

City of Garden Grove
California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2005 – June 30, 2006



City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2006

Department of Finance

Kingsley Okereke
Finance Director

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Introductory Section



CITY OF GARDEN GROVE

William J. Dalton
Mayor

Mark Rosen
Mayor Pro Tem
Harry J. Krebs
Council Member
Mark Leyes
Council Member
Janet Nguyen
Council Member

November 1, 2006

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, 2006. 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.

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GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Garden Grove's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Garden Grove

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

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

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

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various public budget review sessions, as necessary, and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The City Council adopts a fund level budget annually. The City Council thus controls appropriations at the fund level. The City Manager is authorized to transfer appropriations within a fund between the

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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 2005-06 fiscal year, the national, and much of California economy continued to show reasonable growth. Although some of the mixed economic signals of the past few years are still present, California economic growth in FY2005-06 was robust. Also, the Orange County vibrant economy showed no real signs of abating during the FY2005-06. Unemployment remained low, incomes increased, consumer spending increased, and interest rates, while increasing, have remained low, supporting a prolonged expansion of the real estate market. In line with local economic conditions, the City's economic expansion continued into its twelfth consecutive year.

Over this period, the City benefited significantly from improvement in the general economy as well as from community economic development and redevelopment efforts. In the past five years, the City has attracted major retail stores and facilitated the construction of seven new hotels, all of which are now fully operational. These efforts have had a profound effect on the City's economic base, which is focused on retail sales and tourism. The effects have been augmented by strong growth in property taxes from rising property values 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 addition, because of economic improvement across the State, ERAF (Education Revenue Augmentation Fund) takeaways have ended, revenues have stabilized, and the State is returning revenues taken in the past. These elements will continue to strengthen the City's economic base.

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

In the longer term, economic growth will be provided and sustained from community development and redevelopment activities. Garden Grove will continue to take advantage of its strategic location in North-Central Orange County near major tourist attractions, convention facilities, and its close proximity to major employment opportunities. The trend toward improving efficiency in operations, by using the latest computer hardware and software, will continue. New systems, such as the new geographical information

system, will provide much greater availability of location information for the City's law enforcement, public works, water and sewer utilities, and community development activities. The City will continue to pursue and consider cooperative ventures with other public agencies and the private sector in its efforts to control and reduce the costs of services. Compliance with new rules, regulations, and procedures has always been the highest priority in the past, and will continue to be in the future.

Cash Management

The Finance Director is responsible for investing all temporarily idle cash in accordance with the State Government Code and the City's approved investment policy. In order to maximize yield, all City funds are pooled and interest is allocated back to the funds on a proportionate basis. During the year, the City achieved a yield of 3.18 percent on its portfolio investments compared to 2.28 percent in prior fiscal year. At year end, cash, deposits, and investments included the following proportions of aggregate cash invested: United States Government Securities, 80 percent, and Local Agency Investment Fund of the State of California, 20 percent. Cash Management investments continue to be managed by providing for the required levels of security and liquidity, while providing for the highest level of yield available within the City's Investment Policy Guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible. Bond proceeds are not commingled with the portfolio, but are invested pursuant to the bond indentures. Consequently, earnings and yield on bond proceeds are not reflected in the previously stated figures.

Risk Management

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

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

A self-insured program is also maintained for workers compensation losses and carries a \$1 million, per occurrence, retention level. Excess workers compensation insurance coverage is placed with a joint powers authority for losses over \$1 million and up to \$150 million per occurrence. All losses,

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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, 2005. In order to receive this award, a governmental unit must publish an easy-to-read and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. Also, the California Society of Municipal Finance Officers (CSMFO) awarded the Certificate for Outstanding Financial Reporting to the City for the fiscal year ended June 30, 2005.

Acknowledgments

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



Kingsley Okereke
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garden Grove,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Enos

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Garden Grove

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

February 24, 2006

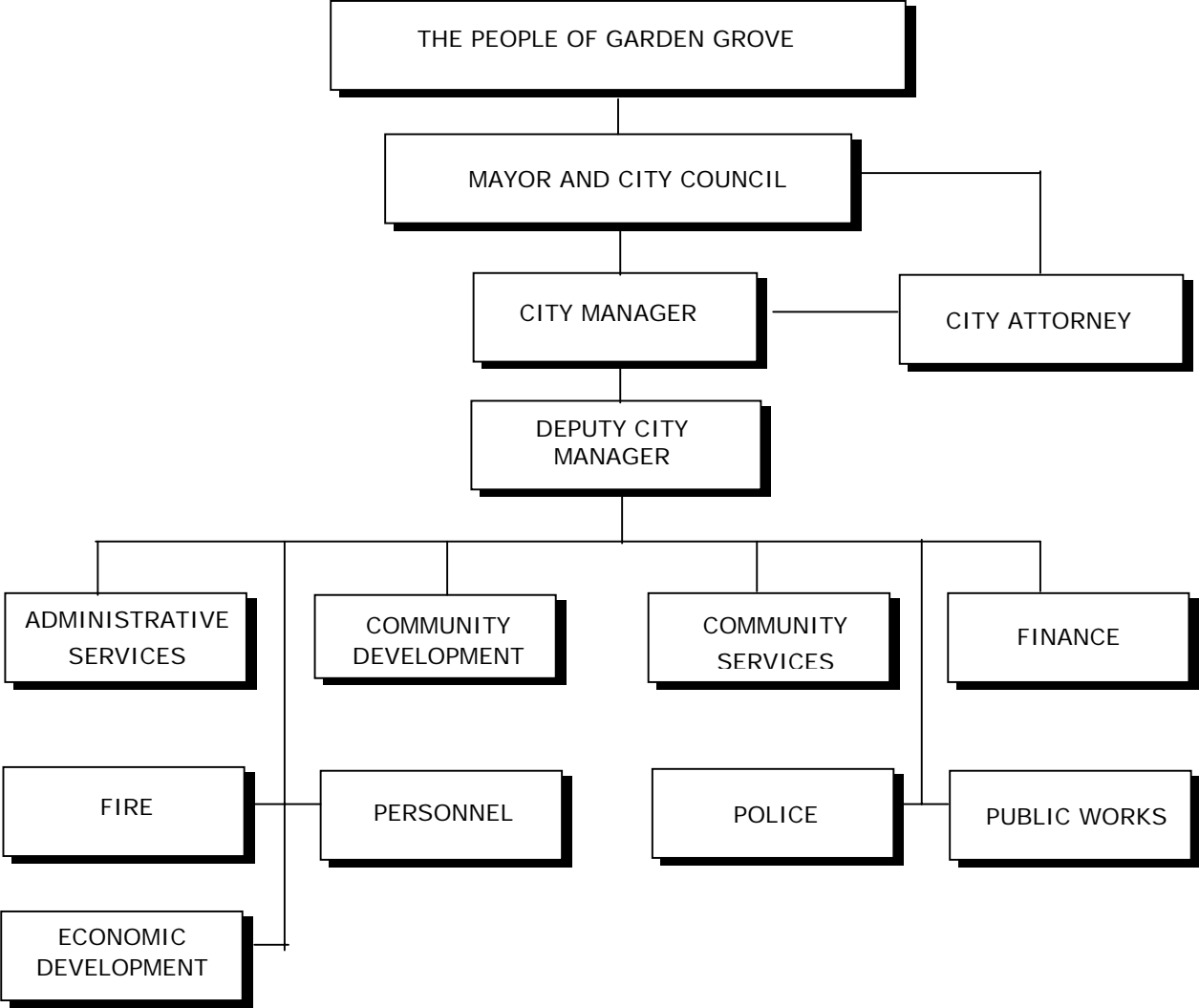
William A. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

William Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Mark Leyes
Councilman

