263	97,229,190
124,705	(48,292)	49,876	(2,129,457)	(383,439)
125,772	7,791	-	-	1,251,569
-	894	-	-	894
-	(51)	-	-	1,168,052
-	272,617	-	-	250,928
-	-	-	-	22,231
(78,334)	(58,484)	(32,518)	(298)	(383,487)
-	-	-	-	1,984,806
(45,281)	(6,279)	(3,646)	(7,887)	(106,618)
-	-	-	-	(10)
82,926	-	-	2,451,619	2,534,545
85,083	216,488	(36,164)	2,443,434	6,722,910
\$ 209,788	\$ 168,196	\$ 13,712	\$ 313,977	\$ 6,339,471
-	-	-	-	167,241

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Statistical Section

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Statistical Section

This part of City of Garden Grove Comprehensive Annual Financial 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

These schedules contain trend information to assist the reader understand and assess how the City's financial position has changed over time.

Schedule I	-	Net Assets by Component
Schedule II	-	Changes in Net Assets
Schedule III	-	Fund Balance of Governmental Funds
Schedule IV	-	Changes in Fund Balances of Governmental Funds
Schedule V	-	General Fund Major Tax Revenues by Sources

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Schedule VI	-	Assessed Value and Estimate Value of Taxable Property
Schedule VII	-	Property Tax Rates Direct and Overlapping Governments
Schedule VIII	-	Principal Property Taxpayers
Schedule IX	-	Property Tax Levies and Collections

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 issue additional debt.

Schedule X	-	Ratio of Outstanding Debt by Type
Schedule XI	-	Ratio of General Bonded Debt Outstanding
Schedule XII	-	Direct and Overlapping Governmental Activities Debt
Schedule XIII	-	Legal Debt Margin Information
Schedule XIV	-	Pledged-Revenue Coverage

Demographics and Economic Information

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

Schedule XV	-	Demographic and Economic Statistics
Schedule XVI	-	Principal Employers

Operating 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.

Schedule XVII	-	Full-Time and Part-Time City Employees by Department
Schedule XVIII	-	Operating Indicators by Function
Schedule XXIV	-	Capital Assets Statistics by Function

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 FY 2002; the government-wide schedules include information beginning in that year.

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

	Fiscal Year			
	2002	2003	2004	2005
Governmental activities:				
Invested in capital assets, net of related debt	\$ 277,821	\$ 673,346	\$ 669,375	\$ 668,448
Restricted	26,469	27,433	40,237	42,863
Unrestricted	1,867	4,915	2,604	15,484
Total governmental activities net assets	<u>306,157</u>	<u>705,694</u>	<u>712,216</u>	<u>726,795</u>
Business-type activities:				
Invested in capital assets, net of related debt	54,296	56,157	59,287	60,506
Restricted	53	53	-	-
Unrestricted	5,955	5,023	3,872	2,603
Total business-type activities net assets	<u>60,304</u>	<u>61,233</u>	<u>63,159</u>	<u>63,109</u>
Primary government:				
Invested in capital assets, net of related debt	332,117	729,503	728,662	728,954
Restricted	26,522	27,486	40,237	42,863
Unrestricted	7,822	9,938	6,476	18,087
Total primary government net assets	<u>\$ 366,461</u>	<u>\$ 766,927</u>	<u>\$ 775,375</u>	<u>\$ 789,904</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002.

