

CITY OF GARDEN GROVE, CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2003 - June 30, 2004

CITY OF GARDEN GROVE

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

For the fiscal year ended
June 30, 2004

Prepared by:
DEPARTMENT OF FINANCE
Kingsley Okereke
Finance Director

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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INTRODUCTORY SECTION

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CITY OF GARDEN GROVE

Bruce A. Broadwater
Mayor

William J. Dalton
Mayor Pro Tem

Mark Leyes
Councilman

Mark Rosen
Councilman

Van T. Tran
Councilman

November 1, 2004

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

Transmitted through the City Manager

Your Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year ended June 30, 2004. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects and presented in a manner which fairly represents the financial position, and changes in financial position of the City as measured by the financial activity of its governmental activities, business type activities, each major fund, and the remaining aggregate fund information, and that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Moreland & Associates, Inc., independent auditors for the City of Garden Grove. The independent auditors' report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of

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Transmittal Letter 03/04 CAFR
November 1, 2004

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 169,911; it is the fourth largest City in Orange County and the twenty-first largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued and the efforts continued in the 1980's, 1990's, and 2000's. There has been significant benefit from quality construction projects and an improved economic base as the results of these activities.

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

Garden Grove is a full service city. The services provided by the City include police, fire, paramedic, street maintenance, park maintenance, water, sewer, refuse, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. Also included in the City's overall operations are the Garden Grove Agency for Community Development, Garden Grove Housing Authority, Garden Grove Sanitary District and the Garden Grove Cable Corporation. Additional information is available on these blended component units in note 1a - 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 budget public work sessions as necessary and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The level of appropriations is controlled by the City Council for each fund. The City Manager is authorized to transfer

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appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year-end unless specifically approved for carry-over to the subsequent year by resolution of the City Council.

Local Economy and Economic Outlook

During the 2003-04 fiscal year, the national and much of California economic situation were described as being in a "soft patch", a soft economic condition marked with sluggish growth and mixed economic signals. However, there are some expectations that the softness in the economy is more fleeting than fixed. While most of the State was in this soft economic mode, Orange County actually improved across most economic sectors according to the UCLA Orange County economic summary/outlook. Unemployment dropped, incomes increased, consumer spending increased, and interest rate remained low supporting a prolonged expansion of the real estate market. In line with the local economic conditions, the City's economic expansion continued into its tenth consecutive year, albeit at a much reduced pace. The economic gains are reflected in the modest increases realized in the City's sales tax, property tax and VLF revenues. While inflation was not a major concern during this period, there were increases in the cost of goods and services such as energy, steel, and wages that also impacted City's economic situation.

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

In the next several years, one of the major challenges is going to be addressing the potential impact of revenue reductions and transfers away from the local governments to the benefit of the State of California. For some years now, the City have been dealing with the impact of an annual \$1.7 million property tax diversion, the ongoing transfer of municipal property taxes from the cities in California to the Educational Revenue Augmentation Fund (ERAF). This fund is used by the State to provide additional resources to the schools and reduce the State's burden for school financing. This ERAF property tax shift is slated to continue. However,

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November 1, 2004

proposition 1A measure would amend the constitution to prevent the legislature from increasing the amount of these shifts in future.

During the 2003-04 fiscal year, the City's budget and economic outlook was further complicated by "Triple Flip" which diverts additional property taxes from the City, its redevelopment agency and sanitary district to the State over the next two fiscal years. The "triple flip" effective on July 1, 2004, put in place a complex revenue swap involving local share of sales tax, property tax, and ERAF funds, with the primary purposes of funding the state deficit bonds used to balance the State budget. Local agencies agreed to the provisions of Triple Flip in exchange for the Governor's pledge to support the passage of a legislation (proposition 1A) that would protect local government revenues from the State in the future. The Triple Flip impact on the City's budget (General Fund, redevelopment Agency, and Special Districts) over the next two years would be about \$3.65 million per year.

In addition, the City's motor vehicle license fee revenue, a key revenue source for the City at approximately \$10 million per year, is also fraught with uncertainty until the promised state backfill is fully realized. Further, the State's inability to fund its "State Mandated Cost Reimbursement" over the past few years is a major concern and adds to the City's cost burden. At present, the City is owed more than \$607,511 for unfunded mandates and it is expected to increase another \$200,000 in the current year.

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

Cash Management

The Finance Director is responsible for investing all temporarily idle cash in accordance with the City's approved investment policy. In order to maximize yield, all City funds are pooled and interest is allocated back to the funds on a

proportionate basis. During the year, the City achieved a yield of 1.6 percent on its portfolio investments which resulted in an interest income of \$1,700,094. Interest revenue decreased from the previous year because of a decline in the prevailing interest rates. The portfolio rate declined from 2.3 percent in the previous year to 1.6 percent in the current year. At year end, cash, deposits and investments included the following proportions of aggregate cash invested: United States Government Securities, 69 percent; Local Agency Investment Fund of the State of California, 26 percent; commercial paper, 5 percent. Cash Management investments continue to be managed by providing for the required level of security and liquidity while providing for the highest level of yield available within the City's Investment Policy Guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible.

Risk Management

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

To protect the City's real and personal property, commercial, all risk, earthquake and flood insurance is purchased at replacement value levels. A Commercial Crime policy is purchased to satisfy the honesty and fidelity bond requirements of the Municipal Code, and following City Council direction. Tort liabilities arising from municipal operations were funded through a program which self-insured the first \$2.0 million of each loss; commercial excess liability insurance was purchased thereafter to \$12 million on a "per occurrence basis" to protect against catastrophic events. The program is funded at the 90 percent confidence level and includes incurred but not reported losses (IBNR).

A self-insured program is also maintained for workers compensation losses and carries a \$1.0 million per occurrence retention level. Commercial excess workers compensation insurance is then carried to \$25,000,000 limits. All losses, including IBNR, were funded at the 90% confidence level based upon actuarial studies completed biannually. A third party administrator administers all claims on behalf of the City of Garden Grove.

Awards


The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Garden Grove the Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to receive this award, a governmental unit must publish an easy-to-read and efficiently organized Comprehensive Annual Financial Report, whose contents conform

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November 1, 2004

to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The City was also awarded the Certificate for Outstanding Financial Reporting, by the California Society of Municipal Finance Officers (CSMFO) for the fiscal year ended June 30, 2003.

Acknowledgments

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

A handwritten signature in black ink, reading "Kingsley Okereke". The signature is written in a cursive style with a large, stylized initial "K".

Kingsley Okereke
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garden Grove,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Garden Grove

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

March 1, 2004

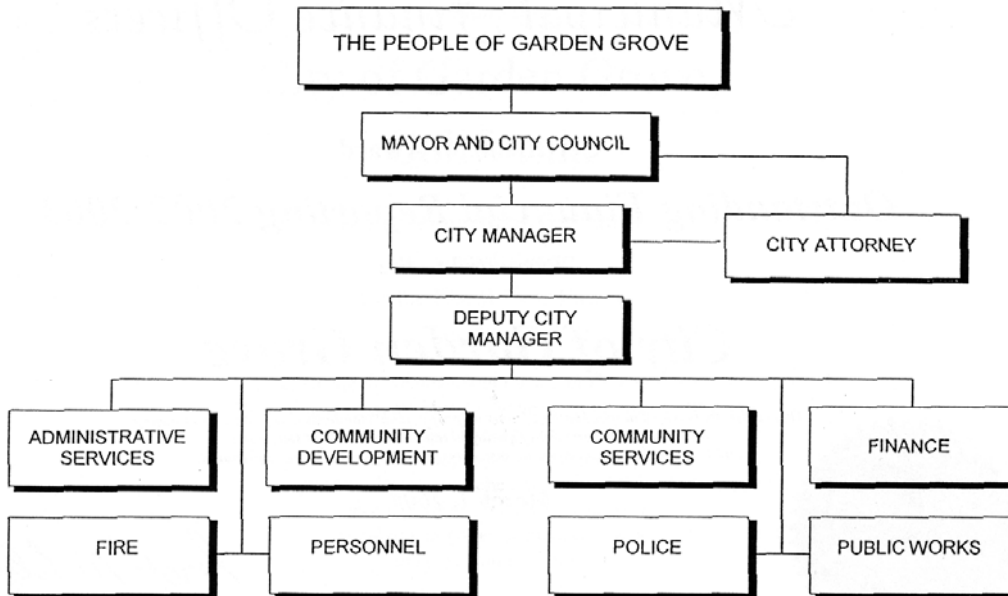
Bret M. Plimlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



CITY OF GARDEN GROVE



4/04

CITY OF GARDEN GROVE

CITY COUNCIL

Bruce A. Broadwater
Mayor

William Dalton
Mayor Pro Tem

Mark Leyes
Councilman

Mark Rosen
Councilman

Van T. Tran
Councilman

CITY OFFICIALS

Matthew J. Fertal
City Manager

Les Jones
Deputy City Manager

John Shaw
City Attorney

Kingsley Okereke
Finance Director

Kathy Porter
Administrative Services Director

Keith Osborn
Fire Chief

Susan Emery
Community Development Director

Steven A. Larson
Personnel Director

Cal Rietzel
Community Services Director

Joseph Polisar
Police Chief

Keith Jones
Public Works Director

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FINANCIAL SECTION

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September 30, 2004

The Honorable City Council of
the City of Garden Grove, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garden Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2004 on our consideration of the City of Garden Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Moreland & Associates, Inc.

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, 2004. 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 of Garden Grove exceeded its liabilities at the close of the current fiscal year by \$775.376 million. Of this amount, \$6.476 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Garden Grove's governmental funds reported combined ending fund balances of \$94.167 million, an increase of \$5.763 million in comparison with the prior year.
- The General fund reported \$6.694 million of unreserved fund balance, Special Revenue funds \$5.685 million, and Debt Service fund \$1,984.
- The unreserved deficit amount of \$16.031 million reported in the Community Development Capital Projects fund is as a result of capital projects acquisitions and improvements funded by long-term debt and intercity loans.
- The City of Garden Grove's total debt decreased by \$1.833 million during the current fiscal year. The key factors in this decrease were due to the refunding of the Tax Allocation Bonds, Series 2003, the Water Revenue Bonds, Series 2004, and debt service payments made during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Garden Grove's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Garden Grove's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered

by grants and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include fire, police, traffic safety, public right of way, drainage, community buildings, community services, parks and greenbelts, community planning and development, and municipal support. The business-type activities of the City include a Water Utility, Sewage Collection, Solid Waste Disposal and Mobile home Parks operation.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Garden Grove maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Housing Authority special revenue fund, Community Project debt service fund, 2002 Capital Improvement debt service fund, Community Project capital projects fund, Low Income Housing capital projects fund and 2003 Tax Allocation Bond fund, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Generally, the City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the General fund and the

Housing Authority special revenue fund as required supplemental information, and for all other governmental funds in other supplemental information, to demonstrate compliance with the budget.

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

The City also uses internal service enterprise funds to account for its Workers' Compensation fund, Fleet Management fund, Employee Benefit fund, Information Systems fund, Warehouse Operations fund, Telephone Systems fund and Risk Management fund. Because all of the internal service funds provide services that predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

- **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements
- **Other information.** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the budgetary comparison reports.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Garden Grove, assets exceeded liabilities by \$775.376 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (93.98%) 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)

	Government activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 210.6	\$ 202.4	\$ 10.7	\$ 22.5	\$ 221.3	\$ 224.9
Capital assets	673.0	677.5	88.6	86.4	761.6	763.9
Total Assets	883.6	879.9	99.3	108.9	982.9	988.8
Long-term liabilities	107.1	108.2	29.3	30.2	136.4	138.4
Other liabilities	64.3	66.0	6.8	17.5	71.1	83.5
Total liabilities	171.4	174.2	36.1	47.7	207.5	221.9
Net assets:	\$ 712.2	\$ 705.7	\$ 63.2	\$ 61.2	\$ 775.4	\$ 766.9
Invested in capital assets, net of related debt	\$ 669.4	\$ 673.3	\$ 59.3	\$ 56.2	\$ 728.7	\$ 729.5
Restricted	40.2	27.5	-	-	40.2	27.5
Unrestricted	2.6	4.9	3.9	5.0	6.5	9.9
Total net assets	\$ 712.2	\$ 705.7	\$ 63.2	\$ 61.2	\$ 775.4	\$ 766.9

An additional portion of the City's net assets, \$40.237 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6.476 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Garden Grove is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased \$8.449 million from the amount reported in prior fiscal year. It was primarily the result of revenue in the governmental fund exceeded expenditures. The City reported \$155.299 million in revenue and \$146.850 million in expenditure. This result confirms the continuation of the City's moderate growth rate.

Governmental Activities. Governmental activities increased the City of Garden Grove's net assets by \$6.522 million, thereby accounting for 77.18 percent of the total growth in the net assets of the City of Garden Grove. Key elements of this increase are as follows:

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

	Government activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 11.4	\$ 10.9	\$ 31.0	\$ 27.2	\$ 42.4	\$ 38.1
Operating grants and contributions	38.3	37.4	0.5	0.4	38.8	37.8
Capital grants and contributions	3.1	4.6	0.4	0.3	3.5	4.9
General revenues:						
Sales taxes	18.6	17.9	-	-	18.6	17.9
Property taxes	27.5	26.0	-	-	27.5	26.0
Other taxes	20.6	20.1	-	-	20.6	20.1
Earning on investments	2.4	2.9	0.3	0.5	2.7	3.4
Other	1.3	1.0	-	-	1.3	1.0
Total revenues	<u>123.2</u>	<u>120.8</u>	<u>32.2</u>	<u>28.4</u>	<u>155.4</u>	<u>149.2</u>
Expenses:						
Fire	14.1	13.8	-	-	14.1	13.8
Police	29.1	28.2	-	-	29.1	28.2
Traffic safety	2.5	3.2	-	-	2.5	3.2
Public right of way	12.4	12.1	-	-	12.4	12.1
Drainage	1.4	1.4	-	-	1.4	1.4
Community buildings	2.6	2.4	-	-	2.6	2.4
Community services	3.3	5.0	-	-	3.3	5.0
Parks and greenbelts	1.4	1.6	-	-	1.4	1.6
Community planning and development	36.7	32.8	-	-	36.7	32.8
Municipal support	5.2	5.4	-	-	5.2	5.4
Long-term debt	8.0	6.4	-	-	8.0	6.4
Water Utility	-	-	19.1	17.7	19.1	17.7
Sewage Collection	-	-	2.9	2.2	2.9	2.2
Solid Waste Disposal	-	-	6.7	6.0	6.7	6.0
Mobile Home parks	-	-	1.5	1.5	1.5	1.5
Total expenses	<u>116.7</u>	<u>112.3</u>	<u>30.2</u>	<u>27.4</u>	<u>146.9</u>	<u>139.7</u>
Change in net assets before transfers	6.5	8.3	2.0	1.0	8.5	9.5
Transfers	-	0.1	-	(0.1)	-	-
Change in net assets	<u>6.5</u>	<u>8.4</u>	<u>2.0</u>	<u>0.9</u>	<u>8.5</u>	<u>9.5</u>
Net assets, July 1,	705.7	697.3	61.2	60.3	766.9	757.6
Net assets, June 30	<u>\$ 712.2</u>	<u>\$ 705.7</u>	<u>\$ 63.2</u>	<u>\$ 61.2</u>	<u>\$ 775.4</u>	<u>\$ 766.9</u>

- Property taxes revenue increased by \$1.494 million, primarily due to increased property valuations.
- Operating grants revenue increased by \$0.913 million due to the moderate growth in the City's Section 8 housing program.
- Capital grants revenue decreased by \$1.465 million as some of the City's large street projects were completed, and a decrease in parks and greenbelts capital contributions.

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

- Community planning and development expenditure increased by \$3.906 million largely due to the growth in the City's Section 8 housing program (\$1.501 million) and the land acquisition for development purposes in the Agency for Community Development project area (\$1.433 million).
- Long-term debt expenditure increased by \$1.591 million due to the costs incurred during the refunding of the Tax Allocation Bonds, Series 2003, and the Water Revenue Bonds, Series 2004.
- Community services expenditure decreased by \$1.705 million mainly due to the termination of the most Federal Employment Grants. The contracts with the County of Orange ended during fiscal year 2003/2004.

Business-type activities.

Business-type activities increased the City of Garden Grove's net assets by \$1.928 million, accounting for 22.82 percent of the total growth in the government's net assets. Key elements in this increase are as follows:

In the Sewage Collection fund net assets increased by \$1.305 million as revenues from sewer user fees and property assessments expanded slightly.

The Solid Waste Disposal fund net asset decreased \$106,917 for the year, an amount attributable to the fiscal year net operating loss.

Mobile Home Parks fund added \$479,270 to the balance of net assets. Revenues were up \$96,539 from the previous year for an increase of 5.1 percent. The parks had a minimal vacancy factor of less than 2% therefore revenues continued to exceed expenditures.

The Water Utility fund showed a decline in revenue in spite of a water rate increase which went into effect in July 2003. This decline was due largely to the effects of water conservation. The increase only generated an additional \$2.109 million in annual revenue and was not enough to offset an increase in water production costs and other contractual expenses. The decline in the Water Utility fund net assets of \$392,846 was offset with gains in the Sewage Collection fund and Mobile Home Parks fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Garden Grove uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spend-able* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Garden Grove's governmental funds reported combined ending fund balances of \$94.167 million, an increase of \$5.763 million in comparison with the prior year. The unreserved surplus of \$3.661 million consists of a surplus in both the General fund (\$6.694 million), Special Revenue

funds (\$5.685 million), Debt Service Fund (\$1,984) with an offset by a deficit in the Community Development Capital Projects fund (\$16.031 million). The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows: 1) to liquidate contracts and purchase orders of the prior period (\$11.385 million), 2) to reserve out the cost of land held for resale (\$26.318 million), 3) to reserve out an amount to cover intercity loans receivable (\$35.142 million), 4) to pay debt service (\$13.217 million), 5) to fund prior period continuing projects (\$9.919 million), and 6) to reserve out a variety of other restricted purposes (\$1.836 million).

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.694 million, while total fund balance reached \$48.983 million.

The increase in the fund balance was due to moderate growth in taxes revenue, which included an increase of \$2.767 million in transient occupancy taxes. The construction of seven new hotels started four years ago. They became fully operational in fiscal year 2002-03. Transient occupancy taxes revenue continued to grow in fiscal year 2003-04 when those hotels grew in their businesses. The growth in revenue was offset with a less moderate growth in expenditure.

General fund loans to the Agency for Community Development were used by the City to expand the Harbor Boulevard redevelopment project. The amount loaned for development projects was \$6.464 million and represents the primary reason for the growth in intercity loan receivable.