Harry Krebs
Councilman

Janet Nguyen
Councilman

CITY OFFICIALS

Matthew J. Fertal
City Manager

Les Jones
Deputy City Manager

Tom Nixon
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

Chet Yoshizaki
Economic Development Director

Keith Jones
Public Works Director

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Financial Section

September 22, 2006

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, 2006, 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, 2006, 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 22, 2006 on our consideration of the City of Garden Grove internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Garden Grove, we offer readers of the City of Garden Grove's financial statements this narrative overview and analysis of the financial activities of the City of Garden Grove for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The net assets of the City of Garden Grove for the fiscal year ended June 30, 2006 totaled \$808.651 million. Of this amount, \$27.848 million is unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Garden Grove's governmental funds reported combined ending fund balances of \$106.849 million, an increase of \$4.521 million over the prior year balance.
- The unreserved deficit amount of \$22.218 million reported in the Community Project Capital Projects fund is as a result of capital project acquisitions and improvements funded with long-term debt and intercity loans.
- The City of Garden Grove's total debt increased by \$17.862 million as a result of the issuance of \$21.845 million sewer revenue debt and repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City of Garden Grove maintains 23 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 project debt service fund, Community Project capital projects fund, Low Income Housing capital projects fund and 2003 Tax Allocation capital projects fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Garden Grove, assets exceeded liabilities by \$808,651 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (90.72%) reflects its investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 234.6	\$ 222.9	\$ 31.0	\$ 7.7	\$ 265.6	\$ 230.6
Capital assets	671.7	673.2	94.0	89.0	765.7	762.2
Total assets	906.3	896.1	125.0	96.7	1,031.3	992.8
Long-term liabilities	103.7	106.6	49.8	28.5	153.5	135.1
Other liabilities	64.3	62.7	4.9	5.1	69.2	67.8
Total liabilities	168.0	169.3	54.7	33.6	222.7	202.9
Net assets	\$ 738.3	\$ 726.8	\$ 70.3	\$ 63.1	\$ 808.6	\$ 789.9
Invested in capital assets, net of related debt	667.5	668.4	66.1	60.5	733.6	728.9
Restricted	47.2	42.9	-	-	47.2	42.9
Unrestricted	23.6	15.5	4.2	2.6	27.8	18.1
Total net assets	\$ 738.3	\$ 726.8	\$ 70.3	\$ 63.1	\$ 808.6	\$ 789.9

An additional portion of the City's net assets, \$47.168 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$27.848 million, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net assets increased \$18.745million over the prior fiscal year end balance. The improved net asset was largely as a result of revenues (\$193.873 million) exceeding expenditure (\$175.125 million) at the close of the fiscal year. The revenue increases are due to the continuing economic growth driven increases in hotel tax, property tax revenues, grant revenue and increase in sewer rates

	City of Garden Grove, Change in Net Assets					
	(in millions)					
	Government activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 13.8	\$ 11.7	\$ 33.7	\$ 30.2	\$ 47.5	\$ 41.9
Operating grants and contributions	40.6	38.3	0.7	0.6	41.3	38.9
Capital grants and contributions	10.9	7.4	5.3	0.3	16.2	7.7
General revenues:						
Sales taxes	19.5	19.5	-	-	19.5	19.5
Property taxes	34.4	31.1	-	-	34.4	31.1
Other taxes	29.3	28.8	-	-	29.3	28.8
Earning on investments	3.3	4.0	0.6	0.4	3.9	4.4
Other	1.7	0.8	-	-	1.7	0.8
Total revenues	<u>153.5</u>	<u>141.6</u>	<u>40.3</u>	<u>31.5</u>	<u>193.8</u>	<u>173.1</u>
Expenses:					-	-
Fire	18.2	16.3	-	-	18.2	16.3
Police	36.2	33.5	-	-	36.2	33.5
Traffic safety	3.0	2.3	-	-	3.0	2.3
Public right of way	13.7	13.9	-	-	13.7	13.9
Drainage	1.5	0.9	-	-	1.5	0.9
Community buildings	0.7	1.8	-	-	0.7	1.8
Community services	3.1	3.4	-	-	3.1	3.4
Parks and greenbelts	3.6	1.5	-	-	3.6	1.5
Community planning and development	47.6	40.8	-	-	47.6	40.8
Municipal support	7.7	7.0	-	-	7.7	7.0
Interest on Long-term debt	6.7	5.6	-	-	6.7	5.6
Water utility	-	-	19.7	20.0	19.7	20.0
Sewage collection	-	-	4.2	3.7	4.2	3.7
Solid waste disposal	-	-	7.3	6.3	7.3	6.3
Mobile home parks	-	-	1.5	1.5	1.5	1.5
RV park	-	-	0.4	-	0.4	-
Total expenses	<u>142.0</u>	<u>127.0</u>	<u>33.1</u>	<u>31.5</u>	<u>175.1</u>	<u>158.5</u>
Change in net assets	11.5	14.6	7.2	-	18.7	14.6
Net assets, July 1	<u>726.8</u>	<u>712.2</u>	<u>63.1</u>	<u>63.1</u>	<u>789.9</u>	<u>775.3</u>
Net assets, June 30	<u>\$ 738.3</u>	<u>\$ 726.8</u>	<u>\$ 70.3</u>	<u>\$ 63.1</u>	<u>\$ 808.6</u>	<u>\$ 789.9</u>

Governmental Activities. The City of Garden Grove governmental activities net assets increased by \$11.514 million for the year ended June 30, 2006. Key elements of this increase are as follows:

- Property taxes revenue increased by \$3.369 million, primarily due to increase in property value.
- Other taxes increased by \$0.656 million, primarily due increases in hotel tax revenues.
- Capital and operating grants revenue increased by \$6.736 million due to increased grants receipts and commitments related to transportation and parks from other governmental agencies

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

- Fire and police expenditures increased by \$1.864 million and \$2.688 million respectively mainly as a result of labor costs.
- Community planning and development expenditures increased by \$6.791 million largely due to land acquisitions for redevelopment purposes by the Agency for Community Development.

Business-type activities. Business-type activities increased the City of Garden Grove's net assets by \$7.232 million Key element in this increase is as follows:

The Sewer Utility fund showed an increase in revenue of \$3.451 million due to rate restructuring that adjusted customer rates to cover future capital improvement expense and the debt service for the sewer bonds issued in FY2006. The City acquired a RV Park in FY2006 and established a business type fund to account for it. This fund's increase in net assets of \$4.152 million is a substantial part of the increase in net assets.

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 \$106.849 million, an increase of \$4.521 million in comparison with the prior year. The unreserved surplus of \$14.532 million consists of a surplus in the General fund (\$27.006 million), Special Revenue funds (\$9.131 million), Debt Service Fund (\$1,582) with an offset by a deficit in the Community Development Capital Projects fund (\$-21.607 million). The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows: 1) to liquidate contracts and purchase orders of the prior period (\$14.213 million), 2) to reserve out the cost of land held for resale (\$29.604 million), 3) to reserve out an

amount to cover intercity loans receivable (\$41.120 million), 4) to pay debt service (\$972,723), 5) to fund prior period continuing projects (\$4.591 million), and 6) to reserve out a variety of other restricted purposes (\$1.816 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 \$27.006 million, while total fund balance reached \$70.305 million.

The increase in the fund balance was due to moderate growth in revenues and transfers in for an increase of \$4.594 million. The increase in General fund revenues was offset with moderate increase in expenditures, which resulted in a net fund balance increase over last year of \$9.558 million.

- **Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$0.268 million due to the continued growth in the Section 8 federal housing program. This program shows no fund balances or reserves at year-end.
- **Community Project debt service fund.** The Community Project debt service fund, which provides an accounting of resources used to pay principal and interest on the Agency's Tax Allocation Bonds, ended the year with a reserve equal to the amount of debt due in the next fiscal year.
- **2002 Capital Improvement Project debt service fund.** The 2002 Capital Improvement debt service fund provides an accounting of the money held by fiscal agent in connection with the issuance of the Certificates of Participation, Series A in 2002. The total reduction in fund balance for the current year was \$4.654 million to a balance of \$760,979 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 \$22.2197 million. The total fund balance in the current year was a deficit balance of (\$2.704) million. The deficit fund balance was due to the increase in intercity loans of \$5.841 million. The reserved balance decreased by \$786,498 due primarily to an decrease 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 \$3.347 million.
- **2003 Tax Allocation capital projects fund.** The 2003 Tax Allocation capital projects fund accounts for capital projects, as well as the principal and interest on

the 2003 Tax Allocation Refunding Bonds within the Agency for Community Development Community project area.

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

Unrestricted net assets of the Water Utility fund at the end of the year amounted to deficit (\$7.711 million). For the Sewage Collection fund, unrestricted net assets was \$6.712 million, Solid Waste Disposal fund was \$0.299 million and Mobile Home Parks fund was \$3.655 million. Other factors concerning the finances of these funds are also addressed in the discussion of the City of Garden Grove business-type activities.

MAJOR FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND LONG TERM DEBT

Capital assets. The City of Garden Grove's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$765.7 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	
	2006	2005	2006	2005	2006	2005
Land	\$ 409.1	\$ 405.7	\$ 17.2	\$ 13.2	\$ 426.3	\$ 418.9
Construction in progress	1.1	5.1	3.3	2.8	4.4	7.9
Infrastructure	227.6	234.2	73.4	72.9	301.0	307.1
Building and structures	23.2	17.8	-	-	23.2	17.8
Machinery and equipment	10.7	10.4	0.1	0.1	10.8	10.5
Total capital assets	<u>\$ 671.7</u>	<u>\$ 673.2</u>	<u>\$ 94.0</u>	<u>\$ 89.0</u>	<u>\$ 765.7</u>	<u>\$ 762.2</u>

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

- The City acquired the RV Park land for \$4 million .
- An improvement to the City Sports Complex building of \$1,432 million.