Source: Finance Office, City of Garden Grove

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 667,547	\$ 666,751	\$ 662,476	\$ 661,323	\$ 553,141	\$ 560,993
48,109	52,214	79,980	68,985	94,568	97,634
23,592	35,623	13,004	22,510	129,445	129,866
<u>739,248</u>	<u>754,588</u>	<u>755,460</u>	<u>752,818</u>	<u>777,154</u>	<u>788,493</u>
66,085	64,996	65,581	75,932	85,079	88,713
-	-	-	-	-	-
4,256	14,855	26,444	25,543	28,226	45,395
<u>70,341</u>	<u>79,851</u>	<u>92,025</u>	<u>101,475</u>	<u>113,305</u>	<u>134,108</u>
733,632	731,747	728,057	737,255	638,220	649,706
48,109	52,214	79,980	68,985	94,568	97,634
27,848	50,478	39,448	48,053	157,671	175,261
<u>\$ 809,589</u>	<u>\$ 834,439</u>	<u>\$ 847,485</u>	<u>\$ 854,293</u>	<u>\$ 890,459</u>	<u>\$ 922,601</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Expenses:				
Governmental activities:				
Municipal support	\$ 4,732	\$ 5,384	\$ 5,224	\$ 6,967
Fire	12,498	13,847	14,048	16,288
Police	27,709	28,229	29,078	33,519
Traffic safety	3,051	3,164	2,500	2,309
Public right of way	11,817	12,116	12,419	13,910
Drainage	1,298	1,426	1,411	871
Community buildings	2,750	2,352	2,580	1,818
Community services	6,657	5,024	3,319	3,377
Parks and greenbelts	1,215	1,558	1,338	1,526
Community planning and development	28,643	32,809	36,715	40,820
Interest on long-term debt	5,232	6,427	8,018	5,585
Total governmental activities expenses	<u>105,602</u>	<u>112,336</u>	<u>116,650</u>	<u>126,990</u>
Business-type activities:				
Water	16,888	17,697	19,141	20,066
Sanitary District	8,400	8,217	9,576	10,010
Mobile home parks/RV park	1,341	1,512	1,483	1,498
Total business-type activities expenses	<u>26,629</u>	<u>27,426</u>	<u>30,200</u>	<u>31,574</u>
Total primary government expenses	<u>132,231</u>	<u>139,762</u>	<u>146,850</u>	<u>158,564</u>
Program revenues:				
Governmental activities:				
Charges for services:				
Municipal support	1,755	2,012	1,912	1,974
Fire	679	771	793	663
Police	1,996	2,191	2,958	3,144
Traffic safety	1,323	1,738	1,326	1,324
Public right of way	185	135	229	413
Drainage	-	64	-	-
Community services	973	901	884	923
Parks and greenbelts	1,381	1,434	1,406	1,372
Community planning and development	1,394	1,716	1,887	1,879
Operating grants and contributions	34,408	37,354	38,267	38,343
Capital grants and contributions	867	4,563	3,099	7,442
Total governmental activities program revenues	<u>44,961</u>	<u>52,879</u>	<u>52,761</u>	<u>57,477</u>
Business-type activities:				
Charges for services:				
Water	15,963	16,547	18,828	17,899
Sanitary District	8,903	8,807	10,238	10,311
Mobile home parks	1,869	1,886	1,975	2,063
Operating grants and contributions	617	443	526	595
Capital grants and contributions	226	286	356	300
Total business-type activities program revenues	<u>27,578</u>	<u>27,969</u>	<u>31,923</u>	<u>31,168</u>
Total primary government program revenues	<u>72,539</u>	<u>80,848</u>	<u>84,684</u>	<u>88,645</u>
Net revenues (expenses):				
Governmental activities	(60,641)	(59,457)	(63,889)	(69,513)
Business-type activities	949	543	1,723	(406)
Total net revenues (expenses)	<u>(59,692)</u>	<u>(58,914)</u>	<u>(62,166)</u>	<u>(69,919)</u>

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 7,700	\$ 6,678	\$ 8,405	\$ 8,543	\$ 5,157	\$ 3,154
18,152	17,465	19,778	21,279	18,756	18,710
36,207	38,013	45,333	47,004	42,554	44,899
2,956	3,264	3,273	4,135	3,570	2,905
14,677	15,073	13,989	14,859	16,143	13,013
1,479	1,538	1,372	1,482	1,352	1,374
(288)	97	4,442	4,268	4,519	4,319
3,132	3,629	4,383	4,702	4,388	4,088
3,648	1,787	2,016	1,628	2,098	1,584
47,611	42,847	46,061	44,429	44,682	49,088
6,730	6,854	7,768	8,161	5,795	5,132
<u>142,004</u>	<u>137,245</u>	<u>156,820</u>	<u>160,490</u>	<u>149,016</u>	<u>148,266</u>
19,673	20,398	20,557	24,339	25,251	26,152
11,482	11,188	13,295	13,418	13,088	8,708
1,965	2,079	2,339	2,172	2,205	1,497
<u>33,120</u>	<u>33,665</u>	<u>36,191</u>	<u>39,929</u>	<u>40,544</u>	<u>36,357</u>
<u>175,124</u>	<u>170,910</u>	<u>193,011</u>	<u>200,419</u>	<u>189,560</u>	<u>184,623</u>
2,375	2,464	2,223	2,384	5,729	2,636
712	705	884	1,377	1,115	3,400
3,509	3,100	3,564	3,431	3,592	3,607
1,318	1,306	1,314	1,341	1,350	1,342
314	350	291	157	117	146
-	-	90	-	-	-
841	855	849	849	878	915
1,424	1,457	1,394	1,382	1,368	1,368
3,324	2,449	1,403	1,179	1,114	1,384
41,590	43,709	42,980	36,053	42,980	46,464
10,931	2,534	4,890	9,599	14,462	6,361
<u>66,338</u>	<u>58,929</u>	<u>59,882</u>	<u>57,752</u>	<u>72,705</u>	<u>67,623</u>
18,413	20,786	25,573	27,846	28,878	30,261
12,563	16,941	16,445	16,208	16,848	12,187
2,761	2,699	3,033	2,910	3,027	318
732	538	804	785	-	-
5,317	754	-	-	2,038	-
<u>39,786</u>	<u>41,718</u>	<u>45,855</u>	<u>47,749</u>	<u>50,791</u>	<u>42,766</u>
<u>106,124</u>	<u>100,647</u>	<u>105,737</u>	<u>105,501</u>	<u>123,496</u>	<u>110,389</u>
(75,666)	(78,316)	(96,938)	(102,738)	(76,310)	(80,643)
6,666	8,053	9,664	7,820	10,247	6,409
<u>(69,000)</u>	<u>(70,263)</u>	<u>(87,274)</u>	<u>(94,918)</u>	<u>(66,063)</u>	<u>(74,234)</u>