- **Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$1.41 million due to the continued growth in the Section 8 federal housing program. This program shows no fund balances or reserves at year-end.
- **Community Project debt service fund.** The Community Project debt service fund, which provides an accounting of resources used to pay principal and interest on the Agency's Tax Allocation Bonds, ended the year with a reserve equal to the amount of debt due in the next fiscal year.
- **2002 Capital Improvement Project debt service fund.** The 2002 Capital Improvement debt service fund provides an accounting of the resources provided by the issuance of the Certificates of Participation, Series A in 2002. The total reduction in fund balance for the current year was \$4.436 million to a balance of \$8.711 million at year-end. The current year transfers were used to provide funding for acquisition of land and capital improvements in the Harbor Corridor development area of the City by the Community Project capital projects fund.
- **Community Project capital projects fund.** The Community Project capital projects fund provides an accounting for the City's redevelopment projects within the "Community Project Area". The agency is currently involved in the acquisition of land and capital improvements in the Harbor Corridor development area of the City. These acquisitions and improvements have been funded by proceeds of long term debt and intercity loans, which have

had the effect of increasing the unreserved portion of the fund balance to a deficit of \$16.031 million. The total fund balance in the current year increased to a surplus of \$1.299 million from a deficit of \$696,681 in the previous year, which was due primarily to the increase in transfers from the Community Project debt service fund, as a result of the continued expansion in the Harbor Corridor development area of the City. The reserved balance increased by \$1.976 million due primarily to an increase in the land held for resale.

- **Low Income Housing capital projects fund.** The Low Income Housing capital projects fund accounts for the proceeds of the 20 percent set-aside of tax increment revenues for the City's redevelopment Agency. The reserved fund balance increased by \$872,211. The fund incurred a significant increase in expenditure due primarily to the first of two repayments for the purchase of Brookhurst Triangle property, in the amount of \$1.767 million in fiscal year 2003/2004. Increased reserves for land held for resale accounted for the majority of the \$872,211 fund balance increase.
- **2003 Tax Allocation capital projects fund.** The 2003 Tax Allocation capital projects fund accounts for capital projects, as well as the principal and interest on the 2003 Tax Allocation Refunding Bonds within the Agency for Community Development Community project area.
- **Proprietary funds.** All of the City's proprietary funds are considered major funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility fund at the end of the year amounted to a deficit of (\$4.788 million), for the Sewage Collection fund \$4.845 million, the Solid Waste Disposal fund \$125,179 and for the Mobile Home Parks fund \$3.131 million. The total growth for all funds was \$1.286 million. Other factors concerning the finances of these funds are also addressed in the discussion of the City of Garden Grove business-type activities.

MAJOR FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND LONG TERM DEBT

Capital assets. The City of Garden Grove's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$761.639 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.

**City of Garden Grove, Capital Assets
(in millions)**

	Government activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 405.3	\$ 404.4	\$ 13.2	\$ 12.5	\$ 418.5	\$ 416.9
Construction in progress	3.0	0.2	1.6	-	4.6	0.2
Infrastructure	237.0	244.0	73.7	73.7	310.7	317.7
Buildings and structures	15.7	15.5	-	-	15.7	15.5
Machinery and equipment	12.0	13.4	0.1	0.1	12.1	13.5
	<u>\$ 673.0</u>	<u>\$ 677.5</u>	<u>\$ 88.6</u>	<u>\$ 86.3</u>	<u>\$ 761.6</u>	<u>\$ 763.8</u>

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

- A variety of street widening and expansion projects including reconstruction for existing streets for \$2.861 million and construction in progress for \$3.264 million.
- Sanitary sewer improvement construction in progress for \$1.613 million.
- Water system capitalization improvements including, mains, meters and hydrants for \$1.709 million.

Additional information on the City of Garden Grove's capital assets can be found in note 6 on pages 52-53 of this report.

Long term debt. At the end of the current fiscal year, the City of Garden Grove had total debt outstanding of \$131.502 million. There are no general obligation bonds for the City.

The City's total debt decreased by \$1.833 million during the current fiscal year. The key factors in this decrease were due to the refunding of the Tax Allocation Bonds, Series 2003, the Water Revenue Bonds, Series 2004, and debt service payments made during the fiscal year.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The current debt limitation for the City of Garden Grove is \$261.237 million. There are no general obligation bonds for the City.

**City of Garden Grove, Outstanding Debt
(in millions)**

	Government activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Tax allocation bonds	\$ 57.0	\$ 52.3	\$ -	\$ -	\$ 57.0	\$ 52.3
Certificates of participation	22.8	22.7	13.0	13.3	35.8	36.0
Agreements payable	19.0	24.1	-	-	19.0	24.1
Capital lease purchase	3.4	4.0	-	-	3.4	4.0
Water revenue bonds	-	-	16.3	16.9	16.3	16.9
	<u>\$ 102.2</u>	<u>\$ 103.1</u>	<u>\$ 29.3</u>	<u>\$ 30.2</u>	<u>\$ 131.5</u>	<u>\$ 133.3</u>

Additional information on the City of Garden Grove's long-term debt can be found on Note 10 on pages 56-62 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- A key statistic in measuring the performance of the local economy is the unemployment rate. During the current fiscal year the City's unemployment rate dropped to 4.2 percent from the previous year's rate of 4.8 percent. The reduction in unemployment in the community is indicative of an improving economy. The City's unemployment rate compares favorably with the State's average unemployment rate of 5.8 percent and the national rate of 5.4 percent.
- The 2004-05 budget was balanced using a large fund-balance carry-over from 2003-04, along with fee adjustments, transfers from various reserve and replacement accounts, and continuation of a 25-position hiring freeze. Additional balancing measures will almost certainly be needed in the future due to the continuing revenue/expenditure imbalance in the City's budget.
- The City's budget balancing process was complicated by a two-year diversion of property taxes from the City, as well as the Agency and Sanitary District. The impact on the City for the next two years will be about \$1.5 million per year. The City also anticipates a loss of revenue of about \$100,000 from the "triple flip" swap of sales tax revenues for ERAF revenues that was used to secure State bond funding, and about \$400,000 from the loss of mandate and jail booking fee reimbursements. In addition, the City is still feeling the impacts of an annual \$1.7 million property tax diversion that has not been returned.
- Although the budget was completely balanced, it does not provide complete funding in certain areas. The budget has deficiencies in asphalt maintenance of \$2 million, concrete maintenance of \$2.5 million and tree maintenance of \$156,000.
- The financial planning process for the City of Garden Grove is impacted by financial uncertainty. The majority of this uncertainty at the present time emanates from the State of California's financial issues. Additional concerns arise from the potential for new state and federal mandates which are unfunded. Financial uncertainty relating to the City's local economy is not as significant of an issue because a steady growth is anticipated for the near future. In the long term the City expects to improve financial results with efficiency and management improvements, economic development, redevelopment and improved planning.

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 106,101,419	\$ 14,101,216	\$ 120,202,635
Cash and investments with fiscal agents	14,638,094	2,432,830	17,070,924
Receivables, net	10,134,943	4,416,200	14,551,143
Internal balances	11,236,780	(11,236,780)	-
Notes receivable	36,931,331	157,823	37,089,154
Inventory	370,033	-	370,033
Land held for resale	26,318,183	-	26,318,183
Prepaid items	2,468,744	-	2,468,744
Deposits	534,985	15,000	549,985
Total current assets	<u>208,734,512</u>	<u>9,886,289</u>	<u>218,620,801</u>
Noncurrent assets:			
Deferred issuance costs	1,829,426	810,497	2,639,923
Capital assets:			
Land	405,338,735	13,171,305	418,510,040
Construction in progress	3,043,421	1,613,084	4,656,505
Depreciable infrastructure, net	237,058,637	73,676,425	310,735,062
Depreciable buildings, structures, net	15,696,340	-	15,696,340
Depreciable equipment, net	11,922,722	119,179	12,041,901
Total noncurrent assets	<u>674,889,281</u>	<u>89,390,490</u>	<u>764,279,771</u>
Total assets	<u>883,623,793</u>	<u>99,276,779</u>	<u>982,900,572</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	11,290,815	5,498,474	16,789,289
Refundable deposits	2,863,799	316,506	3,180,305
Unearned revenue	29,792,411	1,009,610	30,802,021
Claims payable	19,087,298	-	19,087,298
Unamortized premium	1,282,125	-	1,282,125
Total current liabilities	<u>64,316,448</u>	<u>6,824,590</u>	<u>71,141,038</u>
Noncurrent liabilities:			
Due within one year	4,674,454	805,000	5,479,454
Due in more than one year	97,535,269	28,487,538	126,022,807
Accrued compensated absences:			
Due within one year	488,173	-	488,173
Due in more than one year	4,393,555	-	4,393,555
Total noncurrent liabilities	<u>107,091,451</u>	<u>29,292,538</u>	<u>136,383,989</u>
Total liabilities	<u>171,407,899</u>	<u>36,117,128</u>	<u>207,525,027</u>
NET ASSETS			
Invested in capital assets, net of related debt	669,375,454	59,287,455	728,662,909
Restricted for:			
Debt service	8,832,454	-	8,832,454
Low income housing	18,490,052	-	18,490,052
Streets and roads	7,980,290	-	7,980,290
Other purposes	4,933,832	-	4,933,832
Unrestricted	2,603,812	3,872,196	6,476,008
Total net assets	<u>\$ 712,215,894</u>	<u>\$ 63,159,651</u>	<u>\$ 775,375,545</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, 2004**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Fire	\$ 14,048,200	\$ 792,540	\$ 44,178
Police	29,077,941	2,957,893	1,252,092
Traffic safety	2,500,210	1,325,925	116,770
Public right of way	12,418,718	228,806	5,678,336
Drainage	1,410,560	-	-
Community buildings	2,580,182	-	-
Community services	3,319,483	883,710	1,082,511
Parks and greenbelts	1,337,671	1,405,550	597,383
Community planning and development	36,715,373	1,886,785	29,159,061
Municipal support	5,223,504	1,911,562	336,774
Interest on long term debt	8,017,629	-	-
Total governmental activities	<u>116,649,471</u>	<u>11,392,771</u>	<u>38,267,106</u>
Business-type activities:			
Water utility	19,140,740	18,828,195	8,655
Sewage collection	2,858,667	3,870,146	299,583
Solid waste disposal	6,717,500	6,368,297	204,396
Mobile home parks	1,483,289	1,975,266	13,257
Total business-type activities	<u>30,200,196</u>	<u>31,041,904</u>	<u>525,891</u>
Total	<u>\$ 146,849,667</u>	<u>\$ 42,434,675</u>	<u>\$ 38,792,997</u>

General revenues:

Taxes:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets-July 1

Net assets-June 30

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (13,211,482)	\$ -	\$ (13,211,482)
-	(24,867,956)	-	(24,867,956)
268,515	(788,999)	-	(788,999)
1,774,740	(4,736,836)	-	(4,736,836)
521,418	(889,142)	-	(889,142)
-	(2,580,182)	-	(2,580,182)
-	(1,353,262)	-	(1,353,262)
372,683	1,037,944	-	1,037,944
161,532	(5,507,994)	-	(5,507,994)
-	(2,975,168)	-	(2,975,168)
-	(8,017,629)	-	(8,017,629)
<u>3,098,889</u>	<u>(63,890,705)</u>	<u>-</u>	<u>(63,890,705)</u>
263,220	-	(40,670)	(40,670)
10,702	-	1,321,764	1,321,764
55,890	-	(88,917)	(88,917)
26,052	-	531,286	531,286
<u>355,864</u>	<u>-</u>	<u>1,723,463</u>	<u>1,723,463</u>
<u>\$ 3,454,753</u>	<u>\$ (63,890,705)</u>	<u>\$ 1,723,463</u>	<u>\$ (62,167,242)</u>
	18,555,795	-	18,555,795
	27,467,919	-	27,467,919
	2,045,711	-	2,045,711
	2,315,429	-	2,315,429
	8,628,343	-	8,628,343
	7,598,457	-	7,598,457
	2,459,854	274,311	2,734,165
	1,270,842	-	1,270,842
	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
	<u>70,412,350</u>	<u>204,311</u>	<u>70,616,661</u>
	6,521,645	1,927,774	8,449,419
	<u>705,694,249</u>	<u>61,231,877</u>	<u>766,926,126</u>
	<u>\$ 712,215,894</u>	<u>\$ 63,159,651</u>	<u>\$ 775,375,545</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2004**

	<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>
	<u>General Fund</u>	<u>Housing Authority</u>	<u>Community Project</u>
ASSETS			
Cash and cash investments	\$ 16,724,294	\$ 274,107	\$ -
Cash and cash investments with fiscal agents	150,650	-	1,773
Taxes receivable	3,222,295	-	118,164
Accounts receivable	2,150,714	472,354	-
Interest receivable	102,761	-	-
Due from other funds	-	-	-
Notes receivable	307,498	-	-
Intercity loans receivable	36,108,531	-	-
Land held for resale, net	-	-	-
Prepaid items	-	1,758,470	-
Deposits	27,767	-	-
Total assets	<u>\$ 58,794,510</u>	<u>\$ 2,504,931</u>	<u>\$ 119,937</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,515,004	\$ 35,264	\$ -
Other accrued liabilities	473,446	48,652	-
Refundable deposits	1,802,171	399,336	-
Due to other funds	72,169	2,021,679	-
Deferred revenue	1,948,518	-	-
Intercity loans payable	-	-	-
Total liabilities	<u>9,811,308</u>	<u>2,504,931</u>	<u>-</u>
Fund balances			
Reserved for:			
Encumbrances	3,717,024	-	-
Property tax lawsuit	500,000	-	-
Building improvements	1,300,000	-	-
Intercity loans receivable	35,142,374	-	-
Continuing projects	1,602,521	-	-
Land held for resale	-	-	-
Contractual commitments	-	-	-
Debt service	-	-	119,937
Deposits	27,767	-	-
Unreserved, reported in:			
General fund	6,693,516	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital project funds	-	-	-
Total fund balances	<u>48,983,202</u>	<u>-</u>	<u>119,937</u>
Total liabilities and fund balances	<u>\$ 58,794,510</u>	<u>\$ 2,504,931</u>	<u>\$ 119,937</u>

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

Debt Service Fund 2002 Capital Improvement Project	Capital Projects Funds			Other Governmental Fund	Total Governmental Funds
	Community Project	Low Income Housing	2003 Tax Allocation		
\$ -	\$ 8,252,914	\$ 2,031,333	\$ 2,524,707	\$ 17,152,338	\$ 46,959,693
9,949,046	-	-	4,536,625	-	14,638,094
-	-	30,037	-	358,011	3,728,507
-	133,315	78,983	-	3,034,768	5,870,134
-	49,105	8,556	182	86,935	247,539
-	1,238,513	-	-	-	1,238,513
-	29,689,286	3,071,238	-	3,863,309	36,931,331
-	-	852,020	-	-	36,960,551
-	16,627,169	9,415,124	-	275,890	26,318,183
-	10,682	-	2,931	696,661	2,468,744
-	-	-	-	7,900	35,667
<u>\$ 9,949,046</u>	<u>\$ 56,000,984</u>	<u>\$ 15,487,291</u>	<u>\$ 7,064,445</u>	<u>\$ 25,475,812</u>	<u>\$ 175,396,956</u>
\$ -	\$ -	\$ 64,529	\$ -	\$ 980,227	\$ 6,595,024
-	-	-	-	446,287	968,385
-	573,621	100	-	84,133	2,859,361
1,238,513	-	-	-	1,793,193	5,125,554
-	29,689,286	3,071,238	-	6,533,196	41,242,238
-	24,439,482	-	-	-	24,439,482
<u>1,238,513</u>	<u>54,702,389</u>	<u>3,135,867</u>	<u>-</u>	<u>9,837,036</u>	<u>81,230,044</u>
-	626,364	34,290	-	2,429,434	6,807,112
-	-	-	-	-	500,000
-	-	-	-	-	1,300,000
-	-	-	-	-	35,142,374
-	76,415	1,100,154	-	7,140,132	9,919,222
-	16,627,169	9,415,124	-	275,890	26,318,183
-	-	1,801,856	2,677,557	98,312	4,577,725
8,710,533	-	-	4,386,888	-	13,217,358
-	-	-	-	7,900	35,667
-	-	-	-	-	6,693,516
-	-	-	-	5,685,124	5,685,124
-	-	-	-	1,984	1,984
-	(16,031,353)	-	-	-	(16,031,353)
<u>8,710,533</u>	<u>1,298,595</u>	<u>12,351,424</u>	<u>7,064,445</u>	<u>15,638,776</u>	<u>94,166,912</u>
<u>\$ 9,949,046</u>	<u>\$ 56,000,984</u>	<u>\$ 15,487,291</u>	<u>\$ 7,064,445</u>	<u>\$ 25,475,812</u>	<u>\$ 175,396,956</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2004**

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

Fund balances - total governmental funds	\$ 94,166,912
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	673,059,855
Certain notes receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.	11,449,827
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	36,889,552
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.	(103,350,252)
Net assets of governmental activities	<u>\$ 712,215,894</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, 2004**

	General Fund	Special Revenue Fund	Debt Service Fund
		Housing Authority	Community Project
REVENUES			
Taxes	\$ 50,207,593	\$ -	\$ 13,403,657
Licenses and permits	1,262,316	-	-
Fines, forfeits and penalties	1,980,691	-	-
Investment earnings	1,779,274	185	81
Charges for current services	6,991,467	-	-
From other agencies	632,202	23,176,111	-
Other revenues	913,812	7,285	-
Total revenues	<u>63,767,355</u>	<u>23,183,581</u>	<u>13,403,738</u>
EXPENDITURES			
Current:			
Fire	14,420,572	-	-
Police	29,049,022	-	-
Traffic safety	1,138,832	-	-
Public right of way	2,586,126	-	-
Community buildings	2,017,012	-	-
Community services	1,221,568	-	-
Parks and greenbelts	413,517	-	-
Community planning and development	2,899,230	23,159,926	-
Municipal support	5,102,982	23,655	-
Capital outlay:			
Police	29,207	-	-
Traffic safety	4,915	-	-
Public right of way	797,674	-	-
Drainage	-	-	-
Community buildings	62,830	-	-
Parks and greenbelts	-	-	-
Community planning and development	-	-	-
Municipal support	-	-	-
Debt service:			
Principal retirement	522,375	-	-
Interest and other charges	206,467	-	1,754,319
Cost of issuance	-	-	-
Total expenditures	<u>60,472,329</u>	<u>23,183,581</u>	<u>1,754,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,295,026</u>	<u>-</u>	<u>11,649,419</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	6,278,559	-	-
Transfer out	(5,806,943)	-	(16,322,764)
Refunding bonds issued	-	-	-
Payment to refunded bonds	-	-	-
Total other financing sources (uses)	<u>471,616</u>	<u>-</u>	<u>(16,322,764)</u>
Net change in fund balances	3,766,642	-	(4,673,345)
Fund balances, July 1	<u>45,216,560</u>	<u>-</u>	<u>4,793,282</u>
Fund balances, June 30	<u>\$ 48,983,202</u>	<u>\$ -</u>	<u>\$ 119,937</u>