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

Long term debt. At the end of the current fiscal year, the City of Garden Grove had total debt outstanding of \$147,739 million. The City's total debt increased by \$17.862 million during the current fiscal year due to the issuance of Sewer revenue COPs for \$21.845 million and repayments.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation (8,326,522,578). The current debt limitation for the City of Garden Grove is \$312.244 million. There are no outstanding general obligation bonds for the City.

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

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

	Government activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Tax allocation bonds	\$ 57.0	\$ 57.0	\$ -	\$ -	\$ 57.0	\$ 57.0
Certificates of participation	21.9	22.3	12.2	12.6	34.1	34.9
Agreements payable	15.1	17.4	-	-	15.1	17.4
Capital lease purchase	3.9	4.7	-	-	3.9	4.7
Sewer revenue COP	-	-	21.8	-	21.8	-
Water revenue bonds	-	-	15.8	16.4	15.8	16.4
Total net assets	\$ 97.9	\$ 101.4	\$ 49.8	\$ 29.0	\$ 147.7	\$ 130.4

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Although most of the mixed economic signals of the past few years are still present, California economic growth last year was solidly above three percent. During the current fiscal year the City's unemployment rate decreased to 4.8% from the previous year's rate of 5.2%. However, in line with local economic conditions, the City's economic expansion continued into its twelfth consecutive year. These economic gains are reflected in the increases realized in the City's property tax, and hotel tax revenues.
- The 2006-07 budget was balanced using a large fund-balance carry-over from 2005-06, which included the money from the State's repayment of the Vehicle License Fee loan. Additional balancing measures will almost certainly be needed in the future due to the continuing revenue/expenditure imbalance in the City's budget.
- This was the Cities last year of the two-year diversion of property taxes from the City, as well as the Agency and Sanitary District. The impact on the City is about \$1.5 million. In addition, the "triple flip" swap of sales tax revenues for ERAF revenues that was used to secure State bond funding, and the backfilling of vehicle license fee funding from the State General Fund continue to distort the City's revenue flow and make revenue projections more difficult than previously.
- Although the budget was completely balanced, it does not provide complete funding in certain areas. The budget has deficiencies in asphalt maintenance of \$2 million, concrete maintenance of \$2.5 million, tree maintenance of \$156,000, and public facility and infrastructure depreciation of \$12 million. However, plans are now underway via the City's Strategic Plan to begin addressing these issues.

- Financial uncertainty relating to the City's local economy is not as significant of an issue because a steady growth is anticipated for the near future. Except for the uncertainty relating to the threat of expensive new mandates and funding shifts from other levels of governments for the next several years, the outlook for the City's revenues looks favorable, with steady but measured growth projected for sales tax, property tax, and transient occupancy taxes. In the longer term, economic growth will be provided and sustained from community development and redevelopment activities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Garden Grove's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Garden Grove, Office of the Finance Director, 11222 Acacia Parkway, Garden Grove, CA. 92840.

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Basic Financial Statements

**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 138,298,645	\$ 12,155,451	\$ 150,454,096
Cash and investments with fiscal agents	5,489,464	24,365,278	29,854,742
Receivables, net	18,996,638	4,521,849	23,518,487
Internal balances	11,181,560	(11,181,560)	-
Notes receivable	27,216,120	104,151	27,320,271
Inventory	379,457	-	379,457
Land held for resale	29,604,114	-	29,604,114
Prepaid items	1,734,319	-	1,734,319
Deposits	48,200	15,000	63,200
Total current assets	<u>232,948,517</u>	<u>29,980,169</u>	<u>262,928,686</u>
Noncurrent assets:			
Deferred issuance costs	1,691,646	1,012,450	2,704,096
Capital assets:			
Land	409,121,834	17,171,305	426,293,139
Construction in progress	1,133,417	3,293,529	4,426,946
Depreciable infrastructure, net	227,549,614	73,456,579	301,006,193
Depreciable buildings and structures, net	23,151,263	-	23,151,263
Depreciable equipment, net	10,716,435	105,791	10,822,226
Total noncurrent assets	<u>673,364,209</u>	<u>95,039,654</u>	<u>768,403,863</u>
Total assets	<u>906,312,726</u>	<u>125,019,823</u>	<u>1,031,332,549</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	14,031,613	3,537,977	17,569,590
Refundable deposits	3,150,162	317,332	3,467,494
Unearned revenue	18,929,477	1,036,392	19,965,869
Claims payable	26,995,415	-	26,995,415
Unamortized premium	1,183,499	-	1,183,499
Total current liabilities	<u>64,290,166</u>	<u>4,891,701</u>	<u>69,181,867</u>
Noncurrent liabilities:			
Due within one year	5,371,059	1,055,000	6,426,059
Due in more than one year	92,580,812	48,732,016	141,312,828
Accrued compensated absences:			
Due within one year	576,105	-	576,105
Due in more than one year	5,184,944	-	5,184,944
Total noncurrent liabilities	<u>103,712,920</u>	<u>49,787,016</u>	<u>153,499,936</u>
Total liabilities	<u>168,003,086</u>	<u>54,678,717</u>	<u>222,681,803</u>
NET ASSETS			
Invested in capital assets, net of related debt	667,547,042	66,085,188	733,632,230
Restricted for:			
Debt service	974,305	-	974,305
Low income housing	23,518,752	-	23,518,752
Streets and roads	13,237,988	-	13,237,988
Other purposes	9,439,378	-	9,439,378
Unrestricted	23,592,175	4,255,918	27,848,093
Total net assets	<u>\$ 738,309,640</u>	<u>\$ 70,341,106</u>	<u>\$ 808,650,746</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, 2006**

Functions/programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Fire	\$ 18,152,254	\$ 712,398	\$ -
Police	36,207,055	3,508,865	1,381,462
Traffic safety	2,956,111	1,318,497	102,358
Public right of way	13,677,027	314,051	5,235,643
Drainage	1,479,014	-	-
Community buildings	712,269	-	-
Community services	3,132,120	840,906	756,840
Parks and greenbelts	3,648,179	1,423,857	244,447
Community planning and development	47,610,662	3,323,664	32,273,012
Municipal support	7,700,306	2,375,300	656,502
Interest on long term debt	6,730,343	-	-
Total governmental activities	<u>142,005,340</u>	<u>13,817,538</u>	<u>40,650,264</u>
Business-type activities:			
Water utility	19,673,289	18,412,634	26,435
Sewage collection	4,219,367	6,274,249	449,702
Solid waste disposal	7,262,220	6,288,275	248,611
Mobile home parks	1,588,784	2,233,211	6,860
RV park	376,022	527,975	152
Total business-type activities	<u>33,119,682</u>	<u>33,736,344</u>	<u>731,760</u>
Total	<u>\$ 175,125,022</u>	<u>\$ 47,553,882</u>	<u>\$ 41,382,024</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

Gain on sale of capital assets

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
\$ -	\$ (17,439,856)	\$ -	\$ (17,439,856)
-	(31,316,728)	-	(31,316,728)
1,059,556	(475,700)	-	(475,700)
5,994,754	(2,132,579)	-	(2,132,579)
121,969	(1,357,045)	-	(1,357,045)
-	(712,269)	-	(712,269)
-	(1,534,374)	-	(1,534,374)
2,204,945	225,070	-	225,070
1,549,472	(10,464,514)	-	(10,464,514)
-	(4,668,504)	-	(4,668,504)
-	(6,730,343)	-	(6,730,343)
<u>10,930,696</u>	<u>(76,606,842)</u>	<u>-</u>	<u>(76,606,842)</u>
554,000	-	(680,220)	(680,220)
680,000	-	3,184,584	3,184,584
55,890	-	(669,444)	(669,444)
27,100	-	678,387	678,387
<u>4,000,000</u>	<u>-</u>	<u>4,152,105</u>	<u>4,152,105</u>
<u>5,316,990</u>	<u>-</u>	<u>6,665,412</u>	<u>6,665,412</u>
<u>\$ 16,247,686</u>	<u>\$ (76,606,842)</u>	<u>\$ 6,665,412</u>	<u>\$ (69,941,430)</u>
	19,452,972	-	19,452,972
	34,439,387	-	34,439,387
	2,234,668	-	2,234,668
	2,494,140	-	2,494,140
	11,410,774	-	11,410,774
	13,128,604	-	13,128,604
	3,248,370	636,741	3,885,111
	1,030,651	-	1,030,651
	70,000	(70,000)	-
	<u>611,619</u>	<u>-</u>	<u>611,619</u>
	<u>88,121,185</u>	<u>566,741</u>	<u>88,687,926</u>
	11,514,343	7,232,153	18,746,496
	<u>726,795,297</u>	<u>63,108,953</u>	<u>789,904,250</u>
	<u>\$ 738,309,640</u>	<u>\$ 70,341,106</u>	<u>\$ 808,650,746</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2006**