CONTINUED

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

	Fiscal Year			
	2002	2003	2004	2005
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 24,368	\$ 25,974	\$ 27,468	\$ 31,070
Sales taxes	17,099	17,913	18,556	19,492
Transient occupancy taxes	4,281	5,862	8,628	9,820
Other taxes	4,077	4,208	4,361	4,438
Motor vehicle in lieu, unrestricted	9,354	9,983	7,598	14,494
Investment income	2,799	2,857	2,460	3,963
Other general revenues	973	950	1,271	746
Transfers	421	70	70	70
Total governmental activities	<u>63,372</u>	<u>67,817</u>	<u>70,412</u>	<u>84,093</u>
Business-type activities:				
Investment income	793	454	274	424
Transfers	(421)	(70)	(70)	(70)
Special item:				
Gain on disposal of assets	-	-	-	-
Total business-type activities	<u>372</u>	<u>384</u>	<u>204</u>	<u>354</u>
Total primary government	<u>63,744</u>	<u>68,201</u>	<u>70,616</u>	<u>84,447</u>
Changes in net assets				
Governmental activities	63,372	67,817	70,412	84,093
Business-type activities	372	384	204	354
Total primary government	<u>\$ 63,744</u>	<u>\$ 68,201</u>	<u>\$ 70,616</u>	<u>\$ 84,447</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002.

Source: Finance Office, City of Garden Grove

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 34,439	\$ 36,251	\$ 39,144	\$ 43,786	\$ 42,212	\$ 52,268
19,453	19,696	19,780	16,236	14,076	16,776
11,411	12,180	12,673	11,257	10,196	11,697
4,729	4,952	4,934	4,825	4,863	5,775
13,129	13,603	14,011	14,088	513	801
3,248	4,747	5,687	6,257	8,830	4,240
1,642	3,095	1,511	3,579	2,153	425
70	70	70	70	-	-
<u>88,121</u>	<u>94,594</u>	<u>97,810</u>	<u>100,098</u>	<u>82,844</u>	<u>91,982</u>
637	1,527	2,579	1,701	1,583	1,510
(70)	(70)	(70)	(70)	-	-
-	-	-	-	-	12,886
<u>567</u>	<u>1,457</u>	<u>2,509</u>	<u>1,631</u>	<u>1,583</u>	<u>14,396</u>
<u>88,688</u>	<u>96,051</u>	<u>100,319</u>	<u>101,729</u>	<u>84,427</u>	<u>106,378</u>
88,121	94,594	97,810	100,098	82,844	11,339
567	1,457	2,509	1,631	1,583	20,805
<u>\$ 88,688</u>	<u>\$ 96,051</u>	<u>\$ 100,319</u>	<u>\$ 101,729</u>	<u>\$ 84,427</u>	<u>\$ 32,144</u>

**SCHEDULE III
CITY OF GARDEN GROVE
BALANCE OF GOVERNMENTAL FUNDS
THE LAST TEN FISCAL YEAR
(Modified Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2002	2003	2004	2005
General fund:				
Reserved	\$ 27,244	\$ 34,909	\$ 42,290	\$ 41,624
Non-Spendable:				
Intercity loan	-	-	-	-
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Committed:				
Post-Employment Benefits	-	-	-	-
Community planning and development	-	-	-	-
Assigned:				
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
Other purposes	-	-	-	-
Unreserved	9,301	10,307	6,693	19,122
Unassigned	-	-	-	-
Total general fund	<u>\$ 36,545</u>	<u>\$ 45,216</u>	<u>\$ 48,983</u>	<u>\$ 60,746</u>
All other governmental funds:				
Reserved	\$ 49,459	\$ 53,589	\$ 55,528	\$ 58,881
Non-Spendable:				
Intercity loan	-	-	-	-
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Deposits	-	-	-	-
Restricted:				
Fire	-	-	-	-
Police	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community services	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Committed:				
Post-Employment Benefits	-	-	-	-
Community planning and development	-	-	-	-
Assigned:				
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
Other purposes	-	-	-	-
Unreserved, reported in:				
Special revenue funds	4,376	5,649	5,685	720
Debt service funds	-	-	2	5
Capital projects funds	(6,249)	(16,051)	(16,031)	(18,025)
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 47,586</u>	<u>\$ 43,187</u>	<u>\$ 45,184</u>	<u>\$ 41,581</u>