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

Debt Service Fund	Capital Projects Funds				
2002 Capital Improvement Project	Community Project	Low Income Housing	2003 Tax Allocation	Other Governmental Fund	Total Governmental Funds
\$ -	\$ -	\$ 3,421,141	\$ -	\$ 843,342	\$ 67,875,733
-	-	-	-	41,033	1,303,349
-	-	-	-	113,219	2,093,910
60,528	813,776	46,506	223,235	300,007	3,223,592
-	-	-	-	4,035,472	11,026,939
-	-	-	-	12,765,360	36,573,673
-	113,665	1,184,652	-	540,668	2,760,082
<u>60,528</u>	<u>927,441</u>	<u>4,652,299</u>	<u>223,235</u>	<u>18,639,101</u>	<u>124,857,278</u>
-	-	-	-	130,657	14,551,229
-	-	-	-	1,248,174	30,297,196
-	-	-	-	1,155,754	2,294,586
-	-	-	-	1,781,837	4,367,963
-	-	-	-	15,742	2,032,754
-	-	-	-	2,352,358	3,573,926
-	-	-	-	871,498	1,285,015
-	-	-	-	2,167,357	28,226,513
-	-	-	-	194,875	5,321,512
-	-	-	-	85,144	114,351
-	-	-	-	670,055	674,970
-	14,042	-	-	4,558,752	5,370,468
-	-	-	-	582,604	582,604
-	17,920	-	-	195,259	276,009
-	-	-	-	516,119	516,119
-	9,000,649	1,511,933	-	1,454,938	11,967,520
-	210,332	44,112	-	-	254,444
-	1,599,261	1,987,375	-	1,500,000	5,609,011
-	2,218,513	236,668	2,534,730	862,711	7,813,408
-	-	-	1,244,679	-	1,244,679
<u>-</u>	<u>13,060,717</u>	<u>3,780,088</u>	<u>3,779,409</u>	<u>20,343,834</u>	<u>126,374,277</u>
<u>60,528</u>	<u>(12,133,276)</u>	<u>872,211</u>	<u>(3,556,174)</u>	<u>(1,704,733)</u>	<u>(1,516,999)</u>
-	14,128,552	-	4,589,181	3,769,567	28,765,859
(4,436,419)	-	-	-	(951,033)	(27,517,159)
-	-	-	58,356,438	-	58,356,438
-	-	-	(52,325,000)	-	(52,325,000)
<u>(4,436,419)</u>	<u>14,128,552</u>	<u>-</u>	<u>10,620,619</u>	<u>2,818,534</u>	<u>7,280,138</u>
(4,375,891)	1,995,276	872,211	7,064,445	1,113,801	5,763,139
<u>13,086,424</u>	<u>(696,681)</u>	<u>11,479,213</u>	<u>-</u>	<u>14,524,975</u>	<u>88,403,773</u>
<u>\$ 8,710,533</u>	<u>\$ 1,298,595</u>	<u>\$ 12,351,424</u>	<u>\$ 7,064,445</u>	<u>\$ 15,638,776</u>	<u>\$ 94,166,912</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, 2004**

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

Net change in fund balances - total governmental funds	\$ 5,763,139
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expense exceeded depreciation in the current period.	(4,205,480)
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.	618,031
Certain revenues do not provide current financial resources, and therefore are not reported in the governmental funds.	(821,016)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.	3,648,369
Loans are recorded as expenditures in the governmental funds when issued. Repayment on these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions has any effect on net assets.	1,518,602
Net assets of governmental activities	\$ 6,521,645

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, 2004**

	Business-Type Activities	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 5,955,793	\$ 5,455,805
Investments with fiscal agents	1,304,252	-
Taxes receivable	-	25,327
Accounts receivable	3,201,089	291,145
Interest receivable	28,502	31,602
Due from other funds	-	-
Notes receivable	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Prepaid expense	-	-
Deposits	15,000	-
Total current assets	<u>11,254,636</u>	<u>5,803,879</u>
Noncurrent assets:		
Deferred issuance costs	326,248	-
Deferred refunding costs	719,034	-
Capital assets		
Land	1,470,305	6,000
Construction in progress	-	1,613,084
Depreciable infrastructure, net	48,622,254	25,048,671
Depreciable equipment, net	92,071	25,458
Total noncurrent assets	<u>51,229,912</u>	<u>26,693,213</u>
Total assets	<u>62,484,548</u>	<u>32,497,092</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	3,296,909	917,868
Accrued compensated absences	-	-
Accrued interest payable	99,014	-
Other current liabilities	113,897	32,865
Claims payable	-	-
Refundable deposits	307,162	8,383
Deferred revenue	-	-
Intercity loans payable	13,271,069	-
Current portion of long-term obligations	435,000	-
Total current liabilities	<u>17,523,051</u>	<u>959,116</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations		
Revenue bonds payable	16,621,278	-
Certificates of participation payable	-	-
Total noncurrent liabilities	<u>16,621,278</u>	<u>-</u>
Total liabilities	<u>34,144,329</u>	<u>959,116</u>
NET ASSETS		
Invested in capital assets, net of related debt	33,128,352	26,693,213
Restricted for:		
Debt service	-	-
Unrestricted	<u>(4,788,133)</u>	<u>4,844,763</u>
Total net assets	<u>\$ 28,340,219</u>	<u>\$ 31,537,976</u>

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

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

-Enterprise Funds			Governmental Activities - Internal Service Funds	
Solid Waste Disposal	Mobile Home Parks	Total		
\$ 889,910	\$ 1,799,708	\$ 14,101,216	\$ 59,141,726	
-	1,128,578	2,432,830	-	
43,344	-	68,671	-	
768,322	18,765	4,279,321	93,114	
-	8,104	68,208	195,649	
-	-	-	3,887,041	
-	157,823	157,823	-	
-	-	750,000	-	
-	-	-	370,032	
-	-	-	467,218	
-	-	15,000	32,100	
<u>1,701,576</u>	<u>3,112,978</u>	<u>21,873,069</u>	<u>64,186,880</u>	
-	484,249	810,497	-	
-	-	719,034	-	
-	11,695,000	13,171,305	-	
-	-	1,613,084	-	
5,500	-	73,676,425	-	
-	1,650	119,179	6,404,103	
<u>5,500</u>	<u>12,180,899</u>	<u>90,109,524</u>	<u>6,404,103</u>	
<u>1,707,076</u>	<u>15,293,877</u>	<u>111,982,593</u>	<u>70,590,983</u>	
723,696	-	4,938,473	1,773,179	
-	-	-	4,881,728	
-	306,708	405,722	-	
7,517	-	154,279	266,396	
-	-	-	19,087,298	
-	961	316,506	4,438	
850,684	158,926	1,009,610	-	
-	-	13,271,069	-	
-	370,000	805,000	-	
<u>1,581,897</u>	<u>836,595</u>	<u>20,900,659</u>	<u>26,013,039</u>	
-	-	16,621,278	-	
-	12,585,294	12,585,294	-	
-	12,585,294	29,206,572	-	
<u>1,581,897</u>	<u>13,421,889</u>	<u>50,107,231</u>	<u>26,013,039</u>	
-	(1,258,644)	58,562,921	6,404,103	
-	-	-	-	
125,179	3,130,632	3,312,441	38,173,841	
<u>\$ 125,179</u>	<u>\$ 1,871,988</u>	<u>61,875,362</u>	<u>\$ 44,577,944</u>	
		1,284,289		
		<u>\$ 63,159,651</u>		

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Business-Type Activities	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	18,307,205	-
Mobile home parks operation	-	-
Solid waste disposal fees	-	-
Property assessments	-	1,496,423
Sewer user fees	-	2,536,162
Other	8,655	33,793
Total operating revenues	<u>18,315,860</u>	<u>4,066,378</u>
Operating expenses:		
Salaries and wages	2,992,304	741,662
Contractual services	3,465,439	1,200,208
Liability claims	-	-
Materials and supplies	437,408	83,207
Water production expenses	8,709,239	-
Mobile home parks on-site operations	-	-
Depreciation	1,697,083	833,590
Amortization	20,613	-
Total operating expenses	<u>17,322,086</u>	<u>2,858,667</u>
Operating income (loss)	<u>993,774</u>	<u>1,207,711</u>
Nonoperating revenues (expenses):		
Investment income	168,814	87,512
Loss on disposal of assets	-	-
Other nonoperating revenues	-	-
Interest expense	(1,814,992)	-
Fiscal charges	(3,662)	-
Total nonoperating revenues (expenses)	<u>(1,649,840)</u>	<u>87,512</u>
Income (loss) before contributions and transfers	(656,066)	1,295,223
Capital contributions	263,220	10,702
Transfers out	-	-
Change in net assets	(392,846)	1,305,925
Total net assets, July 1	<u>28,733,065</u>	<u>30,232,051</u>
Total net assets, June 30	<u>\$ 28,340,219</u>	<u>\$ 31,537,976</u>

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

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

-Enterprise Funds			Governmental
Solid Waste Disposal	Mobile Home Parks	Total	Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ 29,171,820
-	-	18,307,205	-
-	1,988,523	1,988,523	-
6,351,567	-	6,351,567	-
203,889	-	1,700,312	-
-	-	2,536,162	-
-	-	42,448	-
<u>6,555,456</u>	<u>1,988,523</u>	<u>30,926,217</u>	<u>29,171,820</u>
220,485	-	3,954,451	12,423,989
6,495,722	-	11,161,369	6,528,005
-	-	-	2,730,643
1,293	-	521,908	1,511,029
-	-	8,709,239	-
-	717,003	717,003	-
-	550	2,531,223	1,033,629
-	28,119	48,732	-
<u>6,717,500</u>	<u>745,672</u>	<u>27,643,925</u>	<u>24,227,295</u>
<u>(162,044)</u>	<u>1,242,851</u>	<u>3,282,292</u>	<u>4,944,525</u>
-	17,984	274,310	519,602
-	-	-	(1,893)
55,847	26,052	81,899	6,457
-	(737,617)	(2,552,609)	-
-	-	(3,662)	-
<u>55,847</u>	<u>(693,581)</u>	<u>(2,200,062)</u>	<u>524,166</u>
(106,197)	549,270	1,082,230	5,468,691
-	-	273,922	-
-	(70,000)	(70,000)	(1,178,700)
(106,197)	479,270	1,286,152	4,289,991
<u>231,376</u>	<u>1,392,718</u>		<u>40,287,953</u>
<u>\$ 125,179</u>	<u>\$ 1,871,988</u>		<u>\$ 44,577,944</u>
		<u>641,622</u>	
		<u>\$ 1,927,774</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 17,527,946	\$ 3,993,490
Payments to suppliers	(11,116,325)	(586,301)
Payments to employees	(2,992,304)	(741,662)
Internal activity-payments to/from other funds		
Net cash provided by operating activities	<u>3,419,317</u>	<u>2,665,527</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Other receipts/payments	-	-
Operating subsidies and transfers to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Notes receivable payments	-	-
Rental of city property	-	-
Purchases of capital assets	(2,501,815)	(2,367,591)
Proceeds from disposal of capital assets	-	-
Principal paid on capital debt	(470,000)	-
Interest paid on capital debt	(1,814,992)	-
Fiscal agent charges	(3,662)	-
Capital contribution	263,220	10,702
Net cash provided (used) by capital and related financing activities	<u>(4,527,249)</u>	<u>(2,356,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	168,814	87,512
Net cash provided by investing activities	<u>168,814</u>	<u>87,512</u>
Net increase (decrease) in cash and cash equivalents	(939,118)	396,150
Cash and cash equivalents, July 1	<u>8,199,163</u>	<u>5,059,655</u>
Cash and cash equivalents, June 30	<u>\$ 7,260,045</u>	<u>\$ 5,455,805</u>

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

Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Total	
\$ 6,376,551	\$ 2,005,417	\$ 29,903,404	\$ 29,720,375
(6,076,927)	(820,640)	(18,600,193)	(11,172,357)
(220,485)		(3,954,451)	(12,635,769)
		-	(962,463)
<u>79,139</u>	<u>1,184,777</u>	<u>7,348,760</u>	<u>4,949,786</u>
-	-	-	(148,170)
-	-	-	<u>(1,178,700)</u>
-	-	-	<u>(1,326,870)</u>
-	26,052	26,052	-
55,847	-	55,847	-
(5,500)	-	(4,874,906)	-
-	-	-	(745,768)
-	(350,000)	(820,000)	(1,893)
-	(737,617)	(2,552,609)	-
-	-	(3,662)	-
-	-	273,922	-
<u>50,347</u>	<u>(1,061,565)</u>	<u>(7,895,356)</u>	<u>(747,661)</u>
-	17,984	274,310	563,940
-	17,984	274,310	<u>563,940</u>
129,486	141,196	(272,286)	3,439,195
<u>760,424</u>	<u>2,787,090</u>	<u>16,806,332</u>	<u>55,702,531</u>
<u>\$ 889,910</u>	<u>\$ 2,928,286</u>	<u>\$ 16,534,046</u>	<u>\$ 59,141,726</u>

Continued

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 993,774	\$ 1,207,711
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,697,083	833,590
Amortization expense	20,613	-
(Increase) in inventory	-	-
Decrease (increase) in taxes receivable	(803,427)	6,483
Decrease (increase) in accounts receivable	15,513	(82,373)
Decrease in accrued interest receivable	-	3,002
Decrease in notes receivable	-	-
Decrease in due to/from other funds	-	-
Increase in accrued compensated absences	-	-
Increase in intercity loan payable	30,498	-
Increase in other accrued liabilities	13,393	13,832
Increase in claims payable	-	-
Increase (decrease) in deferred revenue	-	-
(Decrease) increase in accounts payable	1,384,287	683,282
(Decrease) increase in accrued interest payable	61,891	-
(Decrease) in refundable deposits	5,692	-
Total adjustments	<u>2,425,543</u>	<u>1,457,816</u>
Net cash provided by operating activities	<u>\$ 3,419,317</u>	<u>\$ 2,665,527</u>

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

Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Total	
\$ (162,044)	\$ 1,242,851	\$ 3,282,292	4,944,525
-	550	2,531,223	1,033,629
-	28,119	48,732	-
-	-	-	(48,296)
8,641	-	(788,303)	-
(187,546)	(10,357)	(264,763)	548,555
-	1,195	4,197	-
-	26,056	26,056	-
-	(70,000)	(70,000)	(962,463)
-	-	-	(211,780)
-	-	30,498	-
3,212	-	30,437	60,195
-	(26,055)	(26,055)	(1,137,959)
(33,604)	-	(33,604)	-
450,480	-	2,518,049	723,380
-	(7,583)	54,308	-
-	1	5,693	-
241,183	(58,074)	4,066,468	5,261
\$ 79,139	\$ 1,184,777	\$ 7,348,760	\$ 4,949,786

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

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

Blended component units:

- a. The Garden Grove Agency for Community Development (the "Agency") was established in November 1970 pursuant to California Community Redevelopment Laws and is reported as a capital project fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the agency budget, and the City provides staffing.
- b. The Garden Grove Housing Authority (the "Housing Authority") was established in October 1975, pursuant to the provisions of the Housing and Community Development Act of 1974 and is reported as a special revenue fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Housing Authority budget, and the City provides staffing.
- c. The Garden Grove Cable Television Corporation (the "Cable Corporation") is a nonprofit public benefit corporation established December 13, 1984. The activities of the Cable Corporation are to promote public access of the cable system, which serves the City for non-programming, educational and informational purposes. The Cable Corporation 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.
- d. 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

Notes to Basic Financial Statements (Continued)

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.

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

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

2. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions that are restricted to meeting the operational requirement of a particular function or segment and 3) capital grants and contributions that are restricted to meeting the capital requirement of a particular function or segment and other miscellaneous revenues that directly benefit a particular function.. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains,

Notes to Basic Financial Statements (Continued)

losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

The City reports the following major governmental funds:

General fund

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

Housing Authority special revenue fund

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

Community Project debt service fund

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

2002 Capital Improvement Project debt service fund

This fund accounts for the payment on debt of the 2002-Series A Certificates of Participation issue.

Community Project capital projects fund

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

Low Income Housing capital projects fund

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

2003 Tax Allocation capital projects fund

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

The City reports the following major proprietary funds:

Water Utility fund

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

Sewage Collection fund

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

Solid Waste Disposal fund

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

Mobile Home Parks fund

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

Additionally, the City reports the following fund type:

Internal Service funds

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing

operations. The principal operating revenues of the water utility, sewer utility and internal services funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

4. Assets, liabilities, and net assets or equity

a. Deposits and investments

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

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

b. Receivables and payables

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

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

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

c. Taxes receivable

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

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

The property tax calendar is as follows:

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

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

November 26, 2003	7% - 10%
December 11, 2003	20% - 25%
December 19, 2003	10% - 15%
January 21, 2004	4% - 7%
March 19, 2004	5% - 7%
April 20, 2004	15% - 20%
May 21, 2004	15% - 20%
July 16, 2004	1% - 2% (Collections through June 30)

d. Inventories, prepaid items and land held for resale

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

Land held for resale is valued at lower of cost or estimated net realizable value at June 30, 2004 and is located in the City's redevelopment project area.

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

e. Capital assets

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

Notes to Basic Financial Statements (Continued)

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

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

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

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

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

f. Accrued compensated absences

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

g. Long term obligations

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

Notes to Basic Financial Statements (Continued)

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

h. Encumbrances

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

i. Fund equity

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

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Land	\$	405,338,735
Construction in progress		3,043,421
Depreciable infrastructure, net		237,058,637
Depreciable buildings, park assets, net		15,696,340
Depreciable equipment, net		11,922,722
	\$	<u>673,059,855</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 assets and liabilities of these internal service funds are included in governmental activities in the *Statement of Net Assets*.

Internal service funds net assets-beginning of year	\$	39,645,286
Change in net assets		3,648,369
Capital assets investment		(6,404,103)
	\$	<u>36,889,552</u>

One element of that reconciliation explains that "long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$103,957,602 adjustment are as follows:

Notes to Basic Financial Statements (Continued)

Tax allocation refunding bonds	\$	(57,025,000)
Certificates of participation		(22,735,000)
Agreements payable		(19,032,833)
Lease purchases		(3,416,890)
Accrued interest payable		(1,687,830)
Deferred charge for issuance costs (to be amortized over life of debt)		1,829,426
Unamortized bonds premium		(1,282,125)
	\$	<u>(103,350,252)</u>

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

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

Capital outlay capitalization for year	\$	6,284,789
Current year governmental depreciation		(10,490,269)
	\$	<u>(4,205,480)</u>

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

Debt issued or incurred:		
Issuance of 2003 Tax Allocation Bonds	\$	(57,025,000)
Debt retirement:		
Refunded 1993 Tax Allocation Bonds		52,325,000
Debt issuance costs		1,244,679
Bond premium		(1,331,438)
Debt principal repayments:		
Agreements payable		5,109,365
Lease purchase payments		499,646
Amortization of issuance costs		(68,890)
Amortization of premium		49,313
Change in accrued interest		(184,644)
Total long term debt adjustment	\$	<u>618,031</u>

Certain receivables are not available to pay for current-period expenditures and, therefore are not reported as governmental fund assets.

Accrued taxes	\$	(686,947)
Accrued interest		(134,069)
	\$	<u>(821,016)</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

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

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

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

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

2. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

<u>Fund</u>	<u>Type of Fund</u>	<u>Amount over Budget</u>
Housing Authority	Special revenue fund	\$ 336,639
Park Maintenance	Special revenue fund	86,824
		<u>\$ 423,463</u>

- The unbudgeted expenditures in Housing Authority special revenue fund were funded by available fund balance. All expenditures were matched with revenue received from the Department of Urban and Housing in the fiscal year.
- The unbudgeted expenditures in Park Maintenance special revenue fund were funded by transfers from General Fund.

3. Deficit fund equity

The following fund had a deficit at June 30, 2004:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Self Supporting	Special revenue fund	\$ 3,957

This deficit is expected to be eliminated with future revenues and transfers.