	Special Revenue Fund			Debt Service Fund
	General Fund	Housing Authority	Community Project	
ASSETS				
Cash and cash investments	\$ 32,930,097	\$ 402,287	\$ -	
Cash and cash investments with fiscal agents	78,446	-	-	
Taxes receivable	3,701,133	-	211,744	
Accounts receivable	2,757,079	-	-	
Interest receivable	164,575	-	-	
Intergovernmental receivable	-	-	-	
Notes receivable	290,733	-	-	
Intercity loans receivable	43,281,772	-	-	
Land held for resale, net	-	-	-	
Prepaid items	-	1,704,091	-	
Deposits	13,500	-	-	
Total assets	<u>\$ 83,217,335</u>	<u>\$ 2,106,378</u>	<u>\$ 211,744</u>	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,598,167	\$ 14,212	\$ -	
Other accrued liabilities	2,070,052	65,993	-	
Refundable deposits	1,767,505	534,761	-	
Due to other funds	5,957	552,019	-	
Deferred revenue	3,470,815	939,393	-	
Intercity loans payable	-	-	-	
Total liabilities	<u>12,912,496</u>	<u>2,106,378</u>	<u>-</u>	
Fund balances				
Reserved for:				
Encumbrances	365,998	-	-	
Property tax lawsuit	500,000	-	-	
Building improvements	1,300,000	-	-	
Intercity loans receivable	41,119,617	-	-	
Continuing projects	-	-	-	
Land held for resale	-	-	-	
Contractual commitments	-	-	-	
Debt service	-	-	211,744	
Deposits	13,500	-	-	
Unreserved, reported in:				
General fund	27,005,724	-	-	
Special revenue funds	-	-	-	
Debt service funds	-	-	-	
Capital projects funds	-	-	-	
Total fund balances	<u>70,304,839</u>	<u>-</u>	<u>211,744</u>	
Total liabilities and fund balances	<u>\$ 83,217,335</u>	<u>\$ 2,106,378</u>	<u>\$ 211,744</u>	

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

Debt Service Fund 2002 Capital Improvement Project	Capital Projects Funds			Nonmajor Governmental Funds	Total Governmental Funds
	Community Project	Low Income Housing	2003 Tax Allocation		
\$ -	\$ 15,099,815	\$ 1,645,188	\$ 2,633,717	\$ 19,203,424	\$ 71,914,528
760,979	-	-	4,650,039	-	5,489,464
-	-	53,331	-	572,109	4,538,317
-	23,188	57,550	-	449,711	3,287,528
-	68,720	3,285	-	50,152	286,732
-	-	-	-	9,564,069	9,564,069
-	17,403,286	2,979,423	-	6,542,678	27,216,120
-	-	3,799,532	-	-	47,081,304
-	19,500,482	9,827,742	-	275,890	29,604,114
-	-	-	-	-	1,704,091
-	-	-	-	2,600	16,100
<u>\$ 760,979</u>	<u>\$ 52,095,491</u>	<u>\$ 18,366,051</u>	<u>\$ 7,283,756</u>	<u>\$ 36,660,633</u>	<u>\$ 200,702,367</u>
\$ -	\$ 22,546	\$ -	\$ -	\$ 526,140	\$ 6,161,065
-	2,050,000	18,332	-	231,347	4,435,724
-	796,229	100	-	51,567	3,150,162
-	-	-	-	6,023,827	6,581,803
-	17,403,286	2,979,423	-	14,204,130	38,997,047
-	34,527,756	-	-	-	34,527,756
-	<u>54,799,817</u>	<u>2,997,855</u>	-	<u>21,037,011</u>	<u>93,853,557</u>
-	13,720	-	-	1,009,877	1,389,595
-	-	-	-	-	500,000
-	-	-	-	-	1,300,000
-	-	-	-	-	41,119,617
-	-	-	-	4,590,902	4,590,902
-	19,500,482	9,827,742	-	275,890	29,604,114
-	-	5,540,454	7,283,756	-	12,824,210
760,979	-	-	-	-	972,723
-	-	-	-	2,600	16,100
-	-	-	-	-	27,005,724
-	-	-	-	-	-
-	-	-	-	-	-
-	(22,218,528)	-	-	-	(22,218,528)
<u>760,979</u>	<u>(2,704,326)</u>	<u>15,368,196</u>	<u>7,283,756</u>	<u>5,879,269</u>	<u>97,104,457</u>
<u>\$ 760,979</u>	<u>\$ 52,095,491</u>	<u>\$ 18,366,051</u>	<u>\$ 7,283,756</u>	<u>\$ 26,916,280</u>	<u>\$ 190,958,014</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

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

Fund balances - total governmental funds	\$ 97,104,457
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	671,672,563
Certain notes receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.	20,067,570
Certain accounts payables are available to pay for current period expenditures, and therefore are not reported as governmental fund liabilities.	(600,000)
Internal service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service funds net assets are:	39,084,092
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	<u>(98,763,395)</u>
Net assets of governmental activities	<u><u>\$ 728,565,287</u></u>

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

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CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
		<u>Housing Authority</u>	<u>Community Project</u>
REVENUES			
Taxes	\$ 61,994,617	\$ -	\$ 16,450,980
Licenses and permits	1,604,040	-	-
Fines, forfeits and penalties	2,789,572	-	-
Investment earnings	1,408,151	43	-
Charges for current services	7,136,641	-	-
From other agencies	662,739	22,818,089	-
Other revenues	1,518,569	3,647	-
Total revenues	<u>77,114,329</u>	<u>22,821,779</u>	<u>16,450,980</u>
EXPENDITURES			
Current:			
Fire	16,942,499	-	-
Police	33,986,518	-	-
Traffic safety	1,620,025	-	-
Public right of way	2,928,533	-	-
Community buildings	2,738,271	-	-
Community services	1,359,002	-	-
Parks and greenbelts	663,055	-	-
Community planning and development	3,391,498	22,800,542	-
Municipal support	6,861,093	21,237	111,278
Capital outlay:			
Fire	720,374	-	-
Police	-	-	-
Traffic safety	-	-	-
Public right of way	455,950	-	-
Drainage	-	-	-
Community buildings	28,653	-	-
Parks and greenbelts	-	-	-
Community planning and development	-	-	-
Municipal support	-	-	-
Debt service:			
Principal retirement	831,561	-	-
Interest and other charges	225,989	-	2,762,200
Total expenditures	<u>72,753,021</u>	<u>22,821,779</u>	<u>2,873,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,361,308</u>	<u>-</u>	<u>13,577,502</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	7,335,628	-	413,349
Transfers out	(2,138,787)	-	(14,057,058)
Issuance of debt	-	-	-
Gain (Loss) on sale of capital assets	-	-	-
Total other financing sources (uses)	<u>5,196,841</u>	<u>-</u>	<u>(13,643,709)</u>
Net change in fund balances	9,558,149	-	(66,207)
Fund balances, July 1	<u>60,746,690</u>	<u>-</u>	<u>277,951</u>
Fund balances, June 30	<u>\$ 70,304,839</u>	<u>-</u>	<u>\$ 211,744</u>