Source: Finance Office, City of Garden Grove

The City of Garden Grove implemented GASB 54 for the fiscal year ended June 30, 2011.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 43,299	\$ 46,878	\$ 50,999	\$ 48,176	\$ 47,951	\$ -
-	-	-	-	-	40,056
-	-	-	-	-	-
-	-	-	-	-	135
-	-	-	-	-	-
-	-	-	-	-	1,000
-	-	-	-	-	-
-	-	-	-	-	500
-	-	-	-	-	1,300
-	-	-	-	-	384
27,006	25,482	14,721	6,479	71	-
-	-	-	-	-	4,566
<u>\$ 70,305</u>	<u>\$ 72,360</u>	<u>\$ 65,720</u>	<u>\$ 54,655</u>	<u>\$ 48,022</u>	<u>\$ 47,941</u>
\$ 49,018	\$ 57,165	\$ 136,252	\$ 158,393	\$ 142,099	-
-	-	-	-	-	13,829
-	-	-	-	-	-
-	-	-	-	-	4
-	-	-	-	-	815
-	-	-	-	-	1
-	-	-	-	-	2,457
-	-	-	-	-	13,080
-	-	-	-	-	287
-	-	-	-	-	1,450
-	-	-	-	-	97,109
-	-	-	-	-	199
-	-	-	-	-	-
-	-	-	-	-	994
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,071	10,724	(27,845)	(41,485)	(11,371)	-
2	(8)	(576)	4,463	1,399	-
(21,607)	(26,409)	(26,691)	(33,563)	(39,251)	-
-	-	-	-	-	(31,170)
<u>\$ 37,484</u>	<u>\$ 41,472</u>	<u>\$ 81,140</u>	<u>\$ 87,808</u>	<u>\$ 92,876</u>	<u>\$ 99,055</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
Taxes	\$ 59,470	\$ 64,392	\$ 67,876	\$ 79,808
Licenses and permits	938	1,119	1,303	1,380
Fines and forfeitures	1,501	1,515	2,094	2,323
Investment earnings	3,414	3,565	3,223	4,409
Charges for services	10,192	10,724	11,027	10,839
From other agencies	32,406	39,152	36,574	39,016
Other	3,127	2,864	2,760	2,788
Total revenues	<u>111,048</u>	<u>123,331</u>	<u>124,857</u>	<u>140,563</u>
Expenditures:				
Current:				
Municipal support	4,666	5,213	5,321	6,628
Fire	12,974	14,054	14,551	15,874
Police	27,650	28,593	30,297	32,537
Traffic safety	2,190	2,121	2,295	2,680
Public right of way	5,562	5,476	4,368	4,233
Drainage				
Community buildings	2,210	2,575	2,033	2,088
Community services	7,185	5,583	3,574	3,347
Parks and greenbelts	1,485	1,307	1,285	1,460
Community planning and development	21,325	26,957	28,227	28,929
Capital outlay	16,910	21,039	19,756	28,040
Debt service:				
Principal retirement	4,308	3,981	5,609	4,850
Interest and other charges	5,652	6,342	9,058	5,907
Total expenditures	<u>112,117</u>	<u>123,241</u>	<u>126,374</u>	<u>136,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,069)</u>	<u>90</u>	<u>(1,517)</u>	<u>3,990</u>
Other financing sources (uses):				
Transfers in	13,693	17,579	28,766	22,836
Transfers out	(13,172)	(17,409)	(27,517)	(22,666)
Issuance of debt	26,279	6,833	58,356	4,001
Gain(Loss) on sale of capital assets	-	-	-	-
Contribution to Housing Authority	-	-	-	-
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>
Net change in fund balances	<u>\$ 25,731</u>	<u>\$ 7,093</u>	<u>\$ 5,763</u>	<u>\$ 8,161</u>
Debt service as a percentage of noncapital expenditures	11.7%	11.2%	16.0%	11.0%