4. Tax increment financing - Agency for Community Development

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

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

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

5. Reimbursement agreements

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

6. Estimates

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

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

GASB 3 requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

Deposits:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name.

Notes to Basic Financial Statements (Continued)

Investments:

Category 1 – Investments which are insured or registered, or held by the City or its agent in the City's name.

Category 2 – Investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 – Investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Authorized Investments:

Under provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Repurchase agreements
- Securities of United States government and its agencies
- Bankers acceptances
- Certificates of deposit
- Commercial paper
- California Local Agency Investment Fund (LAIF)
- Passbook savings accounts
- Negotiable certificates of deposit

Although negotiable certificates of deposits are allowed under the California government code, this type of investment is currently not utilized. The City's investment policy does not allow the borrowing of funds to purchase investments on margin through reverse repurchase agreements.

Local Agency Investment Fund (LAIF): The City is a voluntary participant in the California 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. Each City may invest up to \$40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, and deposits may be converted to cash within twenty-four hours without loss of interest. At June 30, 2004, the total fair value of LAIF was \$57,637,500,817. The fair value of the City's proportionate share in LAIF, \$30,243,444, is the same as the value of the City's pool shares. Included in LAIF's investment portfolio are certain asset-backed securities totaling \$923,459,000. LAIF's, and the City's, exposure to credit, market, or legal risk is not currently available.

Repurchase Agreements: Throughout the year, the City utilizes overnight repurchase agreements for temporary investment of City funds. Such repurchase agreements are used daily, but generally do not exceed two percent of the City's investment portfolio. Deposits and Investments were categorized as follows at June 30, 2004:

Notes to Basic Financial Statements (Continued)

	Category			Bank Balances	Fair (Carrying) Value
	1	2	3		
Banks deposits:					
Demand Accounts	\$ 100,000	\$ 5,733,501	-	\$ 5,833,501	\$ 3,165,186
Total Deposits	\$ 100,000	\$ 5,733,501	-	\$ 5,833,501	\$ 3,165,186
				Not	
	1	2	3	Categorized	
Investments:					
LAIF	\$ -	\$ -	\$ -	\$ 30,243,444	30,243,444
FNMA	9,965,000	-	-	-	9,965,000
FHLB	41,450,975	-	-	-	41,450,975
GNMA	27,030	-	-	-	27,030
US Treasury Notes	29,488,000	-	-	-	29,488,000
Commercial Paper	5,863,000	-	-	-	5,863,000
Fiscal Agent Investments:					
Money Market Funds	-	-	-	11,480,823	11,480,823
US Treasury Notes	-	-	-	5,590,101	5,590,101
Total Investments	\$ 86,794,005	\$ -	\$ -	\$ 47,314,368	134,108,373
Total Carrying Amount/Fair Value (Book Balances)					\$ 137,273,559

Cash and investments as reported in the accompanying Statement of Net Assets:

Cash and investments - unrestricted	\$ 120,202,635
Cash and investments with fiscal agent	17,070,924
Restricted cash and investments	-
	<u>\$ 137,273,559</u>

2. Receivables

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

	<u>Governmental activities:</u>				
	General Fund	Housing Authority Special Revenue	Community Project Debt Service	Community Project Capital Projects	
Taxes receivable	\$ 3,222,295	\$ -	\$ 118,164	\$ -	
Accounts receivable	2,150,714	472,354	-	133,315	
Interest receivable	102,761	-	-	49,105	
	<u>\$ 5,475,770</u>	<u>\$ 472,354</u>	<u>\$ 118,164</u>	<u>\$ 182,420</u>	
	Low Income Housing Capital Projects	2003 Tax Allocation Capital Projects	Nonmajor and Other Governmental Funds	Internal Service Funds	Governmental Activities Receivables
Taxes receivable	\$ 30,037	\$ -	\$ 358,011	\$ -	\$ 3,728,507
Accounts receivable	78,983	-	3,034,768	93,114	5,963,248
Interest receivable	8,556	182	86,935	195,649	443,188
	<u>\$ 117,576</u>	<u>\$ 182</u>	<u>\$ 3,479,714</u>	<u>\$ 288,763</u>	<u>\$ 10,134,943</u>
	<u>Business-type activities:</u>				
	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile Home Parks Enterprise	Business-type Activities Receivables
Taxes receivable	\$ -	\$ 25,327	\$ 43,344	\$ -	\$ 68,671
Accounts receivable	3,201,089	291,145	768,322	18,765	4,279,321
Interest receivable	28,502	31,602	-	8,104	68,208
	<u>\$ 3,229,591</u>	<u>\$ 348,074</u>	<u>\$ 811,666</u>	<u>\$ 26,869</u>	<u>\$ 4,416,200</u>

Notes to Basic Financial Statements (Continued)

3. Intercity loans receivable/payable at June 30, 2004 consisted of the following:

a. Loan from General fund to Water Utility fund

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

\$13,271,069

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

The General Fund has loaned to the Community Project capital projects fund a total of \$5,557,922 to assist in funding the Agency's operating budget for the past four fiscal years. The loans accrue interest at a rate of 6.5% per annum. There is no set repayment schedule for these loans. However, the Agency repaid \$2 million to the General Fund during fiscal year 03/04. Interest of \$966,157 has accrued, and the outstanding principal and interest balance is \$4,873,094 at June 30, 2004.

4,873,094

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

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

3,587,964

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%. No interest will be charged on the advanced funds until March 1, 2005, however, the Agency will be responsible for making interest-only payments until then on the City's \$22,735,000 Certificates of Participation Series A of

Notes to Basic Financial Statements (Continued)

2002, (the Certificates), the proceeds of which are being 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. At March 1, 2005, the Agency will be responsible for further debt service requirements on the Certificates to the extent that the Agency has utilized Certificate proceeds. During the fiscal year ended June 30, 2004, the Agency received additional advances of \$4,436,419, which brings the total under this agreement to \$14,376,404 at June 30, 2004. The Agency also made interest-only payments for fiscal year ended June 30, 2004 in the amount of \$1,144,590.

14,376,404

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

The Community Project capital projects fund has a loan from the Water Utility fund in the amount of \$750,000. Interest is paid monthly at an annual rate of 10% and has no fixed amortization date.

750,000

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

The Community Project Capital projects fund has a loan of \$847,149 from the Low Income Housing Capital Project fund, that it used to make the fiscal year 03/04 mandated Educational revenue Augmentation Fund transfer payment. Interest is accrued annually based upon the City's investment rate of return of the prior year. The rate accrued on the loan in fiscal year 03/04 was 2.30%. Interest of \$4,871 has accrued, and the outstanding principal and interest balance is \$852,020 at June 30, 2004. The loan is due in 10 years.

852,020

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$37,710,551

4. Notes receivable at June 30, 2004 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.

\$764,649

Notes to Basic Financial Statements (Continued)

b. Property acquisitions-hotels:

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

26,179,126

c. Property acquisitions:

The Garden Grove Agency for Community Development Community Project capital projects fund and other governmental funds have entered into agreements with various commercial businesses throughout the City for the purpose of assisting them in the acquisition and development of commercial property. Some of these loans allow for credits against the outstanding note balance based on either net new sales tax and/or new property tax generated at the business site. Since the note payments are not available for current expenditures, these note receivables are offset by deferred revenue in the Community Project capital projects fund (\$2,487,496) and Buena Clinton capital projects fund (\$83,567).

2,571,062

d. Trask Avenue relocation:

A mortgage assistance program was established for residents displaced as a result of the Trask Avenue widening project. The Garden Grove Agency for Community Development has made four loans under this program to assist in the purchasing of new residences for those displaced. The loans are evidenced by promissory notes which are secured by second trust deeds on the replacement property. The terms of each note vary by circumstance. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in the Community Project capital projects fund (\$33,389) and Low Income Housing capital projects fund (\$36,259). Revenue will be recognized when payments are received.

69,648

e. Rental rehabilitation:

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and Community Project capital projects fund hold eight notes related to property rehabilitation loans which have been used to assist developers

Notes to Basic Financial Statements (Continued)

in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents. Since these note repayments are not available for current expenditures, the notes receivable are offset by deferred revenue in the Low Income Housing capital projects fund (\$3,034,978) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received. 3,259,605

f. *Rental rehabilitation –Other governmental funds:*

The City has entered into ten Housing Rehabilitation Agreements utilizing CDBG HOME funds which are reflected in other governmental funds. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing 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. 3,779,742

g. *Affordable housing agreement – General fund:*

The City has entered into an Affordable Housing Agreement with a developer wherein the developer has agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of 2 percent annually. Since the note repayments are not available for current expenditures, the note receivable is offset by deferred revenue in the General fund. Revenue will be recognized when received. 307,498

h. *Reimbursement agreement:*

The City of Garden Grove Mobile Home parks enterprise fund entered into an agreement with one of the City's mobile home park management services provider for space rent due based on a revenue guarantee contract agreement for the fiscal years 1993-1994 to 1997-1998 for a total amount of \$342,355, with interest accruing at 7% per annum. Monthly payment amounts are calculated based on the value of the free and discounted management services until February 27, 2007. Any principal and interest owing pursuant to this Note on February 28, 2007 will be forgiven in full. Since the note repayment is not available for current expenditures, this note receivable is offset by deferred revenue in the Mobile Home Parks enterprise fund. Revenue will be recognized when received. 157,824

TOTAL NOTES RECEIVABLE \$37,089,154

Notes to Basic Financial Statements (Continued)

5. Inventories – Land held for resale

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

Cost of land held for resale	\$	26,363,034
Less: allowance for decline in value		(44,851)
Net value	\$	<u>26,318,183</u>

6. Capital assets

Capital asset activity for the year ended June 30, 2004 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	\$ 404,408,114	\$ 930,621	\$ -	\$ 405,338,735
Construction in progress	248,745	3,264,223	(469,547)	3,043,421
Total capital assets, not being depreciated	<u>404,656,859</u>	<u>4,194,844</u>	<u>(469,547)</u>	<u>408,382,156</u>
Capital assets, being depreciated:				
Infrastructure				-
Street system	314,179,367	2,860,873	(831,235)	316,209,005
Storm drain assets	66,755,964	-	-	66,755,964
Buildings and park assets	27,478,275	896,797	-	28,375,072
Furniture and equipment	23,072,839	811,025	(756,823)	23,127,041
Total capital assets, being depreciated	<u>431,486,445</u>	<u>4,568,695</u>	<u>(1,588,058)</u>	<u>434,467,082</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(109,754,139)	(8,462,302)	831,235	(117,385,206)
Storm drain assets	(27,186,007)	(1,335,119)	-	(28,521,126)
Buildings and park assets	(11,938,925)	(739,807)	-	(12,678,732)
Furniture and equipment	(9,711,037)	(1,894,035)	400,753	(11,204,319)
Total accumulated depreciation	<u>(158,590,108)</u>	<u>(12,431,263)</u>	<u>1,231,988</u>	<u>(169,789,383)</u>
Total capital assets, being depreciated, net	<u>272,896,337</u>	<u>(7,862,568)</u>	<u>(356,070)</u>	<u>264,677,699</u>
Governmental activities capital assets, net	<u>\$ 677,553,196</u>	<u>\$ (3,667,724)</u>	<u>\$ (825,617)</u>	<u>\$ 673,059,855</u>

Notes to Basic Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 12,520,549	\$ 650,756	\$ -	\$ 13,171,305
Construction in progress	-	1,613,084	-	1,613,084
Total capital assets, not being depreciated	<u>12,520,549</u>	<u>2,263,840</u>	<u>-</u>	<u>14,784,389</u>
Capital assets, being depreciated:				
Buildings and structures	99,096	-	-	99,096
Water system	76,442,908	1,708,517	-	78,151,425
Sewer system	58,852,377	749,008	-	59,601,385
Machinery and equipment	210,389	16,500	-	226,889
Total capital assets, being depreciated	<u>135,604,770</u>	<u>2,474,025</u>	<u>-</u>	<u>138,078,795</u>
Less accumulated depreciated for:				
Buildings and structures	(99,096)			(99,096)
Water system	(27,846,413)	(1,682,759)	-	(29,529,172)
Sewer system	(33,721,341)	(831,372)	-	(34,552,713)
Machinery and equipment	(85,119)	(17,091)	-	(102,210)
Total accumulated depreciation	<u>(61,751,969)</u>	<u>(2,531,222)</u>	<u>-</u>	<u>(64,283,191)</u>
Total capital assets, being depreciated, net	<u>73,852,801</u>	<u>(57,197)</u>	<u>-</u>	<u>73,795,604</u>
Business-type activities capital assets, net	<u>\$ 86,373,350</u>	<u>\$ 2,206,643</u>	<u>\$ -</u>	<u>\$ 88,579,993</u>

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

	Governmental Activities	Business-type Activities
Fire	\$ 402,380	\$ -
Police	1,053,288	-
Traffic safety	393,102	-
Right of way	8,385,657	-
Drainage	1,357,153	-
Community buildings	323,011	-
Community services	158,390	-
Parks and greenbelts	200,298	-
Community development	76,501	-
Municipal support	81,483	-
Water	-	1,697,082
Sewer	-	833,590
Mobile home park	-	550
Total	<u>\$ 12,431,263</u>	<u>\$ 2,531,222</u>

Notes to Basic Financial Statements (Continued)

7. Interfund receivables, payables, and transfers

a. The composition of interfund payable balances as of June 30, 2004 is as follows:

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General	\$ -	\$ 72,169
Housing Authority special revenue	-	2,021,679
2002 Capital Improvement Project debt service	-	1,238,513
Community Project capital projects	1,238,513	-
Nonmajor governmental fund	-	1,793,193
Internal service	<u>3,887,041</u>	<u>-</u>
Total	<u>\$ 5,125,554</u>	<u>\$ 5,125,554</u>

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

b. The composition of interfund transfer balances as of June 30, 2004 is as follows:

	<u>Transfer In</u>				
	General Fund	Community Project Capital Projects Fund	2003 Tax Allocation Capital Projects Fund	Nonmajor Governmental	Total
<u>Transfer out:</u>					
General fund	\$ -	\$ 2,394,969	\$ -	\$ 3,411,974	\$ 5,806,943
Community Project debt service fund	-	11,733,583	4,589,181	-	16,322,764
2002 Capital Improvement Project debt service fund	4,436,419	-	-	-	4,436,419
Mobile home park enterprise fund	70,000	-	-	-	70,000
Nonmajor governmental funds	593,440	-	-	357,593	951,033
Internal service funds	<u>1,178,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,178,700</u>
Total	<u>\$ 6,278,559</u>	<u>\$ 14,128,552</u>	<u>\$ 4,589,181</u>	<u>\$ 3,769,567</u>	<u>\$ 28,765,859</u>

- Transfers between General Fund, Community Project capital projects fund, and Community Project debt service fund provided financing based on a reimbursement agreement between the Agency for Community Development and the City (see note C5).

Notes to Basic Financial Statements (Continued)

- The General Fund provided funding to the 2002 Capital Improvement Projects capital projects fund (see note D3d) and minimal funding to other nonmajor governmental funds.
- In addition, the General Fund received funding from the Golf Course special revenue fund, Mobile Home Park enterprise fund, and Employee Benefits internal service fund.
- Transfers between Community Projects debt service fund and 2003 Tax Allocation Bonds capital projects fund were for the refunding of the 2003 Tax Allocation Bonds.
- Other transfers between nonmajor governmental funds were minimal.

8. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, comp time off and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2004 is \$4,881,728.

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

Annual leave accrues for all fireman at 17 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 25 hours per month after 9 years, and 28 hours per month after 14 years. The maximum a fireman may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours. Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$3,192,192 at June 30, 2004.

Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than fire. The City has adopted a policy for payment of unused sick leave benefits at time of retirement, miscellaneous and league employees can be paid 35% for all unused hours up to 1000, police employees 35% of up to 1,000 unused hours, and management employees 35% of all unused hours. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. Studies have indicated that only 25 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 25 percent of the total accumulated benefit, or \$1,689,536 at June 30, 2004.

A calculated fringe benefit rate, which includes accrued compensated absences, workers' compensation, retirement and medical benefits, is applied to all labor charges. The resulting funds are deposited into internal service funds and are set aside for corresponding liabilities, which are fully funded by sufficient cash and investment in that fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation, annual leave, benefits, and comp time	\$ 3,391,596	\$ 3,582,000	\$ (3,781,404)	\$ 3,192,192	\$ 319,219
Sick leave	1,701,912	190,400	(202,776)	1,689,536	168,954
	<u>\$ 5,093,508</u>	<u>\$ 3,772,400</u>	<u>\$ (3,984,180)</u>	<u>\$ 4,881,728</u>	<u>\$ 488,173</u>

Notes to Basic Financial Statements (Continued)

9. Deferred revenue

The deferred revenue in the General fund in the amount of \$1,948,518 represents \$607,511 due from the State of California for mandated cost reimbursements, \$966,157 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund (see Note 3b), \$307,498 for a developer's note receivable, and \$67,352 for tri-city effort fire salary reimbursement. Deferred revenue in the Community Project, Buena-Clinton and Low Income Housing capital projects funds, and other governmental funds are associated with the notes receivable discussed in Note 4.

Certain federal, state and county grants have advanced funds for project expenditures. These funds are recorded in other governmental funds as deferred revenue.

The deferred revenue of \$850,684 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2004.

10. Changes in long term debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Tax allocation bonds	\$ 52,325,000	\$ 57,025,000	\$ (52,325,000)	\$ 57,025,000	\$ -
Certificates of participation	22,735,000	-	-	22,735,000	410,000
Agreement payable	24,142,198	-	(5,109,365)	19,032,833	3,729,943
Lease purchase	3,916,355	-	(499,465)	3,416,890	534,511
Governmental activities long-term liabilities	<u>\$ 103,118,553</u>	<u>\$ 57,025,000</u>	<u>\$ (57,933,830)</u>	<u>\$ 102,209,723</u>	<u>\$ 4,674,454</u>
<u>Business-type activities</u>					
Water revenue bonds	17,020,000	16,845,000	(17,020,000)	16,845,000	435,000
Add: premium		211,279		211,279	
Less: deferred amounts					
For issuance discounts	(105,612)		105,612	-	
On refunding		(719,034)		(719,034)	
Certificates of participation	13,360,000	-	(350,000)	13,010,000	370,000
Less: deferred amounts					
For issuance discounts	(57,561)	-	2,854	(54,707)	
Business-like activities long- term liabilities	<u>\$ 30,216,827</u>	<u>\$ 16,337,245</u>	<u>\$ (17,261,534)</u>	<u>\$ 29,292,538</u>	<u>\$ 805,000</u>

b. Governmental long-term debt at June 30, 2004 consisted of the following:

Tax allocation refunding bonds issue of 2003:

\$57,025,000 Tax allocation refunding bonds were issued on August 25, 2003. The bonds were issued for the purpose of (i) refunding the Agency's previously issued \$62,000,000 community project tax allocation bonds, Series 1993, which refunded the Agency's previously issued \$30,000,000 community project tax allocation bonds, Series 1996 and \$10,800,000 Community Center Project 1979 tax allocation bonds; and to (ii) finance additional redevelopment activities of the Agency. The refunding was undertaken to reduce total

Notes to Basic Financial Statements (Continued)

future debt service payments of \$6,716,767. The refunding also resulted in a net present value saving of \$6,370,670, or 12.50%. Principal payments ranging from \$1,625,000 to \$3,320,000 are due annually starting October 1, 2006 through the year 2022, and two lump sum payments of \$9,465,000 and \$8,375,000 due on October 1, 2024 and October 1, 2028 respectively. Interest is due semi-annually on October 1 and April 1, at rates ranging from 2.250% to 5.250%.