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

Debt Service Fund	Capital Projects Funds			Nonmajor Governmental Funds	Total Governmental Funds
2002 Capital Improvement Project	Community Project	Low Income Housing	2003 Tax Allocation		
\$ -	\$ -	\$ 4,209,895	\$ -	\$ 1,028,945	\$ 83,684,437
-	-	-	-	68,299	1,672,339
-	-	-	-	149,172	2,938,744
122,690	1,322,797	56,666	331,777	561,127	3,803,251
-	9	-	-	5,477,100	12,613,750
-	-	-	-	16,404,520	39,885,348
-	1,211,321	406,494	-	337,067	3,477,098
<u>122,690</u>	<u>2,534,127</u>	<u>4,673,055</u>	<u>331,777</u>	<u>24,026,230</u>	<u>148,074,967</u>
-	-	-	-	246,636	17,189,135
-	-	-	-	816,297	34,802,815
-	-	-	-	1,198,229	2,818,254
-	-	-	-	2,451,944	5,380,477
-	-	-	-	-	2,738,271
-	-	-	-	2,049,926	3,408,928
-	-	-	-	795,358	1,458,413
-	2,050,000	-	-	2,815,427	31,057,467
-	-	-	-	203,959	7,197,567
-	-	-	-	155,520	875,894
-	-	-	-	539,004	539,004
-	-	-	-	720,839	720,839
-	18,790	-	-	4,532,422	5,007,162
-	-	-	-	106,695	106,695
-	39,994	-	-	-	68,647
-	-	-	-	2,081,346	2,081,346
-	16,741,541	914,390	-	728,362	18,384,293
-	295,823	57,949	-	-	353,772
-	3,507,347	-	-	570,000	4,908,908
-	3,113,363	23,107	-	613,228	6,737,887
<u>-</u>	<u>25,766,858</u>	<u>995,446</u>	<u>-</u>	<u>20,625,192</u>	<u>145,835,774</u>
<u>122,690</u>	<u>(23,232,731)</u>	<u>3,677,609</u>	<u>331,777</u>	<u>3,401,038</u>	<u>2,239,193</u>
98,780	20,938,070	49,625	-	713,178	29,548,630
(4,875,051)	(5,171,867)	(5,013)	(413,349)	(2,717,505)	(29,378,630)
-	1,500,000	-	-	-	1,500,000
-	986,700	(375,081)	-	-	611,619
<u>(4,776,271)</u>	<u>18,252,903</u>	<u>(330,469)</u>	<u>(413,349)</u>	<u>(2,004,327)</u>	<u>2,281,619</u>
(4,653,581)	(4,979,828)	3,347,140	(81,572)	1,396,711	4,520,812
5,414,560	2,275,502	12,021,056	7,365,328	14,226,911	102,327,998
<u>\$ 760,979</u>	<u>\$ (2,704,326)</u>	<u>\$ 15,368,196</u>	<u>\$ 7,283,756</u>	<u>\$ 15,623,622</u>	<u>\$ 106,848,810</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, 2006**

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

Net change in fund balances - total governmental funds	\$ 4,520,812
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.	(2,380,632)
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.	3,416,452
Certain expenditures are used for current financial resources and, therefore are reported in net assets.	(300,000)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.	502,245
Loans are recorded as expenditures in the governmental funds when issued. Repayment on these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions has any effect on net assets.	<u>5,755,466</u>
Net assets of governmental activities	<u>\$ 11,514,343</u>

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

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	Business-Type Activities	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 2,167,713	\$ 6,187,234
Cash and cash investments with fiscal agents	1,338,798	21,884,443
Taxes receivable	-	43,496
Accounts receivable	2,634,880	896,043
Interest receivable	16,312	45,293
Due from other funds	-	-
Notes receivable	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Prepaid expense	-	-
Deposits	15,000	-
Total current assets	<u>6,922,703</u>	<u>29,056,509</u>
Noncurrent assets:		
Deferred issuance costs	268,930	309,801
Deferred refunding costs	647,131	-
Capital assets:		
Land	1,470,305	6,000
Construction in progress	154,124	3,139,405
Depreciable infrastructure, net	47,998,981	25,457,598
Depreciable equipment, net	63,115	19,923
Total noncurrent assets	<u>50,602,586</u>	<u>28,932,727</u>
Total assets	<u>57,525,289</u>	<u>57,989,236</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	1,741,633	119,499
Accrued compensated absences	-	-
Accrued interest payable	27,131	42,639
Other current liabilities	171,912	215,784
Claims payable	-	-
Refundable deposits	305,978	8,383
Deferred revenue	-	-
Intercity loans payable	13,303,548	-
Current portion of long-term obligations	645,000	-
Total current liabilities	<u>16,195,202</u>	<u>386,305</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations		
Revenue bonds payable	15,320,150	-
Certificates of participation payable	-	22,267,995
Total noncurrent liabilities	<u>15,320,150</u>	<u>22,267,995</u>
Total liabilities	<u>31,515,352</u>	<u>22,654,300</u>
NET ASSETS		
Invested in capital assets, net of related debt	33,721,375	28,622,926
Unrestricted	(7,711,438)	6,712,010
Total net assets	<u>\$ 26,009,937</u>	<u>\$ 35,334,936</u>

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

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

-Enterprise Funds				Governmental
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	Activities - Internal Service Funds
\$ 1,353,864	\$ 2,353,623	\$ 93,017	\$ 12,155,451	\$ 66,384,117
-	1,142,037	-	24,365,278	-
55,843	-	-	99,339	-
747,533	3,049	59,088	4,340,593	998,018
5,400	14,912	-	81,917	321,974
-	-	-	-	6,581,803
-	104,151	-	104,151	-
-	-	-	750,000	-
-	-	-	-	379,457
-	-	-	-	30,228
-	-	-	15,000	32,100
<u>2,162,640</u>	<u>3,617,772</u>	<u>152,105</u>	<u>41,911,729</u>	<u>74,727,697</u>
-	433,719	-	1,012,450	-
-	-	-	647,131	-
-	11,695,000	4,000,000	17,171,305	-
-	-	-	3,293,529	-
-	-	-	73,456,579	-
4,400	18,353	-	105,791	6,416,955
<u>4,400</u>	<u>12,147,072</u>	<u>4,000,000</u>	<u>95,686,785</u>	<u>6,416,955</u>
<u>2,167,040</u>	<u>15,764,844</u>	<u>4,152,105</u>	<u>137,598,514</u>	<u>81,144,652</u>
919,820	-	-	2,780,952	1,410,716
-	-	-	-	5,761,049
-	289,292	-	359,062	-
10,267	-	-	397,963	104,437
-	-	-	-	26,995,415
2,010	961	-	317,332	-
931,138	105,254	-	1,036,392	-
-	-	-	13,303,548	-
-	410,000	-	1,055,000	-
<u>1,863,235</u>	<u>805,507</u>	<u>-</u>	<u>19,250,249</u>	<u>34,271,617</u>
-	-	-	15,320,150	-
-	11,791,002	-	34,058,997	-
-	11,791,002	-	49,379,147	-
<u>1,863,235</u>	<u>12,596,509</u>	<u>-</u>	<u>68,629,396</u>	<u>34,271,617</u>
4,400	(487,649)	4,000,000	65,861,052	6,416,955
299,405	3,655,984	152,105	3,108,066	40,456,080
<u>\$ 303,805</u>	<u>\$ 3,168,335</u>	<u>\$ 4,152,105</u>	<u>68,969,118</u>	<u>\$ 46,873,035</u>
			1,371,988	
			<u>\$ 70,341,106</u>	

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Business-Type Activities	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	18,383,062	-
Mobile home parks operation	-	-
Solid waste disposal fees	-	-
Property assessments	-	1,790,080
Sewer user fees	-	4,853,737
RV park operations	-	-
Other	26,435	46,907
Total operating revenues	<u>18,409,497</u>	<u>6,690,724</u>
Operating expenses:		
Salaries and wages	3,102,533	934,323
Contractual services	3,361,985	1,487,355
Liability claims	-	-
Materials and supplies	416,647	112,774
Water production expenses	10,344,460	-
Mobile home parks on-site operations	-	-
RV park on-site operations	-	-
Depreciation	1,750,366	858,520
Amortization	40,328	-
Total operating expenses	<u>19,016,319</u>	<u>3,392,972</u>
Operating income (loss)	<u>(606,822)</u>	<u>3,297,752</u>
Nonoperating revenues (expenses):		
Investment income	242,308	268,920
Gain on disposal of assets	-	-
Other nonoperating revenues	-	-
State educational revenue augmentation fund	-	(826,395)
Interest expense	(656,970)	-
Total nonoperating revenues (expenses)	<u>(414,662)</u>	<u>(557,475)</u>
Income (loss) before contributions and transfers	(1,021,484)	2,740,277
Capital contributions	554,000	680,000
Transfers out	-	-
Change in net assets	(467,484)	3,420,277
Total net assets, July 1	<u>26,477,421</u>	<u>31,914,659</u>
Total net assets, June 30	<u>\$ 26,009,937</u>	<u>\$ 35,334,936</u>