Source: Finance Office, City of Garden Grove

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 83,684	\$ 87,437	\$ 91,292	\$ 90,692	\$ 85,353	\$ 91,330	
1,672	1,859	1,068	818	1,553	962	
2,939	2,567	2,870	2,761	3,103	2,911	
3,803	5,148	6,576	7,219	7,689	4,859	
12,614	11,401	10,083	11,065	11,413	12,002	
40,825	42,230	42,295	39,707	55,879	50,336	
3,477	3,597	2,516	3,053	2,100	6,393	
<u>149,014</u>	<u>154,239</u>	<u>156,700</u>	<u>155,315</u>	<u>167,090</u>	<u>168,793</u>	
7,198	6,367	7,163	7,079	7,639	7,359	
17,189	17,946	19,724	20,769	19,331	18,862	
34,803	38,600	43,048	44,787	43,863	44,727	
2,818	3,274	3,026	2,896	2,967	2,733	
5,380	6,881	5,973	8,130	7,373	5,865	
			148	13	-	
2,738	3,529	3,581	3,935	3,366	3,188	
3,409	3,846	4,208	4,433	4,428	4,037	
5,558	1,653	1,925	1,804	1,649	1,664	
31,057	29,537	30,076	31,145	59,813	51,950	
28,138	19,233	26,290	23,162	16,671	15,754	
4,909	4,621	3,971	3,519	4,956	4,214	
6,738	6,873	7,783	8,076	7,726	4,938	
<u>149,935</u>	<u>142,360</u>	<u>156,768</u>	<u>159,883</u>	<u>179,795</u>	<u>165,291</u>	
<u>(921)</u>	<u>11,879</u>	<u>(68)</u>	<u>(4,568)</u>	<u>(12,705)</u>	<u>3,502</u>	
29,549	26,474	48,225	32,608	52,785	41,588	
(29,379)	(26,251)	(48,394)	(32,438)	(47,597)	(41,492)	
1,500	-	41,675	-	-	2500	
612	(1,322)	-	-	2,320	-	
-	(3,796)	-	-	-	-	
-	-	(8,410)	-	-	-	
<u>2,282</u>	<u>(4,895)</u>	<u>33,096</u>	<u>170</u>	<u>7,508</u>	<u>2,596</u>	
<u>\$ 1,361</u>	<u>\$ 6,984</u>	<u>\$ 33,028</u>	<u>\$ (4,398)</u>	<u>\$ (5,197)</u>	<u>\$ 6,098</u>	
10.6%	10.3%	9.9%	9.3%	8.4%	6.5%	

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

Fiscal Year Ended June 30	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
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
2008	19,780,085	14,892,274	2,337,053	2,596,833	12,672,985	14,011,002	66,290,232
2009	16,235,658	15,661,734	2,293,500	2,530,725	11,257,402	14,087,771	62,066,790
2010	14,075,879	14,400,002	2,482,292	2,381,098	10,195,885	513,106	44,048,262
2011	16,776,350	17,254,068	2,349,125	3,425,691	11,696,706	800,742	52,302,682

Source: Finance Office, City of Garden Grove

**SCHEDULE VI
CITY OF GARDEN GROVE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2002	\$ 5,858,899,378	\$ 328,906,652	\$ 6,187,806,030	\$ 1,566,566,452	\$ 216,556,204	\$ 1,783,122,656	1.034%
2003	6,237,992,510	302,092,895	6,540,085,405	1,714,550,729	216,938,691	1,931,489,420	1.034%
2004	6,690,748,967	299,913,148	6,990,662,115	1,864,235,792	238,481,088	2,102,716,880	1.031%
2005	7,256,567,260	300,044,644	7,556,611,904	1,958,660,897	242,816,738	2,201,477,635	1.031%
2006	8,044,198,853	282,323,725	8,326,522,578	2,154,902,094	258,917,408	2,413,819,502	1.030%
2007	8,876,151,469	321,202,996	9,197,354,465	2,312,965,202	277,545,166	2,590,510,368	1.030%
2008	9,569,536,594	324,403,747	9,893,940,341	2,513,875,820	275,426,527	2,789,302,347	1.030%
2009	9,729,883,933	346,877,295	10,076,761,228	2,770,894,375	309,968,838	3,080,863,213	1.029%
2010	9,306,476,987	370,449,626	9,676,926,613	2,813,238,670	327,815,104	3,141,053,774	1.029%
2011	9,304,082,238	321,496,548	9,625,578,786	2,707,065,764	302,619,033	3,009,684,797	1.064%

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

**SCHEDULE VII
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
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
2008	1.0000	0.02500	0.00450	-	-	-	-	1.02950
2009	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2010	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2011	1.0000	0.06000	0.00430	-	-	-	-	1.06430