\$57,025,000

Certificates of participation:

\$22,735,000 City of Garden Grove Certificates of Participation, Series A of 2002, were executed to provide funds for the acquisition of land to assist certain redevelopment activity of the Garden Grove Agency for Community development and for other improvement projects of the Agency or the City. The Certificates represent fractional interests of the owners in the lease payments, for certain real property and improvements thereon, to be made by the City, as lessee, to the Garden Grove Public Financing Authority, as lessor, under a Lease/Purchase Agreement. The leased properties consist of Garden Grove Park, Willowick Golf Course, a municipal amphitheater, a community meeting center, fire station, and related land. Lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1, beginning March 1, 2005, and continuing until March 1, 2027. Interest is payable semiannually, beginning on September 1, 2002, with an interest rate ranging from 3.500% to 5.125% over the life of the bond.

22,735,000

Agreements payable:

\$13,500,000 Agency for Community Development capital facilities agreement with the Garden Grove Unified School District to finance the acquisition or lease of real property for schools and/or the planning, construction and completion of other capital improvements, structures, buildings, and facilities of benefit to the project area in accordance with sections 33401 and 33445 of the community redevelopment law. Payments are due in future annual amounts of \$1,000,000 through 2007. Additional amounts due based on percentages of project area tax increment are not included as long-term debt because these amounts are not fixed and are based on increased tax increment revenue.

3,000,000

\$13,580,000 Federal Housing and Community Development Section 108 Loan for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The Agency for Community Development has pledged future tax increment funds to satisfy the City's obligations under this loan agreement. Principal

Notes to Basic Financial Statements (Continued)

payments ranging from \$460,000 to \$1,200,000 are due annually on August 1 through the year 2016. Interest is due semi-annually on February 1 and August 1. 10,720,000

\$487,500 real property purchase. On October 27, 2000 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$487,500 bearing interest at an annual rate of 7%. Annual payments are due on the anniversary date of the loan in the amount of \$143,924 until the loan is paid in full in October 2004. 134,508

\$1,000,000, real property purchases. On June 30, 2000 the Agency for Community Development received \$1,000,000 for the purpose of assisting in the purchase of land for resale. The loan has an annual interest rate of 8.7% with semi-annual payments due in the amount of \$125,448 until the loan is paid in full on June 1, 2005. 199,721

\$265,000 real property purchase. On July 3, 2001 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$265,000, bearing interest at an annual rate of 7.25%. Equal payments are due annually until paid off on July 3, 2006. 159,000

\$3,533,333 real property purchase. On October 9, 2002 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$3,533,333. The loan has an annual interest rate of 7.5%, with interest payments being paid monthly. Two principal payments in the amount of \$1,766,667 each are due and payable on the first and second anniversary of the date of the note. 1,766,667

\$3,000,000 real property purchase. On June 9, 2003 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$3,000,000. The loan has an annual interest rate of 6%, with interest payments being paid monthly. One payment in amount of \$1,000,000 shall be due on or before the first anniversary of the date of the note. The remaining unpaid portion shall be due and payable on or before the third anniversary of the date of the note. 2,000,000

\$300,000 capital improvement loan. On November 6, 2002 the City received an energy efficiency loan from the California Energy Commission to assist in the funding of an energy retrofit project. The loan has an annual interest rate of 4% with payments due semi-annually due until the loan is paid off on December 22, 2013. 267,692

\$829,159 real property purchase. On March 13, 2002 the Agency for Community Development entered into a real

Notes to Basic Financial Statements (Continued)

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. 785,245

Total agreements payable 19,032,833

Lease purchases:

\$3,410,000 Countywide Public Financing Authority 1996 Revenue Bonds for the purpose of purchasing an 800 MHZ county wide communications system in a joint operating agreement with 8 participating county entities. The City of Garden Grove's share is financed over a 10 year period through a public leaseback of the Police building. Principal payments ranging from \$345,000 to \$420,000 are due annually on August 1 through the year 2006. Interest is due annually on February 1 at rates ranging from 4.1% to 5.3%. 1,195,000

\$2,449,937 Lease purchase of retrofit heating and air conditioning systems for City government buildings. Quarterly payments range from \$32,768 to \$80,927 including interest at 5.35% through September 2014. 2,221,890

Total lease purchases 3,416,890

TOTAL GOVERNMENTAL LONG TERM DEBT \$102,209,723

c. Proprietary long-term debt at June 30, 2004 consisted of the following items:

Revenue bonds payable - Water enterprise fund:

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

The City's previously issued \$20,495,000 water revenue bonds, series 1993, was originally issued to finance the construction of water storage and transmission facilities, and certain other city water systems. Principal payments for the Series 2004 Revenue Bonds range from \$435,000 to \$1,165,000 due annually on December 15, 2004 through 2023. Interest is due semi-annually on June 15 and December 15, at rates ranging from 2.000% to 5.000% over the life of the bond. \$16,845,000

Notes to Basic Financial Statements (Continued)

Unamortized bond premium fees	211,279
Unamortized deferred refunding cost	(719,034)
<i>Total revenue bonds payable</i>	<u>16,337,245</u>

Revenue bonds payable debt service coverage:

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

Operating revenues	\$ 18,315,860
Non-operating revenues	<u>168,814</u>
Gross revenue	18,484,674
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(13,785,736)</u>
Net revenues	<u>\$ 4,698,938</u>
Debt service requirement for next bond year: \$1,162,982 x 125%	<u>\$ 1,453,728</u>

The City is in compliance with all significant financial restrictions and requirements of the water revenue bond covenants.

Certificates of Participation:

Mobile Home enterprise fund:

\$15,645,000 1993 Certificates of Participation (Bahia Village/Emerald Isle Project) were issued on August 26, 1993. Proceeds from the sale of the certificates were used to finance the acquisition by the Garden Grove Housing Authority of certain real property constituting two Mobile Home parks within the City (excluding the Mobile Homes in such parks): Bahia Village Mobile Home Park located at 13096 Blackbird Street and Emerald Isle Mobile Home Park located at 13741 Clinton Street. The City is obligated under a lease agreement with the Garden Grove Housing Authority to make lease payments and additional rental payments from any source of legally available funds, as the rental for the right to the use and possession of the projects. Principal payments ranging from \$330,000 to \$1,045,000 are due annually on August 1 through the year 2023. Interest is due semiannually on August 1 and February 1 at rates ranging from 4.0% to 5.7%.

13,010,000

Unamortized COP discount fee	<u>(54,707)</u>
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<i>Total certificates of participation</i>	<u>12,955,293</u>
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TOTAL PROPRIETARY LONG TERM DEBT	<u>\$29,292,538</u>
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TOTAL LONG TERM DEBT	<u>\$131,502,261</u>
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Notes to Basic Financial Statements (Continued)

d. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2004, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2005	\$ -	\$ 2,759,550	\$ 2,759,550
2006	-	2,759,550	2,759,550
2007	1,625,000	2,741,269	4,366,269
2008	1,660,000	2,698,088	4,358,088
2009	1,710,000	2,647,537	4,357,537
2010-2014	9,685,000	12,020,556	21,705,556
2015-2019	12,195,000	9,399,194	21,594,194
2020-2024	12,310,000	5,782,750	18,092,750
2025-2029	17,840,000	2,803,625	20,643,625
2030	-	209,375	209,375
Total	\$ 57,025,000	\$ 43,821,494	\$ 100,846,494

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2005	\$ 410,000	\$ 1,144,590	\$ 1,554,590
2006	430,000	1,130,240	1,560,240
2007	440,000	1,115,190	1,555,190
2008	460,000	1,099,790	1,559,790
2009	470,000	1,081,390	1,551,390
2010-2014	2,695,000	5,089,838	7,784,838
2015-2019	3,405,000	4,390,184	7,795,184
2020-2024	4,425,000	3,358,137	7,783,137
2025-2029	5,770,000	2,013,919	7,783,919
2030-2032	4,230,000	440,750	4,670,750
Total	\$ 22,735,000	\$ 20,864,028	\$ 43,599,028

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2005	\$ 3,729,943	\$ 914,443	\$ 4,644,386
2006	3,671,981	814,340	4,486,321
2007	1,715,128	653,654	2,368,782
2008	705,486	610,131	1,315,617
2009	759,131	567,295	1,326,426
2010-2014	4,633,179	2,051,658	6,684,837
2015-2019	3,817,985	397,975	4,215,960
Total	\$ 19,032,833	\$ 6,009,496	\$ 25,042,329

Year Ending June 30	Lease Purchase Agreements		
	Principal	Interest	Total
2005	\$ 534,692	\$ 168,495	\$ 703,187
2006	560,394	139,954	700,348
2007	596,915	109,379	706,294
2008	189,111	88,542	277,653
2009	202,021	78,169	280,190
2010-2014	1,253,898	208,772	1,462,670
2015	79,859	1,068	80,927
Total	\$ 3,416,890	\$ 794,379	\$ 4,211,269

Notes to Basic Financial Statements (Continued)

e. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2004, including interest payments, are as follows.

Year Ending June 30	2004 Water Revenue Bonds		
	Principal	Interest	Total
2005	\$ 435,000	\$ 727,982	\$ 1,162,982
2006	635,000	657,500	1,292,500
2007	645,000	644,700	1,289,700
2008	665,000	629,938	1,294,938
2009	675,000	612,344	1,287,344
2010-2014	3,720,000	2,708,312	6,428,312
2015-2019	4,510,000	1,879,681	6,389,681
2020-2024	5,560,000	715,000	6,275,000
Total	\$ 16,845,000	\$ 8,575,457	\$ 25,420,457

Year Ending June 30	1993 Mobile Home Park Certificate of Participation		
	Principal	Interest	Total
2005	\$ 370,000	\$ 725,925	\$ 1,095,925
2006	390,000	705,025	1,095,025
2007	410,000	683,025	1,093,025
2008	435,000	659,788	1,094,788
2009	455,000	635,312	1,090,312
2010-2014	2,700,000	2,749,010	5,449,010
2015-2019	3,555,000	1,866,893	5,421,893
2020-2024	4,695,000	698,392	5,393,392
Total	\$ 13,010,000	\$ 8,723,370	\$ 21,733,370

11. Reserves of fund equity

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

Notes to Basic Financial Statements (Continued)

- i. Amounts reserved for deposits represents an amount reserved to cover refunding of deposits.

12. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1,000,000, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a commercial insurer for losses from \$1,000,000 up to \$25,000,000 per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$13,393,111, (\$2,820,503 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2004, which has been included under other accrued liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first \$2.0 million of each occurrence. Excess liability insurance is carried thereafter to \$10 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund. The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2004, in the amount of \$5,694,187 (\$467,022 estimated to be due within one year), which has been included under other accrued liabilities in the Risk Management internal service fund.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2004. 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, 2004 and June 30, 2003 are as follows:

	2004	2003
	<u>Worker's Compensation</u>	
Liability, July 1	\$ 12,816,413	\$ 11,849,861
Changes in estimates	3,397,201	2,830,006
Claim payments	<u>(2,820,503)</u>	<u>(1,863,454)</u>
Liability, June 30	<u>\$ 13,393,111</u>	<u>\$ 12,816,413</u>
	<u>Risk Management</u>	
Liability, July 1	\$ 7,408,844	\$ 8,095,343
Changes in estimates	(1,269,874)	(441,950)
Claim payments	<u>(444,783)</u>	<u>(244,549)</u>
Liability, June 30	<u>\$ 5,694,187</u>	<u>\$ 7,408,844</u>

13. Public Employees Retirement System

a. Plan description

The City of Garden Grove's defined benefit pension plans, the Miscellaneous Plan of the City of Garden Grove and the Safety Plan of the City of Garden Grove, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan of the City of

Notes to Basic Financial Statements (Continued)

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

b. Funding policy

Active plan members in the miscellaneous plan of the City are required to contribute 7% of their annual covered salary for a 2% at 55 retirement plan. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2004 was 0% for miscellaneous employees and 19.359% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

c. Annual pension cost

For the fiscal year ended June 30, 2004 the City of Garden Grove's annual pension cost of \$6,721,017 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2004 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and from 4.27% to 11.59% for safety members. Both (a) and (b) include an inflation component of 3.5%.

<u>FYE</u>	<u>Annual Pension Cost</u>	<u>% of Annual Person Cost Contribution</u>	<u>Net Pension Obligation</u>
6/30/2002	\$ 4,450,125	100%	0
6/30/2003	\$ 5,717,914	100%	0
6/30/2004	\$ 6,721,017	100%	0

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

14. Postemployment benefits

In addition to the pension benefit described in Note 13, the City provides post retirement health care benefits to all retired employee. From July 1, 2003 to December 31, 2003, the City contributed \$16 per month for each retiree towards this benefit. Effective January 1, 2004, the City's contribution rate increased to \$32.20 per retiree. Post retirement health care benefits are available only to employees who retire from the City and are provided on a "pay-as-you-go" basis. The provision of these benefits is mandated by the City's participation in PERS. Of the eligible retirees, only 180 have selected this option. The total yearly cost to the City for this benefit was \$50,693 which represents 4.7 percent of the total yearly premium cost of \$1,088,090. The difference of \$1,037,397 was paid by the participating retirees.

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

15. Non-committal debt:

a. Garden Grove Industrial Development Authority Certificate of Deposit Revenue Bonds, Issue of 1982 for \$4,555,000, were issued as an obligation of the Authority. 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 GNMA Collateralized Multifamily Housing Revenue Bonds, Series 1989, for \$10,000,000 were issued as an obligation of the Housing Authority. The 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. These bonds were issued to provide funds for the cost of purchasing and rehabilitating 19 buildings in the Buena-Clinton area of the City. The balance at June 30, 2004 is \$7,905,461.

c. 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.

d. On March 16, 1996, the Garden Grove Housing Authority issued Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996A in the amount of \$7,790,000, Taxable Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996B in the amount of \$2,000,000, and Low Income Housing Tax Increment Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996C in the amount of \$8,500,000. The proceeds of the bonds were used to provide funds for the purpose of the acquisition and rehabilitation of multifamily rental housing projects in the City. The Series A, B and C Bonds are special obligations of the Authority and are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is liable for the payment of principal or interest on the bonds. The City has, however, guaranteed the annual principal and interest payments on the Series C Bonds. The City's obligation under the limited guarantee does not accumulate and transfer to the following fiscal year of the City. The City will receive a promissory note from the developer of the multifamily rental housing project for any payments made by the City on the limited guarantee. As of June 30, 2004, the City has made payments totaling \$729,999 towards the guarantee.

e. Utilizing special assessment bond financing under the authority of the Improvement Bond Act of 1915, the City formed a special assessment district for the purpose of improving the water distribution system and fire hydrant infrastructure in the Dale-Josephine neighborhood of the City. The bonds, which financed this debt are considered a non-obligation special assessment debt and are wholly a liability of the property owners. The City's role is limited to acting in an agent capacity for the property owners.

Issue Date – September 15, 1990
Interest Rates – 8.10% - 8.15%
Maturity Date – September 2, 2010
Authorized and issued - \$656,608
Outstanding balance June 30, 2004 - \$360,000

16. Pass through agreements

On July 12, 1992, the Garden Grove Agency for Community Development amended the existing Redevelopment Plan for the Garden Grove Community Project. As a part of this process, the Agency was required to provide to the affected taxing entities financial information on the proposed plan amendment. The taxing entities then had the responsibility to evaluate the financial information and identify any financial burden or detriment caused by the proposed plan amendment. Agreements to provide for the alleviation of the estimated financial burden and detriment to each of the following districts have been negotiated pursuant to Section 33401 and 33445 of the Community Redevelopment Law ("CRL"); Garden Grove Unified School District, Rancho Santiago Community College District, Huntington Beach Union High School District, Orange County Sanitation District No. 2 and 3, Garden Grove Sanitary District, Westminster School District, Orange Unified School District, Orange County Vector Control District, Orange County Water District, North Orange County Community College District, Coast Community College District, Orange County Superintendent of Schools, and the County of Orange.

The agreement with the greatest impact on the Agency is the agreement with the Garden Grove Unified School District. The school district has determined that the plan amendment would have an impact on its capital facilities needs and has signed a Capital

Facilities Agreement in accordance with Section 33445 of the CRL which authorizes the Agency to expend tax increment to fund capital improvements and facilities which are inside or including funding the capital improvements and facilities of other public agencies. This Capital Facilities Agreement is reported as long-term debt.

17.Maintenance of effort

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

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

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

The minimum level of street and road expenditures required as the maintenance of effort has been met for the fiscal year ended June 30, 2004.

18.Arbitrage

The 1993 and 2002 Certificates of Participation, 2003 Tax Allocation Refunding Bonds, and 2004 Revenue Bonds are subject to arbitrage limitations. The City currently has no rebate liability. Arbitrage rebate refers to the required payment to the U.S. Treasury of excess earnings received whenever applicable tax exempt bond proceeds are invested at a higher yield than the yield of the tax exempt bond issue.

19.Commitments and contingencies

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

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

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

18.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, 2004 totaled \$1,270,346 in the Low Income Housing capital projects fund and \$326,659 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.

19.Joint venture

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

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

20.Subsequent events

On August 16, 2004, the City entered into a five year capital lease purchase for \$776,203 with SunTrust Leasing Corporation to acquire an aerial ladder fire truck. Lease payments of \$14,009 including interest at 3.29% are due monthly, through July 2009.

On August 25, 2004, the City entered into a fifteen year capital lease purchase for \$1,156,741 at 4.51% with SunTrust Leasing Corporation to finance capital improvements and retrofit heating and air conditioning systems for City government buildings. Lease payments of \$26,634 including interest at 4.56% are due every quarter, through August 2019.

On August 25, 2004, the City also entered into a fourteen year energy conservation assistance loan for \$513,900 with California Energy Commission to finance capital improvements and retrofit heating and air conditioning systems for City government buildings. Loan payments of \$25,440 including interest at 3.95% are due every 6 months, through June 2018.

On July 15, 2004, the Garden Grove Agency for Community Development signed a promissory note for \$1,554,590 with Kam Sang Company, a developer. The Agency will use the money for payments on the Certificates of Participation, 2002 Series A, the first payment of \$572,295 due August 1, 2004 and the second payment of \$982,295 due

Notes to Basic Financial Statements (Continued)

March 1, 2005. The Agency will repay the note in two installments, the first installment of \$750,000 will be due at the commencement of construction of a hotel and the second installment of \$804,590 will be paid at the issuance of a final certificate of occupancy for the hotel. If the hotel is not constructed, the Agency shall reimburse the developer \$1,554,590 with accrued interest at 10%.