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

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

-Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ -	\$ -	\$ -	\$ -	\$ 33,967,766
-	-	-	18,383,062	-
-	2,240,071	-	2,240,071	-
6,288,275	-	-	6,288,275	-
246,530	-	-	2,036,610	-
-	-	-	4,853,737	-
-	-	527,975	527,975	-
2,081	-	152	75,575	-
<u>6,536,886</u>	<u>2,240,071</u>	<u>528,127</u>	<u>34,405,305</u>	<u>33,967,766</u>
229,304	-	-	4,266,160	13,693,405
6,919,273	-	-	11,768,613	12,334,182
-	-	-	-	6,725,669
403	-	-	529,824	1,107,381
-	-	-	10,344,460	-
-	862,049	-	862,049	-
-	-	376,022	376,022	-
550	2,528	-	2,611,964	1,016,398
-	28,119	-	68,447	-
<u>7,149,530</u>	<u>892,696</u>	<u>376,022</u>	<u>30,827,539</u>	<u>34,877,035</u>
<u>(612,644)</u>	<u>1,347,375</u>	<u>152,105</u>	<u>3,577,766</u>	<u>(909,269)</u>
39,892	103,430	-	654,550	1,504,517
-	-	-	-	51,987
55,890	27,100	-	82,990	-
(112,690)	-	-	(939,085)	-
-	(696,088)	-	(1,353,058)	-
<u>(16,908)</u>	<u>(565,558)</u>	<u>-</u>	<u>(1,554,603)</u>	<u>1,556,504</u>
(629,552)	781,817	152,105	2,023,163	647,235
-	-	4,000,000	5,234,000	-
-	(70,000)	-	(70,000)	(100,000)
(629,552)	711,817	4,152,105	7,187,163	547,235
933,357	2,456,518	-	-	46,325,800
<u>\$ 303,805</u>	<u>\$ 3,168,335</u>	<u>\$ 4,152,105</u>		<u>\$ 46,873,035</u>
			44,990	
			<u>\$ 7,232,153</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 18,776,877	\$ 6,163,289
Payments to suppliers	(14,778,352)	(1,596,564)
Payments to employees	(3,102,533)	(934,323)
Other receipts/payments	-	(826,395)
Internal activity-payments to/from other funds	-	-
Net cash provided by operating activities	<u>895,992</u>	<u>2,806,007</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
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		
Rental of city property	-	-
Purchases of capital assets	(1,870,434)	(1,746,431)
Proceeds from disposal of capital assets	-	-
Net bonds issued	-	21,958,194
Principal paid on capital debt	(635,000)	-
Interest paid on capital debt	(656,970)	-
Capital contribution	554,000	680,000
Net cash provided (used) by capital and related financing activities	<u>(2,608,404)</u>	<u>20,891,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>253,588</u>	<u>268,920</u>
Net cash provided by investing activities	<u>253,588</u>	<u>268,920</u>
Net increase (decrease) in cash and cash equivalents	(1,458,824)	23,966,690
Cash and cash equivalents, July 1	<u>4,965,335</u>	<u>4,104,987</u>
Cash and cash equivalents, June 30	<u>\$ 3,506,511</u>	<u>\$ 28,071,677</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ 7,280,167	\$ 2,284,849	\$ 469,039	\$ 34,974,221	\$ 34,097,183
-	(898,086)	(376,022)	(17,649,024)	(15,716,601)
(229,304)	-	-	(4,266,160)	(13,533,738)
(112,690)	-	-	(939,085)	-
(6,468,203)	-	-	(6,468,203)	(978,482)
<u>469,970</u>	<u>1,386,763</u>	<u>93,017</u>	<u>5,651,749</u>	<u>3,868,362</u>
-	(70,000)	-	(70,000)	(100,000)
-	(70,000)	-	(70,000)	(100,000)
55,890	27,100	-	82,990	-
-	-	(4,000,000)	(7,616,865)	(1,893,256)
-	-	-	-	79,418
-	-	-	21,958,194	-
-	(390,000)	-	(1,025,000)	-
-	(696,088)	-	(1,353,058)	-
-	-	4,000,000	5,234,000	-
<u>55,890</u>	<u>(1,058,988)</u>	<u>-</u>	<u>17,280,261</u>	<u>(1,813,838)</u>
<u>39,892</u>	<u>103,430</u>	<u>-</u>	<u>-</u>	<u>1,422,866</u>
<u>39,892</u>	<u>103,430</u>	<u>-</u>	<u>665,830</u>	<u>1,422,866</u>
565,752	361,205	93,017	23,527,840	3,377,390
788,112	3,134,455	-	12,992,889	63,006,727
<u>\$ 1,353,864</u>	<u>\$ 3,495,660</u>	<u>\$ 93,017</u>	<u>\$ 36,520,729</u>	<u>\$ 66,384,117</u>

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (606,822)	\$ 3,297,752
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,750,366	858,520
Amortization expense	40,328	-
State educational revenue augmentation fund	-	(826,395)
Decrease (increase) in taxes receivable	-	(706)
Decrease (increase) in accounts receivable	356,100	(510,679)
Decrease (increase) in accrued interest receivable	11,280	(16,050)
Decrease (increase) in notes receivable	-	-
Decrease (increase) in due to/from other funds	-	-
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Increase (decrease) in accounts payable	(689,455)	69,723
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued interest payable	(529)	42,639
Increase (decrease) in other accrued liabilities	40,923	(108,797)
Increase (decrease) in refundable deposits	(6,199)	-
Increase (decrease) in claims payable	-	-
Total adjustments	<u>1,502,814</u>	<u>(491,745)</u>
Net cash provided by operating activities	<u>\$ 895,992</u>	<u>\$ 2,806,007</u>

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

Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	
\$ (612,644)	\$ 1,347,375	\$ 152,105	\$ 3,577,766	\$ (909,269)
550	2,528	-	2,611,964	1,016,398
-	28,119	-	68,447	-
(112,690)	-	-	(939,085)	-
(8,864)	20,954	-	11,384	-
757,545	-	(59,088)	543,878	126,917
(5,400)	(3,276)	-	(13,446)	-
-	27,100	-	27,100	-
-	-	-	-	(978,482)
-	-	-	-	(32,551)
-	-	-	-	230,507
406,772	-	-	(212,960)	189,663
-	-	-	-	534,427
-	(8,937)	-	33,173	-
627	-	-	(67,247)	(190,359)
-	-	-	(6,199)	-
44,074	(27,100)	-	16,974	3,881,111
1,082,614	39,388	(59,088)	2,073,983	4,777,631
\$ 469,970	\$ 1,386,763	\$ 93,017	\$ 5,651,749	\$ 3,868,362

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

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

Blended component units:

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

Notes to Basic Financial Statements (Continued)

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

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

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

2. Government-wide and fund financial statements

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

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

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

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

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

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

Notes to Basic Financial Statements (Continued)

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

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

The City reports the following major governmental funds:

General fund

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

Housing Authority special revenue fund

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

Community Project debt service fund

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

2002 Capital Improvement Project debt service fund

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

Community Project capital projects fund

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

Low Income Housing capital projects fund

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

2003 Tax Allocation capital projects fund

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

Notes to Basic Financial Statements (Continued)

The City reports the following major proprietary funds:

Water Utility fund

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

Sewage Collection fund

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

Solid Waste Disposal fund

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

Mobile Home Parks fund

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

Additionally, the City reports the following fund type:

Internal Service funds

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

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

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

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

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

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

4. Assets, liabilities, and net assets or equity

a. Deposits and investments

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

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

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.

Notes to Basic Financial Statements (Continued)

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 23, 2005	7% - 10%
December 9, 2005	14% - 20%
December 21, 2005	20% - 25%
January 20, 2006	3% - 7%
March 21, 2006	5% - 7%
April 21, 2006	15% - 20%
May 19, 2006	10% - 15%
July 14, 2006	1% - 2% (Collections through June 30)

d. Inventories, prepaid items and land held for resale

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

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

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

e. Capital assets

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

Notes to Basic Financial Statements (Continued)

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 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

Notes to Basic Financial Statements (Continued)

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	\$	409,121,834
Construction in progress		1,133,417
Depreciable infrastructure, net		227,549,614
Depreciable buildings and park assets, net		23,151,263
Depreciable equipment, net		10,716,435
	\$	<u>671,672,563</u>

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

Internal service funds net assets-beginning of year	\$	44,998,802
Change in net assets		502,245
Capital assets investment		(6,416,955)
	\$	<u>39,084,092</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 \$98,863,795 adjustment are as follows:

Notes to Basic Financial Statements (Continued)

Tax allocation refunding bonds	\$	(57,025,000)
Certificates of participation		(21,895,000)
Agreements payable		(15,159,293)
Lease purchases		(3,872,578)
Accrued interest payable		(1,319,671)
Deferred charge for issuance costs (to be amortized over life of debt)		1,691,646
Unamortized bonds premium		(1,183,499)
	\$	<u>(98,763,395)</u>

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

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

Capital outlay capitalization for year	\$	9,284,896
Current year governmental depreciation		(11,665,528)
	\$	<u>(2,380,632)</u>

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

Debt issued or incurred:		
Agreements payable	\$	(1,500,000)
Debt principal repayments:		
Certificates of participation		430,000
Agreements payable		3,712,087
Lease purchase payments		766,821
Amortization of issuance costs		(68,890)
Amortization of premium		49,313
Change in accrued interest		27,121
Total long term debt adjustment	\$	<u>3,416,452</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

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

Notes to Basic Financial Statements (Continued)

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

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

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

2. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

<u>Fund</u>	<u>Type of Fund</u>	<u>Amount over Budget</u>
Community Project	Debt service fund	\$ 113,878
Community Project	Capital projects fund	3,359,849
Park Maintenance	Special revenue fund	5,439
		<u>\$ 3,479,166</u>

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

3. Deficit fund equity

The following funds had a deficit at June 30, 2006:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Community Project	Capital projects fund	\$ 2,704,326
Self Supporting Revenue	Special revenue fund	29,995
Other Grants and Contributions (OGC)	Special revenue fund	2,986,647
		<u>\$ 5,720,968</u>

All the deficits are expected to be eliminated with future revenues and transfers. In the case of the OGC special revenue fund deficit of \$2.99 million, qualified and committed State and Federal grant reimbursements will be used to offset the deficits.