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

**SCHEDULE VIII
CITY OF GARDEN GROVE
PRICIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2011</u>		<u>2003</u>	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Landmark Marriott Suites	\$ 96,860,894	0.76%		
American Lodging	54,800,000	0.43%		
KPA Rigg	52,394,920	0.41%		
Newage Garden Grove	41,442,933	0.32%		
Car Noa GGT	35,146,857	0.27%		
Ohi Resort Hotels	40,259,564	0.31%	\$ 66,484,506	1.02%
Walton CWCA Garden Grove	53,972,579	0.42%		
Swedlow Inc.	25,091,618	0.20%	18,859,955	0.29%
MPT of Garden Grove Hospital	24,940,743	0.19%		
CRP-2 Monarch	24,421,981	0.19%		
Landmark Hospitality			67,561,367	1.03%
Atrium Plaza			58,644,518	0.90%
Saint-Gobain Performance			35,155,405	0.54%
BB Promenade			26,054,323	0.40%
Linfinit Microelectronics			25,064,495	0.38%
American Medical			23,930,204	0.38%
Kaiser Foundation			20,258,423	0.31%
AIC Investment Co, Inc.			19,799,194	0.30%
	<u>\$ 449,332,089</u>	<u>3.50%</u>	<u>\$ 361,812,390</u>	<u>5.55%</u>

Source: Coren & Cone's 2010/11 Preliminary Property Tax Reports

**SCHEDULE IX
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
2002	0.0025	\$ 9,417,226	\$ 9,117,315	96.8	\$ 161,462	\$ 9,278,777	98.5	\$ 38,584	0.4%
2003	0.0025	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.0025	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.0025	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%
2006	0.0025	12,913,558	12,338,230	95.5	156,891	12,495,121	96.8	114,095	0.9%
2007	0.0025	13,989,410	13,080,248	93.5	197,376	13,277,624	94.9	286,295	2.0%
2008	0.003	14,804,471	13,934,785	94.1	366,321	14,301,107	96.6	196,069	1.3%
2009	0.003	14,783,375	13,920,288	94.2	640,136	14,560,424	98.5	139,682	0.9%
2010	0.003	14,063,297	13,732,288	97.6	719,481	14,451,770	102.8	422,664	3.0%
2011	0.060	17,407,275	16,491,089	94.7	520,209	17,011,298	97.7	302,494	1.7%

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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**SCHEDULE X
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	RDA 2008 Bonds	Tax Allocation Bonds ¹	Loans ^{2 3}	Capital Leases ⁴	
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
2008	20,995,000	-	2,015,000	53,740,000	43,225,054	2,993,427	122,968,481
2009	20,525,000	-	2,015,000	52,030,000	42,331,431	2,498,371	119,399,802
2010	20,025,000	-	1,955,000	50,265,000	42,304,693	3,221,506	117,771,199
2011	19,510,000	-	1,890,000	48,415,000	43,322,426	2,542,711	115,680,137

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

² The City borrowed \$32,000,000 from Union Bank for the Redevelopment Agency in 2008.

³ The City refunded the \$9,010,000 HUD Section 108 loan, of which \$7,660,000 was borrowed from HUD in 2008.

⁴ The City financed new copiers with a \$376,774 Capital lease.

⁵ The City issues \$21,845,000 is Sewer COP in 2006.

⁶ These ratios are calculated using personal income and population for the prior calendar year.

⁷ The City issues \$16,625,000 is Water Revenue Bond in 2010.

Source: Finance Office, City of Garden Grove

Business-type Activities						
Water Revenue Bonds ⁷	Sewer Revenue COP ⁵	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ⁶	Debt Per Capita ⁶
\$ 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
14,465,000	21,845,000	11,405,000	47,715,000	170,683,481	0.46%	986
13,790,000	21,845,000	10,950,000	46,585,000	165,984,802	0.42%	950
29,720,000	21,405,000	10,465,000	61,590,000	179,361,199	0.42%	1021
28,670,000	20,945,000	-	49,615,000	165,295,137	0.36%	967

**SCHEDULE XI
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		
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
2008	20,995	53,740	74,735	0.59%	432
2009	20,525	52,030	72,555	0.55%	415
2010	20,025	50,265	70,290	0.55%	400
2011	19,510	48,415	67,925	0.54%	397

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

**SCHEDULE XII
CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2011**

2009-10 Assessed Valuation:	\$ 12,143,412,624
Redevelopment Incremental Valuation:	<u>2,517,833,838</u>
Adjusted Assessed Valuation:	\$ 9,625,578,786

	%	Total Debt	City's Share of
	<u>Applicable</u>	6/30/2011	Debt 6/30/10
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	(1)		
Metropolitan Water District	0.538%	\$ 227,670,000	\$ 1,224,865
Coast Community College District	5.750%	326,768,867	18,789,210
North Orange County Joint Community College District	2.645%	214,514,001	5,673,895
Rancho Santiago Community College District	5.104%	309,908,025	15,817,706
Garden Grove Unified School District	60.710%	130,000,160	78,923,097
Anaheim Union High School District	0.080%	113,873,955	91,099
Huntington Beach Union High School District	1.434%	227,824,998	3,267,010
Anaheim School District	0.095%	130,480,565	123,957
Magnolia School District	0.264%	14,868,305	39,252
Westminster School District	10.871%	34,290,681	3,727,740
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 127,677,831</u>