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REQUIRED SUPPLEMENTAL INFORMATION

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**CITY OF GARDEN GROVE
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2004**

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll
<u>Miscellaneous Plan</u>					
6/30/2000	\$ 85,936,954	\$ 115,803,364	\$ (29,866,410)	134.80%	\$ 16,461,349
6/30/2001	\$ 92,530,579	\$ 118,150,949	\$ (25,620,370)	127.70%	\$ 16,965,656
6/30/2002	\$ 100,965,738	\$ 111,423,293	\$ (10,457,555)	110.40%	\$ 19,213,348
<u>Safety Plan</u>					
6/30/2000	\$ 183,568,755	\$ 191,093,380	\$ (7,524,625)	104.10%	\$ 17,279,776
6/30/2001	\$ 195,004,502	\$ 195,604,409	\$ (599,907)	100.31%	\$ 18,586,040
6/30/2002	\$ 210,462,767	\$ 182,065,270	\$ 23,397,497	86.50%	\$ 18,692,353

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
Fund balance, July 1	\$ 45,216,560	\$ 45,216,560	\$ -
Resources:			
Taxes	47,147,100	50,207,593	3,060,493
Licenses and permits	960,300	1,262,316	302,016
Fines, forfeits and penalties	1,493,500	1,980,691	487,191
Investment earnings	1,678,000	1,779,274	101,274
Charges for current services	5,998,340	6,991,467	993,127
From other agencies	584,000	632,202	48,202
Other revenues	590,300	913,812	323,512
Amounts available for appropriation:	<u>103,668,100</u>	<u>108,983,915</u>	<u>5,315,815</u>
Charges to appropriations:			
Current:			
Fire	14,713,729	14,420,572	293,157
Police	29,560,005	29,049,022	510,983
Traffic safety	1,231,612	1,138,832	92,780
Public right of way	4,007,051	2,586,126	1,420,925
Community buildings	3,614,259	2,017,012	1,597,247
Community services	1,374,738	1,221,568	153,170
Parks and greenbelts	667,926	413,517	254,409
Community planning and development	2,866,317	2,899,230	(32,913)
Municipal support	7,845,799	5,102,982	2,742,817
Capital outlay:			
Police	-	29,207	(29,207)
Traffic Safety	4,915	4,915	-
Public right of way	797,674	797,674	-
Community buildings	62,830	62,830	-
Parks and greenbelts	450,000	-	450,000
Debt service:			
Principal retirement	522,375	522,375	-
Interest and other charges	206,467	206,467	-
Total charges to appropriation before other appropriations:	<u>67,925,697</u>	<u>60,472,329</u>	<u>7,453,368</u>
Other appropriations (net):			
Transfers from other funds	70,000	471,616	401,616
Intercity loan repayment	2,000,000	-	(2,000,000)
Total other appropriation:	<u>2,070,000</u>	<u>471,616</u>	<u>(1,598,384)</u>
Net charges to appropriation:	<u>65,855,697</u>	<u>60,000,713</u>	<u>5,854,984</u>
Fund balance, June 30	<u>\$ 37,812,403</u>	<u>\$ 48,983,202</u>	<u>\$ 11,170,799</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources:				
Investment earnings	-	-	185	185
From other agencies	24,876,327	22,846,085	23,176,111	330,026
Other revenues	-	-	7,285	7,285
Amounts available for appropriation	<u>24,876,327</u>	<u>22,846,085</u>	<u>23,183,581</u>	<u>337,496</u>
Charges to appropriations:				
Current:				
Community planning and development	24,850,642	22,820,400	23,159,926	(339,526)
Municipal support	20,772	26,542	23,655	2,887
Total charges to appropriations	<u>24,871,414</u>	<u>22,846,942</u>	<u>23,183,581</u>	<u>(336,639)</u>
Fund balance, June 30	<u>\$ 4,913</u>	<u>\$ (857)</u>	<u>\$ -</u>	<u>\$ 857</u>

See accompanying note to required supplementary information.

**CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2004**

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

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

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

For the current fiscal year, expenditures exceeded appropriations in the Housing Authority special revenue fund in the amount of \$336,639. The available fund balances funded the over expenditures. All expenditures were matched with revenue received from the Department of Urban and Housing in the fiscal year.

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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 12,750,000	\$ 13,403,657	\$ 653,657
Investment earnings		81	81
Total revenue	<u>12,750,000</u>	<u>13,403,738</u>	<u>653,738</u>
EXPENDITURES			
Debt service:			
Interest and other charges	<u>4,350,000</u>	<u>1,754,319</u>	<u>2,595,681</u>
Excess of revenues over expenditures	8,400,000	11,649,419	(1,941,943)
OTHER FINANCING USES			
Transfer out	<u>(16,322,764)</u>	<u>(16,322,764)</u>	<u>-</u>
Net change in fund balance	(7,922,764)	(4,673,345)	3,249,419
Fund Balance, July 1	<u>4,793,282</u>	<u>4,793,282</u>	<u>-</u>
Fund Balance, June 30	<u>\$ (3,129,482)</u>	<u>\$ 119,937</u>	<u>\$ 3,249,419</u>

**CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 50,000	\$ 60,528	\$ 10,528
OTHER FINANCING USES			
Transfers out	(4,436,419)	(4,436,419)	-
Net change in fund balance	(4,386,419)	(4,375,891)	10,528
Fund balance, July 1	13,086,424	13,086,424	-
Fund balance, June 30	\$ 8,700,005	\$ 8,710,533	\$ 10,528

**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, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 930,000	\$ 930,000	\$ 813,776	\$ (116,224)
Other revenues	3,438,244	2,341,744	113,665	(2,228,079)
Total revenues	<u>4,368,244</u>	<u>3,271,744</u>	<u>927,441</u>	<u>(2,344,303)</u>
EXPENDITURES				
Capital outlay:				
Public right of way	15,911	15,911	14,042	1,869
Community buildings	79,354	75,104	17,920	57,184
Community planning and development	9,648,798	9,648,798	9,000,649	648,149
Municipal support	321,811	321,811	210,332	111,479
Debt service:				
Principal retirement	1,599,261	1,599,261	1,599,261	-
Interest and other charges	2,218,513	2,218,513	2,218,513	-
Total expenditures	<u>13,883,648</u>	<u>13,879,398</u>	<u>13,060,717</u>	<u>818,681</u>
Deficiency of revenues under expenditures	(9,515,404)	(10,607,654)	(12,133,276)	(1,525,622)
OTHER FINANCING SOURCES				
Transfer in	-	-	14,128,552	14,128,552
Net change in fund balance	(9,515,404)	(10,607,654)	1,995,276	12,602,930
Fund balance, July 1	<u>(696,681)</u>	<u>(696,681)</u>	<u>(696,681)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (10,212,085)</u>	<u>\$ (11,304,335)</u>	<u>\$ 1,298,595</u>	<u>\$ 12,602,930</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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 3,281,250	\$ 3,421,141	\$ 139,891
Investment earnings	56,000	46,506	(9,494)
Other revenues	544,000	1,184,652	640,652
Total revenues	<u>3,881,250</u>	<u>4,652,299</u>	<u>771,049</u>
EXPENDITURES			
Capital outlay:			
Community planning and development	3,642,530	1,511,933	2,130,597
Municipal support	66,584	44,112	22,472
Debt service:			
Principal retirement	1,987,375	1,987,375	-
Interest and other charges	236,668	236,668	-
Total expenditures	<u>5,933,157</u>	<u>3,780,088</u>	<u>2,153,069</u>
Net change in fund balance	(2,051,907)	872,211	2,924,118
Fund balance, July 1	<u>11,479,213</u>	<u>11,479,213</u>	<u>-</u>
Fund balance, June 30	<u>\$ 9,427,306</u>	<u>\$ 12,351,424</u>	<u>\$ 2,924,118</u>

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SPECIAL REVENUE FUNDS

Public Safety Fund

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

State Gas Tax Fund

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

Golf Course Fund

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

Self-supporting Revenue Fund

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

Developer Fees Fund

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

Garden Grove Cable Fund

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

Street Lighting Fund

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

Park Maintenance Fund

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

Parking District Fund

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

SPECIAL REVENUE FUNDS (continued)

Air Quality Improvement Fund

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

Federal Employment Grants Fund

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

Other Grants and Contributions

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

DEBT SERVICE FUNDS

Buena-Clinton Project Fund

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

CAPITAL PROJECTS FUNDS

Buena-Clinton Project Fund

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

2002 Capital Improvement Community Project Fund

This fund is used to account for capital expenditures of the 2002 City of Garden Grove Certificates of Participation, Series A.

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting
ASSETS				
Cash and investments	\$ 2,098,322	\$ 2,681,119	\$ 972,844	\$ 92,988
Taxes receivable	57,511	289,635	-	-
Accounts receivable	-	-	-	-
Interest receivable	8,465	13,607	-	-
Notes receivable	-	-	-	-
Land held for resale, net	-	-	-	-
Prepaid items	-	-	-	-
Deposits	2,600	-	-	-
Total assets	<u>\$ 2,166,898</u>	<u>\$ 2,984,361</u>	<u>\$ 972,844</u>	<u>\$ 92,988</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 41,402	\$ 145,730	\$ -	\$ 22,468
Other accrued liabilities	3,828	155,732	-	29,872
Refundable deposits	29,457	-	-	44,605
Due to other funds	-	-	-	-
Deferred revenue	-	-	1,648	-
Total liabilities	<u>74,687</u>	<u>301,462</u>	<u>1,648</u>	<u>96,945</u>
Fund balances:				
Reserved for:				
Encumbrances	52,233	780,650	-	-
Continuing projects	2,037,378	1,902,249	-	-
Land held for resale	-	-	-	-
Contractual commitments	-	-	-	-
Deposits	2,600	-	-	-
Unreserved	-	-	971,196	(3,957)
Total fund balances	<u>2,092,211</u>	<u>2,682,899</u>	<u>971,196</u>	<u>(3,957)</u>
Total liabilities and fund balances	<u>\$ 2,166,898</u>	<u>\$ 2,984,361</u>	<u>\$ 972,844</u>	<u>\$ 92,988</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 4,812,372	\$ 555,684	\$ 805,178	\$ 10,830	\$ 208,815	\$ 245,261
-	-	-	8,862	19	-
1,876	29,951	219	-	-	55,800
21,799	2,548	16,941	-	956	1,047
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,836,047</u>	<u>\$ 588,183</u>	<u>\$ 822,338</u>	<u>\$ 19,692</u>	<u>\$ 209,790</u>	<u>\$ 302,108</u>
\$ 266,259	\$ 1,852	\$ 1,398	\$ 3,350	\$ 3,891	\$ 1,400
89,999	1,765	2,938	16,342	-	307
400	7,145	-	-	-	-
-	-	-	-	-	-
-	51,252	-	-	-	-
<u>356,658</u>	<u>62,014</u>	<u>4,336</u>	<u>19,692</u>	<u>3,891</u>	<u>1,707</u>
217,773	2,450	102,718	-	-	-
1,869,268	49,569	121,404	-	-	300,401
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,392,348	474,150	593,880	-	205,899	-
<u>4,479,389</u>	<u>526,169</u>	<u>818,002</u>	<u>-</u>	<u>205,899</u>	<u>300,401</u>
<u>\$ 4,836,047</u>	<u>\$ 588,183</u>	<u>\$ 822,338</u>	<u>\$ 19,692</u>	<u>\$ 209,790</u>	<u>\$ 302,108</u>

Continued

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2004**

	Special Revenue Funds		Debt Service Fund
	Federal Employment Grants	Other Grants and Contributions	Buena-Clinton Project
ASSETS			
Cash and investments	\$ 16,547	\$ 4,277,560	\$ -
Taxes receivable	-	-	1,984
Accounts receivable	417,475	2,527,667	-
Interest receivable	-	18,841	-
Notes receivable	-	3,779,742	-
Land held for resale, net	-	-	-
Prepaid items	-	-	-
Deposits	5,300	-	-
Total assets	<u>\$ 439,322</u>	<u>\$ 10,603,810</u>	<u>\$ 1,984</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,860	\$ 502,789	\$ -
Other accrued liabilities	12,118	133,386	-
Refundable deposits	1,147	1,379	-
Due to other funds	307,646	1,345,160	-
Deferred revenue	97,929	6,298,800	-
Total liabilities	<u>436,700</u>	<u>8,281,514</u>	<u>-</u>
Fund balances:			
Reserved for:			
Encumbrances	-	1,268,010	-
Continuing projects	-	-	-
Land held for resale	-	-	-
Contractual commitments	-	-	-
Deposits	5,300	-	-
Unreserved	(2,678)	1,054,286	1,984
Total fund balances	<u>2,622</u>	<u>2,322,296</u>	<u>1,984</u>
Total liabilities and fund balances	<u>\$ 439,322</u>	<u>\$ 10,603,810</u>	<u>\$ 1,984</u>

Capital Projects Fund		Total
Buena-Clinton Project	2002 Capital Improvement Project	Nonmajor Governmental Funds
\$ 374,818	\$ -	\$ 17,152,338
-	-	358,011
-	1,780	3,034,768
2,731	-	86,935
83,567	-	3,863,309
275,890	-	275,890
-	696,661	696,661
-	-	7,900
<u>\$ 737,006</u>	<u>\$ 698,441</u>	<u>\$ 25,475,812</u>
\$ -	\$ (28,172)	\$ 980,227
-	-	446,287
-	-	84,133
-	140,387	1,793,193
83,567	-	6,533,196
<u>83,567</u>	<u>112,215</u>	<u>9,837,036</u>
-	5,600	2,429,434
279,237	580,626	7,140,132
275,890	-	275,890
98,312	-	98,312
-	-	7,900
-	-	5,687,108
<u>653,439</u>	<u>586,226</u>	<u>15,638,776</u>
<u>\$ 737,006</u>	<u>\$ 698,441</u>	<u>\$ 25,475,812</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, 2004**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting
REVENUES:				
Taxes	\$ 537,099	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	113,219	-	-	-
Investment earnings	35,197	54,543	-	-
Charges for current services	124,940	-	641,303	650,766
From other agencies	253,089	3,124,571	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,063,544</u>	<u>3,179,114</u>	<u>641,303</u>	<u>650,766</u>
EXPENDITURES:				
Current:				
Fire	127,191	-	-	-
Police	776,356	-	-	-
Traffic safety	-	175,421	-	-
Public right of way	-	1,319,379	-	-
Community buildings	15,742	-	-	-
Community services	-	-	-	664,980
Parks and greenbelts	-	-	39,276	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Police	85,144	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	841,408	-	-
Drainage	-	580,599	-	-
Community buildings	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,004,433</u>	<u>2,916,807</u>	<u>39,276</u>	<u>664,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,111</u>	<u>262,307</u>	<u>602,027</u>	<u>(14,214)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(508,662)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(508,662)</u>	<u>-</u>
Net change in fund balances	<u>59,111</u>	<u>262,307</u>	<u>93,365</u>	<u>(14,214)</u>
Fund balances, July 1	<u>2,033,100</u>	<u>2,420,592</u>	<u>877,831</u>	<u>10,257</u>
Fund balances, June 30	<u>\$ 2,092,211</u>	<u>\$ 2,682,899</u>	<u>\$ 971,196</u>	<u>\$ (3,957)</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ 27,995	\$ -
40,624	-	-	-	-	-
-	-	-	-	-	-
95,364	10,865	-	-	4,123	4,050
597,935	-	1,325,906	694,622	-	-
-	-	-	-	-	201,778
26,165	98,136	-	-	-	2,511
<u>760,088</u>	<u>109,001</u>	<u>1,325,906</u>	<u>694,622</u>	<u>32,118</u>	<u>208,339</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	980,333	-	-	-
-	-	12,932	-	49,186	-
-	-	-	-	-	-
20,366	195,818	-	-	-	-
45,398	-	-	786,824	-	-
-	-	-	-	-	-
-	-	12,096	-	-	132,779
-	-	-	-	-	-
348,334	-	18,597	-	-	-
670,645	-	-	-	-	-
1,115	-	-	-	-	-
-	-	-	-	-	-
88,941	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,174,799</u>	<u>195,818</u>	<u>1,023,958</u>	<u>786,824</u>	<u>49,186</u>	<u>132,779</u>
<u>(414,711)</u>	<u>(86,817)</u>	<u>301,948</u>	<u>(92,202)</u>	<u>(17,068)</u>	<u>75,560</u>
9,348	-	-	91,169	-	-
(1,980)	-	-	-	-	-
<u>7,368</u>	<u>-</u>	<u>-</u>	<u>91,169</u>	<u>-</u>	<u>-</u>
<u>(407,343)</u>	<u>(86,817)</u>	<u>301,948</u>	<u>(1,033)</u>	<u>(17,068)</u>	<u>75,560</u>
<u>4,886,732</u>	<u>612,986</u>	<u>516,054</u>	<u>1,033</u>	<u>222,967</u>	<u>224,841</u>
<u>\$ 4,479,389</u>	<u>\$ 526,169</u>	<u>\$ 818,002</u>	<u>\$ -</u>	<u>\$ 205,899</u>	<u>\$ 300,401</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, 2004**

	Special Revenue Funds		Debt-Service Fund
	Federal Employment Grants	Other Grants and Contributions	Buena-Clinton Project
REVENUES:			
Taxes	\$ -	\$ -	\$ 278,248
Licenses and permits	-	409	-
Fines, forfeits and penalties	-	-	-
Investment earnings	4,833	80,708	-
Charges for current services	-	-	-
From other agencies	845,700	8,340,222	-
Other revenues	-	412,076	-
Total revenues	850,533	8,833,415	278,248
EXPENDITURES:			
Current:			
Fire	-	3,466	-
Police	-	354,288	-
Traffic safety	-	-	-
Public right of way	-	400,340	-
Community buildings	-	-	-
Community services	847,911	623,283	-
Parks and greenbelts	-	-	-
Community planning and development	-	2,130,635	-
Municipal support	-	50,000	-
Capital outlay:			
Police	-	-	-
Traffic safety	-	303,124	-
Public right of way	-	3,046,699	-
Drainage	-	890	-
Community buildings	-	195,259	-
Parks and greenbelts	-	427,178	-
Community planning and development	-	9,102	-
Debt service:			
Principal retirement	-	500,000	-
Interest and other charges	-	672,711	-
Total expenditures	847,911	8,716,975	-
Excess (deficiency) of revenues over (under) expenditures	2,622	116,440	278,248
OTHER FINANCING SOURCES (USES):			
Transfers in	-	100,957	-
Transfers out	-	(94,127)	(276,264)
Total other financing sources (uses)	-	6,830	(276,264)
Net change in fund balances	2,622	123,270	1,984
Fund balances, July 1	-	2,199,026	-
Fund balances, June 30	\$ 2,622	\$ 2,322,296	\$ 1,984