Notes to Basic Financial Statements (Continued)

4. Tax increment financing - Agency for Community Development

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

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

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

5. Reimbursement agreements

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

6. Estimates

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

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 150,454,096
Cash and investments with fiscal agent	29,854,742
Total cash and investments	<u>\$ 180,308,838</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 43,269
Deposits with financial institutions	1,692,714
Investments	178,572,855
Total cash and investments	<u>\$ 180,308,838</u>

Notes to Basic Financial Statements (Continued)

Investments Authorized by the City's Investment Policy

The table below identifies the **investment types** that are authorized by the City's investment policy. The table also identifies certain provisions of the City's investment policy that address **interest rate risk**, **credit risk**, and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provision of the City's investment policy.

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

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

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury	None	None	None
Money Market Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

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

Notes to Basic Financial Statements (Continued)

average maturity of its portfolio. The City has no specific imitations with respect to this metric.

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 39,000,000	0.82
U.S. Agency Securities		
FHLB	52,950,000	1.44
FFCB	3,000,000	1.10
FNMA	25,965,000	1.22
Mortgage-backed Securities	14,938	0.50
Commercial Paper	4,834,227	0.00
Local Agency Investment Fund (LAIF)	22,953,949	0.50
Held by Fiscal Agent:		
Money Market Funds	2,433,774	0.50
Investment Contracts	27,420,967	0.50
	<u>\$ 178,572,855</u>	
Total		

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments

Federal agency securities with step up interest rates. The interest rates of these securities step up to various predetermined rates ranging from 2.25% to 8.00% at various call dates provided for each security. The market's assessment of the likelihood of the call option being exercised versus the interest rate stepping up creates fair values for these securities that are highly sensitive to changes in market demanded interest rates. \$22,000,000

Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. 14,938

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Notes to Basic Financial Statements (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	A-1/P-1/F1	Not Rated
U.S. Treasury	\$ 39,000,000	N/A	\$39,000,000	\$ -	\$ -	\$ -
U.S. Agency Securities						
FHLB	52,950,000	N/A	-	52,950,000	-	-
FFCB	3,000,000	N/A	-	3,000,000	-	-
FNMA	25,965,000	N/A	-	25,965,000	-	-
Local Agency Investment Fund	22,953,949	N/A	-	-	-	22,953,949
GNMA (mortgage backed securities)	14,938	N/A	14,938	-	-	-
Commercial Paper	4,834,227	A	-	-	4,834,227	-
Held by fiscal agent:						
Money Market Funds	2,433,774	AAA	-	2,433,774	-	-
Investment Contracts	27,420,967	AAA	-	27,420,967	-	-
Total	\$178,572,855		\$39,014,938	\$111,769,741	\$ 4,834,227	\$22,953,949

Concentration of Credit Risk

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

Issuer	Investment Type	Investment Type
FHLB	U.S. Agency Securities	\$ 52,950,000
FNMA	U.S. Agency Securities	25,965,000
Held by fiscal agent:		
US Bank	Investment Contracts	23,238,601

Custodial Credit Risk

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

Notes to Basic Financial Statements (Continued)

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

2. Receivables

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

<u>Governmental activities:</u>				
	General Fund	Community Project Debt Service	Community Project Capital Projects	Low Income Housing Capital Projects
Taxes receivable	\$ 3,701,133	\$ 211,744	\$ -	\$ 53,331
Accounts receivable	2,757,079	-	23,188	57,550
Interest receivable	164,575	-	68,720	3,285
Intergovernmental receivable	-	-	-	-
	<u>\$ 6,622,787</u>	<u>\$ 211,744</u>	<u>\$ 91,908</u>	<u>\$ 114,166</u>

	Nonmajor Governmental Funds	Internal Service Funds	Governmental Activities Receivables
Taxes receivable	\$ 572,109	\$ -	\$ 4,538,317
Accounts receivable	449,711	998,018	4,285,546
Interest receivable	50,152	321,974	608,706
Intergovernmental receivable	9,564,069	-	9,564,069
	<u>\$ 10,636,041</u>	<u>\$ 1,319,992</u>	<u>\$ 18,996,638</u>

<u>Business-type activities:</u>				
	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile Home Parks Enterprise
Taxes receivable	\$ -	\$ 43,496	\$ 55,842	\$ -
Accounts receivable	2,634,880	896,043	747,533	3,049
Interest receivable	16,312	45,293	5,400	14,912
	<u>\$ 2,651,192</u>	<u>\$ 984,832</u>	<u>\$ 808,775</u>	<u>\$ 17,961</u>

	Nonmajor RV Park	Business-type Activities Receivables
Taxes receivable	\$ -	\$ 99,339
Accounts receivable	59,088	4,340,593
Interest receivable	-	81,917
	<u>\$ 59,088</u>	<u>\$ 4,521,849</u>

Notes to Basic Financial Statements (Continued)

3. Intercity loans receivable/payable at June 30, 2006 consisted of the following:

a. Loan from General fund to Water Utility fund

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

\$13,303,548

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

The General Fund has loaned to the Community Project capital projects fund a total of \$6,175,791 to assist in funding the Agency's operating budget for the past five fiscal years. The loans accrue interest at a rate of 6.5% per annum. There is no set repayment schedule for these loans. However, the Agency repaid \$2 million to the General Fund during fiscal year 05/06. Interest of \$250,112 has accrued, and the outstanding principal and interest balance is \$2,097,987 at June 30, 2006.

2,097,987

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.

3,873,250

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

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%, beginning March 1, 2005. Also, the Agency was responsible for making interest-only payments until March 1, 2005 on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which were

Notes to Basic Financial Statements (Continued)

used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739 issuance costs related to the Certificates of Participation. Beginning March 1, 2005, the Agency is responsible for principal and interest payment on the Certificates to the extent that the Agency has utilized Certificate proceeds. During the fiscal year ended June 30, 2005, the Agency received additional advances of \$3,589,099. During the fiscal year ended June 30, 2006, the Agency received additional advances of \$6,041,483 which brings the total under this agreement to \$24,006,987 at June 30, 2006. As of June 30, 2006, the Agency made \$410,000 of principal payment and \$1,144,590 of interest payment.

24,006,987

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

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

750,000

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

The Community Project Capital projects fund has three loans from the Low Income Housing Capital Project fund, that were used to make the fiscal year 2003-04 (\$871,616), 2004-05 (\$1,527,894), and 2005-06 (\$1,355,528) mandated Educational Revenue Augmentation Fund payments. Interest is accrued annually for the respective loans based upon the City's investment rate of return of the prior year. The rate accrued on the loans for fiscal year 2003-04 was 2.30%, 2004-05 was 1.60%, and 2005-06 was 2.28%. Interest of \$20,047 and \$24,446 were accrued, and the combined outstanding principal and interest balance is \$3,799,532 at June 30, 2006. The loan is due in 10 years.

3,799,532

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$47,831,304

4. Notes receivable at June 30, 2006 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.

\$656,826

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.

14,849,527

c. Property acquisitions:

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

1,642,792

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 (\$29,514) and Low Income Housing capital projects fund (\$30,000). Revenue will be recognized when payments are received.

59,514

e. Rental rehabilitation:

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

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 (\$2,949,423) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received.

3,174,050

f. *Rental rehabilitation –Other governmental funds:*

The City has entered into fifteen 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.

6,542,678

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.

290,733

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.