Ratios to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.05%

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	2.577%	\$ 316,898,000	\$ 8,166,461
Orange County Pension Obligations	2.577%	54,682,497	1,409,168
Orange County Board of Education Certificates of Participation	2.577%	19,000,000	489,630
Municipal Water District of Orange County Water Facilities Corporation	3.039%	14,120,000	429,107
North Orange Regional Occupation Program Certificates of Participation	0.030%	11,340,000	3,402
Orange Unified School District Certificates of Participation	1.265%	49,350,000	624,278
Orange Unified School District Benefit Obligations	1.265%	91,365,000	1,155,767
Anaheim Union High School District Certificates of Participation	0.080%	38,975,000	31,180
Huntington Beach Union High School District Certificates of Participation	1.434%	59,776,090	857,189
Westminster School District Certificates of Participation	10.871%	24,150,000	2,625,347
City of Garden Grove General Fund Obligations	100.000%	29,465,000	<u>\$ 29,465,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 45,256,529</u>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			429,107
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 44,827,422</u>
TOTAL DIRECT DEBT			\$ 29,465,000
TOTAL GROSS OVERLAPPING DEBT			\$ 143,469,360
TOTAL NET OVERLAPPING DEBT			\$ 143,040,253
GROSS COMBINED TOTAL DEBT (2)			(2) \$ 172,934,360
NET COMBINED TOTAL DEBT			\$ 172,505,253

- (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. Qualified Zone Academy Bonds are included based on principal due at maturity.

<u>Ratios to Adjusted Assessed Valuation:</u>	
Total Direct Debt (\$29,465,000)	0.31%
Gross Combined Total Debt	1.80%
Net Combined Total Debt	1.79%

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

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

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

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 6,187,806,030	\$ 6,540,085,405	\$ 6,990,662,115	\$ 7,556,611,904
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,546,951,508	1,635,021,351	1,747,665,529	1,889,152,976
Debt limit percentage	15%	15%	15%	15%
Debt limit	232,042,726	245,253,203	262,149,829	283,372,946
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 232,042,726</u>	<u>\$ 245,253,203</u>	<u>\$ 262,149,829</u>	<u>\$ 283,372,946</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					
2006	2007	2008	2009	2010	2011
\$ 8,326,522,578	\$ 9,197,354,465	\$ 9,893,940,341	\$ 10,076,761,228	\$ 9,676,926,613	\$ 9,625,578,786
25%	25%	25%	25%	25%	25%
2,081,630,645	2,299,338,616	2,473,485,085	2,519,190,307	2,419,231,653	2,406,394,697
15%	15%	15%	15%	15%	15%
312,244,597	344,900,792	371,022,763	377,878,546	362,884,748	360,959,204
-	-	-	-	-	-
<u>\$ 312,244,597</u>	<u>\$ 344,900,792</u>	<u>\$ 371,022,763</u>	<u>\$ 377,878,546</u>	<u>\$ 362,884,748</u>	<u>\$ 360,959,204</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**SCHEDULE XIV
CITY OF GARDEN GROVE
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Expenses	Water Revenue Bonds				Coverage
			Resources Available for Debt Service	Debt Service Requirement			
				Principal	Interest	Total	
2002	\$ 16,590,462	\$ 13,495,314	\$ 3,095,148	\$ 430,000	\$ 933,258	\$ 1,363,258	2.27
2003	16,609,786	14,252,431	2,357,355	450,000	913,458	1,363,458	1.73
2004	18,484,674	15,604,390	2,880,284	470,000	892,464	1,362,464	2.11
2005	18,145,714	16,809,774	1,335,940	435,000	727,982	1,162,982	1.15
2006	18,651,805	17,225,625	1,426,180	635,000	657,500	1,292,500	1.10
2007	20,516,447	17,921,191	2,595,256	645,000	644,700	1,289,700	2.01
2008	26,049,669	18,065,826	7,983,843	665,000	629,938	1,294,938	6.17
2009	29,025,085	19,581,536	9,443,549	675,000	612,344	1,287,344	7.34
2010	29,312,717	20,713,227	8,599,490	695,000	592,638	1,287,638	6.68
2011	30,651,300	21,520,593	9,130,707	1,040,000	1,299,320	2,339,320	3.90