Capital Projects Funds		Total
Buena-Clinton Project	2002 Capital Improvement Project	Nonmajor Governmental Funds
\$ -	\$ -	\$ 843,342
-	-	41,033
-	-	113,219
10,324	-	300,007
-	-	4,035,472
-	-	12,765,360
-	1,780	540,668
<u>10,324</u>	<u>1,780</u>	<u>18,639,101</u>
-	-	130,657
117,530	-	1,248,174
-	-	1,155,754
-	-	1,781,837
-	-	15,742
-	-	2,352,358
-	-	871,498
33,162	3,560	2,167,357
-	-	194,875
-	-	85,144
-	-	670,055
-	-	4,558,752
-	-	582,604
-	-	195,259
-	-	516,119
-	1,445,836	1,454,938
-	1,000,000	1,500,000
-	190,000	862,711
<u>150,692</u>	<u>2,639,396</u>	<u>20,343,834</u>
<u>(140,368)</u>	<u>(2,637,616)</u>	<u>(1,704,733)</u>
276,264	3,291,829	3,769,567
-	(70,000)	(951,033)
<u>276,264</u>	<u>3,221,829</u>	<u>2,818,534</u>
135,896	584,213	1,113,801
517,543	2,013	14,524,975
<u>\$ 653,439</u>	<u>\$ 586,226</u>	<u>\$ 15,638,776</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, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 510,000	\$ 510,000	\$ 537,099	\$ 27,099
Licenses and permits			-	-
Fines, forfeits and penalties	20,000	20,000	113,219	93,219
Investment earnings	30,000	30,000	35,197	5,197
Charges for current services	100,000	100,000	124,940	24,940
From other agencies	338,742	338,742	253,089	(85,653)
Other revenues			-	-
Total revenues	<u>998,742</u>	<u>998,742</u>	<u>1,063,544</u>	<u>64,802</u>
EXPENDITURES:				
Current:				
Fire	170,469	170,469	127,191	43,278
Police	2,125,376	2,007,823	776,356	1,231,467
Community buildings	24,725	19,692	15,742	3,950
Capital outlay:				
Police	806,330	923,810	85,144	838,666
Total expenditures	<u>3,126,900</u>	<u>3,121,794</u>	<u>1,004,433</u>	<u>2,117,361</u>
Net change in fund balance	(2,128,158)	(2,123,052)	59,111	2,182,163
Fund balance, July 1	<u>2,033,100</u>	<u>2,033,100</u>	<u>2,033,100</u>	-
Fund balance, June 30	<u>\$ (95,058)</u>	<u>\$ (89,952)</u>	<u>\$ 2,092,211</u>	<u>\$ 2,182,163</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, 2004**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment earnings	\$ 76,000	\$ 76,000	\$ 54,543	\$ (21,457)
From other agencies	2,974,000	2,974,000	3,124,571	150,571
Total revenues	<u>3,050,000</u>	<u>3,050,000</u>	<u>3,179,114</u>	<u>129,114</u>
EXPENDITURES:				
Current:				
Traffic safety	184,272	185,080	175,421	9,659
Public right of way	1,814,920	1,814,920	1,319,379	495,541
Capital outlay:				
Traffic safety	1,595	1,595	-	1,595
Public right of way	1,287,257	1,313,099	841,408	471,691
Drainage	1,993,188	1,993,188	580,599	1,412,589
Community planning and development	-	50,000	-	50,000
Total expenditures	<u>5,281,232</u>	<u>5,357,882</u>	<u>2,916,807</u>	<u>2,441,075</u>
Net change in fund balance	(2,231,232)	(2,307,882)	262,307	2,570,189
Fund balance, July 1	<u>2,420,592</u>	<u>2,420,592</u>	<u>2,420,592</u>	<u>-</u>
Fund balance, June 30	<u>\$ 189,360</u>	<u>\$ 112,710</u>	<u>\$ 2,682,899</u>	<u>\$ 2,570,189</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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 725,000	\$ 641,303	\$ (83,697)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>66,493</u>	<u>39,276</u>	<u>27,217</u>
Excess of revenues over expenditures	658,507	602,027	(17,204)
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>(508,662)</u>	<u>(508,662)</u>	<u>-</u>
Net change in fund balance	149,845	93,365	(56,480)
Fund balance, July 1	<u>877,831</u>	<u>877,831</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 1,027,676</u></u>	<u><u>\$ 971,196</u></u>	<u><u>\$ (56,480)</u></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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 625,000	\$ 650,766	\$ 25,766
EXPENDITURES:			
Current:			
Community services	<u>732,130</u>	<u>664,980</u>	<u>67,150</u>
Net change in fund balance	(107,130)	(14,214)	92,916
Fund balance, July 1	<u>10,257</u>	<u>10,257</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (96,873)</u></u>	<u><u>\$ (3,957)</u></u>	<u><u>\$ 92,916</u></u>

**CITY OF GARDEN GROVE
DEVELOPER FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 40,400	\$ 40,400	\$ 40,624	\$ 224
Investment earnings	148,600	148,600	95,364	(53,236)
Charges for current services	316,000	316,000	597,935	281,935
Other revenues	-	-	26,165	26,165
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>760,088</u>	<u>255,088</u>
EXPENDITURES:				
Current:				
Community services	75,000	75,000	20,366	54,634
Parks and greenbelts	46,000	46,000	45,398	602
Capital outlay:				
Traffic safety	477,273	673,373	348,334	325,039
Public right of way	1,506,341	1,363,695	670,645	693,050
Drainage	321,562	321,562	1,115	320,447
Parks and greenbelts	493,373	493,029	88,941	404,088
Total expenditures	<u>2,919,549</u>	<u>2,972,659</u>	<u>1,174,799</u>	<u>1,797,860</u>
Deficiency of revenues under expenditures	(2,414,549)	(2,467,659)	(414,711)	2,052,948
OTHER FINANCING SOURCES U				
Transfer in	9,348	9,348	9,348	-
Transfer out	(1,980)	(1,980)	(1,980)	-
Total other financing sources (uses)	<u>7,368</u>	<u>7,368</u>	<u>7,368</u>	<u>-</u>
Net change in fund balance	(2,407,181)	(2,460,291)	(407,343)	2,052,948
Fund balance, July 1	<u>4,886,732</u>	<u>4,886,732</u>	<u>4,886,732</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 2,479,551</u></u>	<u><u>\$ 2,426,441</u></u>	<u><u>\$ 4,479,389</u></u>	<u><u>\$ 2,052,948</u></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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 5,000	\$ 10,865	\$ 5,865
Other revenues	<u>134,000</u>	<u>98,136</u>	<u>(35,864)</u>
Total revenues	139,000	109,001	(29,999)
EXPENDITURES:			
Current:			
Community services	<u>238,932</u>	<u>195,818</u>	<u>43,114</u>
Net change in fund balance	(99,932)	(86,817)	13,115
Fund balance, July 1	<u>612,986</u>	<u>612,986</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 513,054</u></u>	<u><u>\$ 526,169</u></u>	<u><u>\$ 13,115</u></u>

**CITY OF GARDEN GROVE
STREET LIGHTING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 1,309,857	\$ 1,325,906	\$ 16,049
EXPENDITURES:			
Current:			
Traffic safety	1,525,081	980,333	544,748
Public right of way	15,170	12,932	2,238
Municipal support	18,404	12,096	6,308
Capital outlay:			
Traffic safety	140,000	18,597	121,403
Total expenditures	<u>1,698,655</u>	<u>1,023,958</u>	<u>674,697</u>
Net change in fund balance	(388,798)	301,948	690,746
Fund balance, July 1	<u>516,054</u>	<u>516,054</u>	<u>-</u>
Fund balance, June 30	<u>\$ 127,256</u>	<u>\$ 818,002</u>	<u>\$ 690,746</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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 700,000	\$ 694,622	\$ (5,378)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>700,000</u>	<u>786,824</u>	<u>(86,824)</u>
(Deficiency) of revenues under expenditures	-	(92,202)	(92,202)
OTHER FINANCING SOURCES			
Transfer in	<u>101,572</u>	<u>91,169</u>	<u>(10,403)</u>
Net change in fund balance	101,572	(1,033)	(102,605)
Fund balance, July 1	<u>1,033</u>	<u>1,033</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 102,605</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (102,605)</u></u>

**CITY OF GARDEN GROVE
PARKING DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 28,500	\$ 27,995	\$ (505)
Investment earnings	8,000	4,123	(3,877)
Total revenues	<u>36,500</u>	<u>32,118</u>	<u>(4,382)</u>
EXPENDITURES:			
Current:			
Public right of way	<u>58,309</u>	<u>49,186</u>	<u>9,123</u>
Net change in fund balance	(21,809)	(17,068)	4,741
Fund balance, July 1	<u>222,967</u>	<u>222,967</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 201,158</u></u>	<u><u>\$ 205,899</u></u>	<u><u>\$ 4,741</u></u>

**CITY OF GARDEN GROVE
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 1,000	\$ 4,050	\$ 3,050
From other agencies	201,778	201,778	-
Other revenues	-	2,511	2,511
Total revenues	<u>202,778</u>	<u>208,339</u>	<u>5,561</u>
EXPENDITURES:			
Current:			
Municipal support	<u>458,675</u>	<u>132,779</u>	<u>325,896</u>
Net change in fund balance	(255,897)	75,560	331,457
Fund balance, July 1	<u>224,841</u>	<u>224,841</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (31,056)</u></u>	<u><u>\$ 300,401</u></u>	<u><u>\$ 331,457</u></u>

**CITY OF GARDEN GROVE
FEDERAL EMPLOYMENT GRANTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 4,833	\$ 4,833
From other agencies	825,258	2,412,455	845,700	(1,566,755)
Total revenues	<u>825,258</u>	<u>2,412,455</u>	<u>850,533</u>	<u>(1,561,922)</u>
EXPENDITURES:				
Current:				
Community services	825,258	2,412,455	847,911	1,564,544
Net change in fund balance	-	-	2,622	2,622
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,622</u>	<u>\$ 2,622</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, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 409	\$ 409
Investment earnings	218,000	218,000	80,708	(137,292)
From other agencies	28,591,115	29,053,148	8,340,222	(20,712,926)
Other revenues	340,794	340,794	412,076	71,282
Total revenues	<u>29,149,909</u>	<u>29,611,942</u>	<u>8,833,415</u>	<u>(20,778,527)</u>
EXPENDITURES:				
Current:				
Fire	14,143	14,143	3,466	10,677
Police	640,112	747,085	354,288	392,797
Traffic safety	1,000	1,000	-	1,000
Public right of way	525,883	546,693	400,340	146,353
Community services	871,074	800,095	623,283	176,812
Community planning and development	3,518,013	3,472,073	2,130,635	1,341,438
Municipal support	133,670	106,000	50,000	56,000
Capital outlay:				
Police	-	198,730	-	198,730
Traffic safety	2,187,282	1,071,732	303,124	768,608
Public right of way	17,286,786	18,306,650	3,046,699	15,259,951
Drainage	-	-	890	(890)
Community buildings	235,909	195,259	195,259	-
Parks and greenbelts	3,913,572	3,901,644	427,178	3,474,466
Community planning and development	1,299,822	1,411,329	9,102	1,402,227
Debt service:				
Principal retirement	500,000	500,000	500,000	-
Interest and other charges	672,711	672,711	672,711	-
Total expenditures	<u>31,799,977</u>	<u>31,945,144</u>	<u>8,716,975</u>	<u>23,228,169</u>
Excess (deficiency) of revenues over expenditures	<u>(2,650,068)</u>	<u>(2,333,202)</u>	<u>116,440</u>	<u>2,449,642</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	100,957	100,957	100,957	-
Transfer out	(94,127)	(94,127)	(94,127)	-
Total other financing sources (uses)	<u>6,830</u>	<u>6,830</u>	<u>6,830</u>	<u>-</u>
Net change in fund balance	(2,643,238)	(2,326,372)	123,270	2,449,642
Fund balance, July 1	<u>2,199,026</u>	<u>2,199,026</u>	<u>2,199,026</u>	<u>-</u>
Fund balance, June 30	<u>\$ (444,212)</u>	<u>\$ (127,346)</u>	<u>\$ 2,322,296</u>	<u>\$ 2,449,642</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, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 375,000	\$ 278,248	\$ (96,752)
OTHER FINANCING SOURCES			
Transfer out	<u>(276,264)</u>	<u>(276,264)</u>	<u>-</u>
Net change in fund balance	98,736	1,984	(96,752)
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ 98,736</u>	<u>\$ 1,984</u>	<u>\$ (96,752)</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, 2004**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment earnings	\$ 30,000	\$ 30,000	\$ 10,324	\$ (19,676)
EXPENDITURES:				
Current:				
Police	142,800	142,800	117,530	25,270
Community planning and development	30,100	46,482	33,162	13,320
Capital outlay:				
Community planning and development	390,430	374,048	-	374,048
Total expenditures	<u>563,330</u>	<u>563,330</u>	<u>150,692</u>	<u>412,638</u>
(Deficiency) of revenues under expenditures	(533,330)	(533,330)	(140,368)	392,962
OTHER FINANCING SOURCES				
Transfer in	<u>276,264</u>	<u>276,264</u>	<u>276,264</u>	<u>-</u>
Net change in fund balance	(257,066)	(257,066)	135,896	392,962
Fund balance, July 1	<u>517,543</u>	<u>517,543</u>	<u>517,543</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 260,477</u></u>	<u><u>\$ 260,477</u></u>	<u><u>\$ 653,439</u></u>	<u><u>\$ 392,962</u></u>

**CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Other revenues	\$ -	\$ 1,780	\$ 1,780
EXPENDITURES:			
Current:			
Community planning and development	-	3,560	(3,560)
Capital outlay:			
Community planning and development	4,510,000	1,445,836	3,064,164
Debt service:			
Principal retirement	1,000,000	1,000,000	-
Interest and other charges	190,000	190,000	-
Total expenditures	<u>5,700,000</u>	<u>2,639,396</u>	<u>3,060,604</u>
(Deficiency) of revenues under expenditures	<u>(5,700,000)</u>	<u>(2,637,616)</u>	<u>3,062,384</u>
OTHER FINANCING SOURCES USES			
Transfer in	3,291,829	3,291,829	-
Transfer out	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,221,829</u>	<u>3,221,829</u>	<u>-</u>
Net change in fund balance	(2,478,171)	584,213	3,062,384
Fund balance, July 1	<u>2,013</u>	<u>2,013</u>	<u>-</u>
Fund balance, June 30	<u>\$ (2,476,158)</u>	<u>\$ 586,226</u>	<u>\$ 3,062,384</u>

INTERNAL SERVICE FUNDS

Workers' Compensation Fund

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

Fleet Management Fund

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

Employee Benefits Fund

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

Information Systems Fund

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

Warehouse Operations Fund

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

Telephone System Fund

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

Risk Management Fund

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

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2004**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 9,305,490	\$ 5,997,614	\$ 19,255,649
Accounts receivable	-	15,043	78,271
Interest receivable	73,212	-	-
Due from other funds	3,887,041	-	-
Inventory	-	47,093	-
Prepaid expense	-	-	-
Deposits	-	-	32,100
Total current assets	<u>13,265,743</u>	<u>6,059,750</u>	<u>19,366,020</u>
Noncurrent Assets:			
Capital assets			
Depreciable buildings, property, and equipment, net	<u>51,529</u>	<u>6,109,047</u>	<u>-</u>
Total assets	<u>13,317,272</u>	<u>12,168,797</u>	<u>19,366,020</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	63,204	102,300	963,109
Accrued compensated absences	-	-	4,881,728
Other current liabilities	24,536	28,046	179,656
Claims payable	13,393,111	-	-
Refundable deposit	4,438	-	-
Total liabilities	<u>13,485,289</u>	<u>130,346</u>	<u>6,024,493</u>
NET ASSETS			
Invested in capital assets	51,529	6,109,047	-
Unrestricted	<u>(219,546)</u>	<u>5,929,404</u>	<u>13,341,527</u>
Total net assets	<u>\$ (168,017)</u>	<u>\$ 12,038,451</u>	<u>\$ 13,341,527</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,683,511	\$ 251,440	\$ 1,621,962	\$ 21,026,060	\$ 59,141,726
-	-	-	(200)	93,114
9,084	-	-	113,353	195,649
-	-	-	-	3,887,041
-	322,939	-	-	370,032
-	-	-	467,218	467,218
-	-	-	-	32,100
<u>1,692,595</u>	<u>574,379</u>	<u>1,621,962</u>	<u>21,606,431</u>	<u>64,186,880</u>
<u>239,890</u>	<u>-</u>	<u>3,637</u>	<u>-</u>	<u>6,404,103</u>
<u>1,932,485</u>	<u>574,379</u>	<u>1,625,599</u>	<u>21,606,431</u>	<u>70,590,983</u>
2,479	81,179	61,141	499,767	1,773,179
-	-	-	-	4,881,728
23,196	4,719	1,413	4,830	266,396
-	-	-	5,694,187	19,087,298
-	-	-	-	4,438
<u>25,675</u>	<u>85,898</u>	<u>62,554</u>	<u>6,198,784</u>	<u>26,013,039</u>
239,890	-	3,637	-	6,404,103
<u>1,666,920</u>	<u>488,481</u>	<u>1,559,408</u>	<u>15,407,647</u>	<u>38,173,841</u>
<u>\$ 1,906,810</u>	<u>\$ 488,481</u>	<u>\$ 1,563,045</u>	<u>\$ 15,407,647</u>	<u>\$ 44,577,944</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>
Operating revenues:			
Charges for services	\$ 3,072,087	\$ 4,182,660	\$ 17,127,098
Operating expenses:			
Salaries and wages	696,680	740,210	9,945,639
Contractual services	32,925	486,441	4,759,226
Liability claims	2,730,643	-	-
Materials and supplies	7,981	940,358	216,066
Depreciation	10,099	983,850	-
Total operating expenses	<u>3,478,328</u>	<u>3,150,859</u>	<u>14,920,931</u>
Operating income (loss)	<u>(406,241)</u>	<u>1,031,801</u>	<u>2,206,167</u>
Nonoperating revenues (expenses):			
Investment income	187,636	-	-
Loss on disposal of assets	-	(1,893)	-
Other nonoperating revenues	-	6,457	-
Total nonoperating revenues (expenses)	<u>187,636</u>	<u>4,564</u>	<u>-</u>
Income (loss) before transfers	(218,605)	1,036,365	2,206,167
Transfers out	-	-	(1,078,700)
Change in net assets	<u>(218,605)</u>	<u>1,036,365</u>	<u>1,127,467</u>
Total net assets, July 1	<u>50,588</u>	<u>11,002,086</u>	<u>12,214,060</u>
Total net assets, June 30	<u>\$ (168,017)</u>	<u>\$ 12,038,451</u>	<u>\$ 13,341,527</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
<u>\$ 1,137,721</u>	<u>\$ 153,362</u>	<u>\$ 560,450</u>	<u>\$ 2,938,442</u>	<u>\$ 29,171,820</u>
724,013	127,124	51,699	138,624	12,423,989
88,609	25,218	426,689	708,897	6,528,005
-	-	-	-	2,730,643
342,899	2,453	229	1,043	1,511,029
36,043	-	3,637	-	1,033,629
<u>1,191,564</u>	<u>154,795</u>	<u>482,254</u>	<u>848,564</u>	<u>24,227,295</u>
<u>(53,843)</u>	<u>(1,433)</u>	<u>78,196</u>	<u>2,089,878</u>	<u>4,944,525</u>
24,385	-	-	307,581	519,602
-	-	-	-	(1,893)
-	-	-	-	6,457
<u>24,385</u>	<u>-</u>	<u>-</u>	<u>307,581</u>	<u>524,166</u>
(29,458)	(1,433)	78,196	2,397,459	5,468,691
-	-	-	(100,000)	(1,178,700)
<u>(29,458)</u>	<u>(1,433)</u>	<u>78,196</u>	<u>2,297,459</u>	<u>4,289,991</u>
<u>1,936,268</u>	<u>489,914</u>	<u>1,484,849</u>	<u>13,110,188</u>	<u>40,287,953</u>
<u>\$ 1,906,810</u>	<u>\$ 488,481</u>	<u>\$ 1,563,045</u>	<u>\$ 15,407,647</u>	<u>\$ 44,577,944</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 3,072,087	\$ 4,196,791	\$ 17,647,753
Payments to suppliers	(2,203,340)	(1,453,510)	(4,651,396)
Payments to employees	(696,680)	(740,210)	(10,157,419)
Internal activity-payments to/from other funds	(962,463)	-	-
Net cash provided (used) by operating activities	<u>(790,396)</u>	<u>2,003,071</u>	<u>2,838,938</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other receipts/payments	-	6,457	-
Operating subsidies and transfers to/from other funds	-	-	(1,078,700)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>6,457</u>	<u>(1,078,700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(732,880)	-
Proceeds from disposal of capital assets	-	(1,893)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(734,773)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	202,993	-	-
Net cash provided by investing activities	<u>202,993</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(587,403)	1,274,755	1,760,238
Cash and cash equivalents, July 1	<u>9,892,893</u>	<u>4,722,859</u>	<u>17,495,411</u>
Cash and cash equivalents, June 30	<u>\$ 9,305,490</u>	<u>\$ 5,997,614</u>	<u>\$ 19,255,649</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (406,242)</u>	<u>\$ 1,031,801</u>	<u>\$ 2,206,167</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	983,850	-
Changes in assets and liabilities:			
(Increase) decrease in inventory	-	(13,398)	-
(Increase) decrease in accounts receivable	-	14,131	520,655
(Increase) decrease in due to/from other funds	(962,463)	-	-
(Increase) decrease in compensated absences	-	-	(211,780)
Increase (decrease) in other accrued liabilities	13,425	11,784	26,745
Increase (decrease) in claims payable	576,698	-	-
Increase (decrease) in accounts payable	(21,913)	(25,097)	297,151
Total adjustments	<u>(384,154)</u>	<u>971,270</u>	<u>632,771</u>
Net cash provided (used) by operating activities	<u>\$ (790,396)</u>	<u>\$ 2,003,071</u>	<u>\$ 2,838,938</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,151,190	\$ 153,362	\$ 560,450	\$ 2,938,742	\$ 29,720,375
(435,836)	(85,304)	(400,542)	(1,942,429)	(11,172,357)
(724,013)	(127,124)	(51,699)	(138,624)	(12,635,769)
-	-	-	-	(962,463)
(8,659)	(59,066)	108,209	857,689	4,949,786
-	-	-	(154,627)	(148,170)
-	-	-	(100,000)	(1,178,700)
-	-	-	(254,627)	(1,326,870)
(12,888)	-	-	-	(745,768)
-	-	-	-	(1,893)
(12,888)	-	-	-	(747,661)
26,940	-	-	334,007	563,940
26,940	-	-	334,007	563,940
5,393	(59,066)	108,209	937,069	3,439,195
1,678,118	310,506	1,513,753	20,088,991	55,702,531
<u>\$ 1,683,511</u>	<u>\$ 251,440</u>	<u>\$ 1,621,962</u>	<u>\$ 21,026,060</u>	<u>\$ 59,141,726</u>
\$ (53,843)	\$ (1,432)	\$ 78,196	\$ 2,089,878	\$ 4,944,525
36,043	-	3,637	-	1,033,629
-	(34,898)	-	-	(48,296)
13,469	-	-	300	548,555
-	-	-	-	(962,463)
-	-	-	-	(211,780)
6,643	(96)	279	1,415	60,195
-	-	-	(1,714,657)	(1,137,959)
(10,971)	(22,640)	26,097	480,753	723,380
45,184	(57,634)	30,013	(1,232,189)	5,261
<u>\$ (8,659)</u>	<u>\$ (59,066)</u>	<u>\$ 108,209</u>	<u>\$ 857,689</u>	<u>\$ 4,949,786</u>