Source: Finance Office, City of Garden Grove

Tax Allocation Bonds				
Debt Service Requirement				
Tax Increment	Principal	Interest	Total	Coverage
\$ -	\$ -	\$ -	\$ -	N/A
-	-	-	-	N/A
13,403,657	-	1,625,068	1,625,068	8.25
14,607,268	-	2,759,550	2,759,550	5.29
16,339,702	-	2,759,550	2,759,550	5.92
17,250,293	1,625,000	2,741,269	4,366,269	3.95
18,915,215	1,660,000	2,698,088	4,358,088	4.34
21,808,918	1,710,000	2,647,537	4,357,537	5.00
21,107,303	1,765,000	2,577,763	4,342,763	4.86
19,632,456	1,850,000	2,487,388	4,337,388	4.53

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
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%
2008	173,067	3,735,525	21,620	5.0%
2009	174,715	3,979,307	22,993	11.7%
2010	175,618	4,272,291	24,453	12.2%
2011	170,883	4,567,065	26,006	11.2%

Source: State Employment Development Department

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

Employer	2011	
	Number of Employees	Percent of Total Employment
Prime Healthcare Services	516	0.69%
Air Industries Corp	465	0.63%
Driessen Aircraft Interior Systems, Inc.	370	0.50%
Saint Gobain Performance Plastics	363	0.49%
Office Max, Inc.	360	0.48%
Hyatt Regency Orange County	350	0.47%
GKN Aerospace Transparency Systems, Inc.	331	0.44%
NBTY Acquisition, LLC	298	0.40%
Crystal Cathedral	290	0.39%
C & D Zodiac	286	0.38%

2002 data was not available

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

Source: City of Garden Grove Business Tax Department

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

<u>Department</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administrative Services	-	-	-	31	34	-	-	-	-	-
City Manager	43	43	39	13	14	9	13	12	10	10
Community Development	50	50	48	45	44	56	58	59	59	59
Community Services	157	148	143	149	155	146	149	148	145	143
Economic Development	-	-	-	-	-	12	13	13	13	13
Finance	32	33	32	32	32	34	35	37	37	37
Fire	109	113	111	109	110	112	112	112	111	110
Information Technology	-	-	-	-	-	20	20	20	20	20
Personnel	57	57	13	13	13	9	10	10	9	9
Police	322	321	316	316	314	328	334	334	334	333
Public Works	<u>184</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>192</u>	<u>192</u>	<u>197</u>	<u>197</u>	<u>196</u>	<u>196</u>
Total	<u>954</u>	<u>950</u>	<u>879</u>	<u>887</u>	<u>908</u>	<u>918</u>	<u>941</u>	<u>942</u>	<u>934</u>	<u>930</u>
Full Time employees	678	687	633	637	647	661	676	685	682	681
Part time employees	276	263	246	250	261	257	265	257	252	249

Source: City Budget/Department Budgets

**SCHEDULE XVIII
CITY OF GARDEN GROVE
OPERATING INDICATORS
BY FUNCTION
LAST FIVE FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police:					
Arrests	7,767	6,951	7,316	7,195	6,920
Traffic citations issued	11,574	13,627	12,787	15,490	14,945
Fire:					
Number of emergency calls	15,534	16,279	16,548	16,306	23,381
Public Right-of-Way:					
Parking citations issued	30,052	32,718	30,464	26,660	24,800
Permits issued	3,175	1,525	276	269	201
Community Services:					
Number of recreation classes	1,525	1,534	1,544	1,398	1,817
Housing vouchers	2,337	2,337	2,337	2,337	2,337
Community Planning and Development:					
Building permits issued	2,213	2,879	3,878	3,514	3,881
Water:					
Number of accounts	34,090	34,152	34,217	34,239	33,689
Average daily consumption (thousands of gallons)	49,864	24,851	23,345	21,843	20,528
Solid Waste Disposal:					
Number of accounts	30,928	30,938	30,895	30,723	33,308
Drainage:					
Channels cleaned (miles)	5	5	5	5	5
Municipal Support:					
Passports issued	723	569	500	463	292
Source: City of Garden Grove					

**SCHEDULE XIV
CITY OF GARDEN GROVE
CAPITAL ASSET STATISTICS
BY FUNCTION
LAST FIVE FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	7	7	7	7	7
Public Right-of-Way:					
Streets (miles)	305	305	305	305	305
Community Services:					
Parks	16	16	16	16	16
Park acreage	142	142	142	142	142
Community centers	1	1	1	1	2
Water:					
Water mains (miles)	360	360	433	433	433
Number of connections	34,090	34,152	34,217	34,239	33,689
Sewage Collection:					
Sanitary sewers (miles)	312	312	320	320	320
Drainage:					
Storm drains (miles)	35	35	35	35	35

Source: City of Garden Grove



GARDEN GROVE