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STATISTICAL SECTION

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

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

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

Source: City Finance Department

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

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

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

Source: City Finance Department

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

Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeits and Penalties	Investment Earnings	Charges for Current Services	From Other Agencies	Other	Total
1995	\$ 38,663,096	\$ 513,759	\$ 940,834	\$ 4,314,946	\$ 8,517,319	\$ 21,752,085	\$ 1,641,387	\$ 76,343,426
1996	40,048,758	559,885	713,406	3,817,567	8,968,904	23,047,823	8,454,947	85,611,290
1997	40,883,962	631,604	708,349	4,158,539	9,935,681	27,241,397	6,166,290	89,725,822
1998	41,638,248	845,235	778,585	4,696,853	10,086,122	22,886,767	9,075,753	90,007,563
1999	45,498,928	1,246,309	1,485,615	3,680,285	10,521,186	22,628,126	5,485,539	90,545,988
2000	50,638,702	1,529,432	1,475,528	4,034,092	11,433,428	27,714,561	5,059,530	101,885,273
2001	54,814,471	1,264,250	1,359,830	5,254,884	10,922,997	29,889,400	4,761,674	108,267,506
2002	59,469,508	938,059	1,501,798	3,414,633	10,191,911	32,405,788	3,126,882	111,048,579
2003	64,392,049	1,118,683	1,514,888	3,565,522	10,724,200	39,152,082	2,863,714	123,331,138
2004	67,875,733	1,303,349	2,093,910	3,223,592	11,026,939	36,573,673	2,760,082	124,857,278

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

Source: City Finance Department

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

Fiscal Year	Fire	Police	Traffic Safety	Public Right of Way	Drainage	Community Buildings
1995	\$ 9,178,778	\$ 19,847,742	\$ 1,984,856	\$ 13,090,184	\$ 1,655,460	\$ 4,200,049
1996	9,656,627	20,664,243	2,645,307	9,410,289	1,770,657	4,704,578
1997	9,539,889	22,148,062	2,707,193	8,527,186	608,719	1,921,470
1998	10,090,274	21,997,802	2,175,666	7,083,555	663,018	2,279,786
1999	10,045,706	23,536,643	2,776,520	5,924,733	2,157,947	1,979,080
2000	10,972,200	25,417,845	4,130,579	6,662,996	487,205	2,256,119
2001	12,277,714	29,123,723	4,336,705	6,580,799	1,494,302	2,164,620
2002	12,973,832	28,154,170	3,607,366	8,600,980	790,298	3,067,612
2003	14,054,241	28,712,294	2,982,642	11,206,224	1,024,574	4,679,869
2004	14,551,229	30,411,547	2,969,556	9,738,431	582,604	2,308,763

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

Source: City Finance Department

Community Services	Parks and Greenbelts	Community Planning and Development	Municipal Support	Debt Service	Total
\$ 2,595,091	\$ 1,601,864	\$ 19,930,562	\$ 4,374,825	\$ 5,122,050	\$ 33,624,392
2,841,598	1,298,804	30,313,735	4,176,149	5,481,426	44,111,712
2,690,035	1,217,777	40,811,965	4,299,529	8,440,628	57,459,934
3,161,986	1,232,938	44,184,873	4,578,430	8,181,416	61,339,643
3,515,957	1,586,564	38,732,103	4,672,808	9,578,191	58,085,623
4,078,624	1,400,354	38,020,506	5,000,081	8,219,956	56,719,521
6,070,907	1,592,357	30,929,858	4,740,089	8,227,285	51,560,496
7,184,902	1,519,959	32,099,102	4,918,667	9,199,900	54,922,530
5,583,243	1,972,622	37,226,739	5,475,535	10,322,844	60,580,983
3,573,926	1,801,134	40,194,033	5,575,956	14,667,098	126,374,277

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

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
1995	\$ 11,151,942	\$ 7,193,444	\$ 1,457,733	\$ 1,536,740	\$ 1,295,716	\$ 5,306,062	\$ 27,941,637
1996	13,405,748	7,155,395	1,478,198	1,586,350	1,481,183	5,688,838	30,795,712
1997	13,082,199	7,195,919	1,569,983	1,581,671	1,586,113	5,961,120	30,977,005
1998	13,841,148	7,283,232	1,561,920	1,583,041	1,687,513	6,435,651	32,392,505
1999	14,386,085	7,532,937	1,563,861	1,600,891	1,453,801	6,810,491	33,348,066
2000	15,623,656	8,154,089	1,593,190	1,758,435	1,907,023	7,572,377	36,608,770
2001	17,187,756	8,697,891	1,711,813	1,934,418	3,221,941	8,428,185	41,182,004
2002	17,099,202	9,278,777	1,912,931	2,164,240	4,280,764	9,353,926	44,089,840
2003	17,913,119	9,633,188	1,909,152	2,298,509	5,861,586	9,982,677	47,598,231
2004	18,555,795	10,275,238	2,045,711	2,315,429	8,628,343	7,598,457	49,418,973

Source: City Finance Department

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

Fiscal Year	City Tax Rate (Per \$100)	Total Tax Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995	0.0250	\$ 7,482,224	\$ 6,900,068	92.3	\$ 293,376	\$ 7,193,444	96.1	\$ 265,742	3.6%
1996	0.0250	7,330,476	6,751,782	92.1	369,698	7,121,480	97.1	173,309	2.4%
1997	0.0250	7,097,406	6,698,543	94.3	317,589	7,016,132	98.9	145,099	2.0%
1998	0.0025	7,347,609	7,084,765	96.4	235,421	7,320,186	99.6	150,644	2.0%
1999	0.0025	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0%
2000	0.0025	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.0025	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.0025	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%
2003	0.0025	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.0025	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%

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

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

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

Fiscal Year	Secured Property	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase (Decrease)
1995	\$ 4,650,058,496	\$ 247,975,774	\$ 4,898,034,270	\$ 4,898,034,270	-
1996	4,596,713,371	237,419,608	4,834,132,979	4,834,132,979	(1.30)
1997	4,569,482,092	234,999,187	4,804,481,279	4,804,481,279	(0.60)
1998	4,626,552,656	246,003,468	4,872,556,124	4,872,556,124	0.40
1999	4,784,032,451	253,572,578	5,037,605,029	5,037,605,029	0.90
2000	5,066,585,221	275,398,024	5,341,983,245	5,341,983,245	6.20
2001	5,485,695,051	286,423,071	5,772,118,122	5,772,118,122	8.10
2002	5,858,899,378	328,906,652	6,187,806,030	6,187,806,030	7.20
2003	6,237,992,510	302,092,895	6,540,085,405	6,540,085,405	5.60
2004	6,690,748,967	299,913,148	6,990,662,115	6,990,662,115	6.90

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

Excludes Redevelopment Increment Valuations

Source: Orange County Assessor's Office

**CITY OF GARDEN GROVE
PRINCIPAL TAXPAYERS
JUNE 30, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Total Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Landmark Hotels	Property Management/Hotel	\$ 87,878,576	1.26%
Atrium Plaza Inc	Property Management/Hotel	65,436,948	0.94%
OHI Resort Hotels	Property Management/Hotel	36,768,933	0.53%
Kilroy Realty LP	Property Management	37,322,594	0.53%
BB Promenade	Restaurant/Retail	25,666,525	0.37%
American Medical	Medical Center/Hospital	24,408,806	0.35%
Swedlow, Inc.	Mfg. Plastic products	19,237,153	0.28%
AIC Investment Co, Inc.	Mfg. Aircraft Fasteners	18,883,470	0.27%
7300 Chapman Ave, LLC	Tradeshaw Sales	18,593,787	0.27%
Graphic Packaging Corp.	Mfg. Packaging Materials	17,713,621	0.25%
Total:		<u>\$ 351,910,413</u>	<u>5.05%</u>

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

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

Fiscal Year	City General	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
1995	N/A	0.02500	0.00890	-	0.00040	-	1.0001	1.03440
1996	N/A	0.02500	0.00890	0.00012	-	-	1.0000	1.03402
1997	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
1998	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
1999	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2000	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2001	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2002	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2003	N/A	0.02500	0.00890	-	-	-	1.0000	1.03390
2004	N/A	0.02500	0.00610	0.03373	-	-	1.0000	1.06483

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

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

Source: Orange County Tax Rates Book

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2004**

2003-04 Assessed Valuation:	\$ 8,549,649,076
Redevelopment Incremental Valuation:	<u>1,583,340,975</u>
Adjusted Assessed Valuation:	\$ 6,966,308,101

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/04
Orange County Teeter Plan Obligations	2.688 %	\$ 3,344,544
Metropolitan Water District	0.569	2,546,133
Coast Community College District	5.899	6,488,900
North Orange County Joint Community College District	2.645	6,290,709
Rancho Santiago Community College District	5.107	4,909,104
Anaheim Union High School District	0.074	86,827
Anaheim School District	0.093	59,365
Magnolia School District	0.212	19,960
City of Garden Grove 1915 Act Bonds	100	<u>360,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 24,105,542

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:	%	Debt
Orange County General Fund Obligations	2.688 %	\$ 24,899,455
Orange County Pension Obligations	2.688	3,138,845
Orange County Board of Education Certificates of Participation	2.688	536,256
Orange County Transit Authority	2.688	132,787
Municipal Water District of Orange County Water Facilities Corporation	3.203	1,336,131
Coast Community College District Certificates of Participation	5.899	452,453
Orange Unified School District Certificates of Participation	1.231	648,245
Anaheim Union High School District Certificates of Participation	0.074	19,569
Huntington Beach Union High School District Certificates of Participation	1.457	247,690
City of Garden Grove General Fund Obligations	100	36,884,265
Orange County Sanitation District No. 2 Certificates of Participation	3.824	<u>5,715,542</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 74,011,238
Less: Orange County Transit Authority (80% self-supporting)		106,230
MWDOC Water Facilities Corporation (100% self-supporting)		1,336,131
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 72,568,877
GROSS COMBINED TOTAL DEBT		\$ 98,116,780 (1)
NET COMBINED TOTAL DEBT		\$ 96,674,419

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

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt

<u>Ratios to Adjusted Assessed Valuation:</u>	0.28%
Combined Direct Debt (\$36,884,265)	0.53%
Gross Combined Total Debt	1.41%
Net Combined Total Debt	1.39%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$0

KD: (\$400)

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

**CITY OF GARDEN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2004**

Assessed Valuation		\$ 6,990,662,115
Debt Limit: 3.75% os Assessed Value		\$ 262,149,825
Amount of debt applicable to debt limit:		
Total bonded debt	\$ -	
Other Debt	-	
Less: Net assets in Debt Service Fund	-	
Total debt applicable to limitation		-
Legal debt margin		\$ 262,149,825

Source: City Finance Department

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

Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1995	\$ 14,959,267	\$ 10,988,077	\$ 3,971,190	\$ 335,000	\$ 1,033,722	\$ 1,368,722	2.90%
1996	15,670,573	10,907,207	4,763,366	355,000	1,012,633	1,367,633	3.48%
1997	15,908,822	11,436,272	4,472,550	370,000	999,390	1,369,390	3.27%
1998	14,719,830	10,951,209	3,768,621	380,000	984,760	1,364,760	2.76%
1999	16,308,273	12,038,484	4,269,789	395,000	968,865	1,363,865	3.13%
2000	16,179,483	10,841,624	5,337,859	415,000	951,751	1,366,751	3.90%
2001	15,562,254	12,946,455	2,615,799	430,000	1,038,377	1,468,377	1.78%
2002	16,590,462	13,495,314	3,095,148	450,000	913,458	1,363,458	2.27%
2003	16,609,786	14,252,431	2,357,355	470,000	892,464	1,362,464	1.73%
2004	18,484,674	15,604,390	2,880,284	435,000	727,982	1,162,982	2.48%

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

Source: City Finance Department

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

Fiscal Year	Property Value (Secured)	Construction				Bank Deposits (in thousands)
		Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change	
1995	\$ 4,650,058,496	2,495	-13.0%	\$ 23,466,959	-28.0%	\$ 1,406,779
1996	4,596,713,371	3,753	50.0%	33,475,078	41.0%	1,482,368
1997	4,569,482,092	2,311	-38.0%	31,400,077	-6.0%	1,295,235
1998	4,626,552,656	2,391	3.0%	47,388,975	51.0%	1,304,042
1999	4,784,032,451	2,411	0.4%	94,475,067	99.4%	1,323,390
2000	5,066,585,221	2,374	-2.0%	186,860,874	97.8%	1,353,756
2001	5,485,695,051	2,674	12.6%	117,084,284	-37.3%	1,433,664
2002	5,713,806,762	2,439	-8.7%	59,230,589	-49.4%	1,562,797
2003	5,927,614,174	3,001	23.5%	86,713,703	46.4%	1,769,373
2004	6,690,748,967	2,802	-6.6%	64,348,514	-34.8%	Not available at time of printing

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

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

Fiscal Year	Population	Median Age of Population	Median Family Income	Unemployment Rate	School Enrollment
1995	153,824	30.5	\$44,406	5.5	43,413
1996	151,376	30.5	44,406	4.9	44,661
1997	152,041	30.5	45,685	4.4	45,776
1998	154,398	30.5	47,703	3.8	46,916
1999	156,534	30.5	50,782	3.7	48,031
2000	158,332	30.5	52,733	2.9	48,742
2001	169,212	32.3	56,960	3.9	49,411
2002	169,212	32.3	57,440	5.3	50,066
2003	169,911	32.3	60,480	4.8	50,172
2004	169,911	32.3	60,480	4.2	50,078

*Sources: City Finance Department
U.S. Census Bureau
State Employment Development Department
Garden Grove Unified School District*

**CITY OF GARDEN GROVE
INSURANCE IN FORCE
JUNE 30, 2004**

TYPE COVERAGE	INSURANCE COMPANY	POLICY TERM	ANNUAL PREMIUM	POLICY LIMITS
Property	Public Entity Property Insurance Program (PEPIP) Various Companies	5/15/03-7/1/04	\$335,537	\$750,000,000 per occurrence \$13,500,000 per occurrence and annual aggregate as respects to earthquake and flood
Boiler and Machinery	Public Entity Boiler and Machinery Program (PEPIP) Various Companies	5/15/03-7/1/04	\$5,730	\$100,000,000
California Municipal Excess Workers Compensation Program (CAMEX)	ACE American Insurance Company WCLO14405	7/1/03-7/1/04	\$260,049	\$25,000,000 \$5,000,000 Employer's Liability
Employee Dishonesty Bond including Faithful Performance and Computer Fraud	Various Companies	4/1/04-4/1/05	\$6,989	\$5,000,000
Calif Municipal Excess Liability (CAMEL) Program	Great Lakes UK 01-UK-RL-0000017-00	7/1/03-7/1/04	\$94,007	\$10,000,000 per occurrence
Public Entities Environmental Liability	Gulf Underwriters Insurance Company GV2829100	1/20/04-7/1/06	\$12,830	\$10,000,000 each condition

Source: City Finance Department

**CITY OF GARDEN GROVE
MISCELLANEOUS STATISTICAL INFORMATION
JUNE 30, 2004**

Incorporation	.....	June 18, 1956
Population	.....	169,911
Land Area	.....	17.9 square miles
Type of City	.....	General Law
Form of Government	.....	Council-Manager
Streets	.....	288 miles
Parks	.....	185 acres: over 22 sites
Water Systems	.....	10.3 billion gallons used per year

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

Source: City Finance Department

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GARDEN GROVE