104,151

TOTAL NOTES RECEIVABLE

\$27,320,271

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	\$	29,648,966
Less: allowance for decline in value		<u>(44,852)</u>
Net value	\$	<u>29,604,114</u>

6. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 405,652,056	\$ 3,469,778	\$ -	\$ 409,121,834
Construction in progress	<u>5,088,193</u>	<u>1,133,417</u>	<u>(5,088,193)</u>	<u>1,133,417</u>
Total capital assets, not being depreciated	<u>410,740,249</u>	<u>4,603,195</u>	<u>(5,088,193)</u>	<u>410,255,251</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	322,270,877	3,171,233	(372,876)	325,069,234
Storm drain assets	68,283,796	4,210	-	68,288,006
Buildings and park assets	31,281,573	6,200,092	-	37,481,665
Furniture and equipment	<u>23,212,497</u>	<u>2,287,615</u>	<u>(581,691)</u>	<u>24,918,421</u>
Total capital assets, being depreciated	<u>445,048,743</u>	<u>11,663,150</u>	<u>(954,567)</u>	<u>455,757,326</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(126,407,929)	(8,550,653)	372,876	(134,585,706)
Storm drain assets	(29,856,245)	(1,365,675)	-	(31,221,920)
Buildings and park assets	(13,450,348)	(880,054)	-	(14,330,402)
Furniture and equipment	<u>(12,870,703)</u>	<u>(1,885,542)</u>	<u>554,259</u>	<u>(14,201,986)</u>
Total accumulated depreciation	<u>(182,585,225)</u>	<u>(12,681,924)</u>	<u>927,135</u>	<u>(194,340,014)</u>
Total capital assets, being depreciated, net	<u>262,463,518</u>	<u>(1,018,774)</u>	<u>(27,432)</u>	<u>261,417,312</u>
Governmental activities capital assets, net	<u>\$ 673,203,767</u>	<u>\$ 3,584,421</u>	<u>\$ (5,115,625)</u>	<u>\$ 671,672,563</u>

Notes to Basic Financial Statements (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 13,171,305	\$ 4,000,000	\$ -	\$ 17,171,305
Construction in progress	2,787,715	505,814	-	3,293,529
Total capital assets, not being depreciated	<u>15,959,020</u>	<u>4,505,814</u>	<u>-</u>	<u>20,464,834</u>
Capital assets, being depreciated:				
Buildings and structures	99,096	15,000	-	114,096
Water system	79,261,744	1,701,859	-	80,963,603
Sewer system	60,315,178	1,394,742	-	61,709,920
Machinery and equipment	246,670	-	-	246,670
Total capital assets, being depreciated:	<u>139,922,688</u>	<u>3,111,601</u>	<u>-</u>	<u>143,034,289</u>
Less accumulated depreciated for:				
Buildings and structures	(99,096)	-	-	(99,096)
Water system	(31,243,339)	(1,736,284)	-	(32,979,623)
Sewer system	(35,396,569)	(855,752)	-	(36,252,321)
Machinery and equipment	(120,951)	(19,928)	-	(140,879)
Total accumulated depreciation	<u>(66,859,955)</u>	<u>(2,611,964)</u>	<u>-</u>	<u>(69,471,919)</u>
Total capital assets, being depreciated, net	<u>73,062,733</u>	<u>499,637</u>	<u>-</u>	<u>73,562,370</u>
Business-type activities capital assets, net	<u>\$ 89,021,753</u>	<u>\$ 5,005,451</u>	<u>\$ -</u>	<u>\$ 94,027,204</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fire	\$ 394,508	\$ -
Police	1,046,966	-
Traffic safety	223,789	-
Right of way	8,642,748	-
Drainage	1,367,409	-
Community buildings	411,255	-
Community services	190,186	-
Parks and greenbelts	245,175	-
Community development	77,048	-
Municipal support	82,840	-
Water	-	1,750,366
Sewer	-	859,070
Mobile home park	-	2,528
Total	<u>\$ 12,681,924</u>	<u>\$ 2,611,964</u>

7. Interfund receivables, payables, and transfers

a. The composition of interfund payable balances as of June 30, 2006 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ -	\$ 5,957
Housing Authority special revenue	-	552,019
Nonmajor governmental fund	-	6,023,827
Internal service	<u>6,581,803</u>	<u>-</u>
Total	<u>\$ 6,581,803</u>	<u>\$ 6,581,803</u>

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

Notes to Basic Financial Statements (Continued)

b. The composition of interfund transfer balances as of June 30, 2006 is as follows:

Transfers out:	Transfers In						Total
	General fund	Capital projects community project fund	Low income housing fund	Community project debt service fund	COP series 2002 fund	Nonmajor governmental	
General fund	\$ -	\$ 2,005,961	\$ -	\$ -	\$ -	\$ 132,826	\$ 2,138,787
Capital projects							
Community project fund	149,737	4,873,725	49,625	-	98,780	-	5,171,867
Low income housing fund	-	-	-	-	-	5,013	5,013
Community project debt service fund	-	14,057,058	-	-	-	-	14,057,058
COP series 2002 debt service fund	4,873,725	1,326	-	-	-	-	4,875,051
Tax allocation bond 2003	-	-	-	413,349	-	-	413,349
Mobile home park enterprise fund	70,000	-	-	-	-	-	70,000
Nonmajor governmental	2,142,166	-	-	-	-	575,339	2,717,505
Internal service funds	100,000	-	-	-	-	-	100,000
Total	\$ 7,335,628	\$ 20,938,070	\$ 49,625	\$ 413,349	\$ 98,780	\$ 713,178	\$ 29,548,630

- Transfers between General Fund, Community Project capital projects fund, and Community Project debt service fund provided financing based on a reimbursement agreement between the Agency for Community Development and the City (see note C5).
- Transfers between General Fund, Community Project capital projects fund, 2002 Capital Improvement Project debt service fund, and 2002 Capital Improvement Project capital projects fund (a nonmajor governmental fund) were related to the advances received by the Agency (see note D3d).
- In addition, the General Fund provided funding to the Self-supporting Revenue special revenue fund, and the Parking District special revenue fund. And the General Fund received funding from the Golf Course special revenue fund and State Gas Tax special revenue fund.
- Other transfers were minimal.

8. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, comp time off and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2006 is \$5,761,049.

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

Notes to Basic Financial Statements (Continued)

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 \$3,937,309 at June 30, 2006.

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 \$1,823,740 at June 30, 2006.

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	\$ 3,520,403	\$ 3,650,067	\$ (3,233,161)	\$ 3,937,309	\$ 393,731
Sick leave	1,706,219	1,086,135	(968,614)	1,823,740	182,374
	<u>\$ 5,226,622</u>	<u>\$ 4,736,202</u>	<u>\$ (4,201,775)</u>	<u>\$ 5,761,049</u>	<u>\$ 576,105</u>

9. Deferred revenue

The deferred revenue in the General fund in the amount of \$3,470,815 represents \$1,017,927 due from the State of California for mandated cost reimbursements, \$2,162,155 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund (see Note 3b), and \$290,733 for a developer's note receivable. Deferred revenue in the Community Project and Low Income Housing capital projects funds are associated with the notes receivable discussed in Note 4.

Certain federal, state and county grants have advanced funds for project expenditures. These funds are recorded in nonmajor governmental funds as deferred revenue. In addition, the City had incurred grant reimbursable expenditures totaling \$3,589,408 that was recorded as deferred revenue in the Other Grants and Contributions special revenue fund.

The deferred revenue of \$931,138 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2006.

Notes to Basic Financial Statements (Continued)

10. Changes in long term debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Tax allocation bonds	\$ 57,025,000	\$ -	\$ -	\$ 57,025,000	\$ 1,625,000
Certificates of participation	22,325,000	-	(430,000)	21,895,000	440,000
Agreements payable	17,371,380	1,500,000	(3,712,087)	15,159,293	2,495,108
Lease purchase	4,639,399	-	(766,821)	3,872,578	810,951
Governmental activities long-term liabilities	<u>\$ 101,360,779</u>	<u>\$ 1,500,000</u>	<u>\$ (4,908,908)</u>	<u>\$ 97,951,871</u>	<u>\$ 5,371,059</u>
<u>Business-type activities</u>					
Water revenue bonds	\$ 16,410,000	\$ -	\$ (635,000)	\$ 15,775,000	\$ 645,000
Add: premium	200,714	-	(10,564)	190,150	-
Less: deferred amounts on refunding	(683,082)	-	35,952	(647,130)	-
Sewer Revenue COP	-	21,845,000	-	21,845,000	-
Add: premium	-	425,358	(2,364)	422,994	-
Certificates of participation	12,640,000	-	(390,000)	12,250,000	410,000
Less: deferred amounts for issuance discounts	(51,852)	-	2,854	(48,998)	-
Business-type activities long- term liabilities	<u>\$ 28,515,780</u>	<u>\$ 22,270,358</u>	<u>\$ (999,122)</u>	<u>\$ 49,787,016</u>	<u>\$ 1,055,000</u>

b. Governmental long-term debt at June 30, 2006 consisted of the following:

Tax allocation refunding bonds issue of 2003:

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

\$57,025,000

Notes to Basic Financial Statements (Continued)

Certificates of participation:

\$22,735,000 City of Garden Grove Certificates of Participation, Series A of 2002, were executed to provide funds for the acquisition of land to assist certain redevelopment activity of the Garden Grove Agency for Community development and for other improvement projects of the Agency or the City. The Certificates represent fractional interests of the owners in the lease payments, for certain real property and improvements thereon, to be made by the City, as lessee, to the Garden Grove Public Financing Authority, as lessor, under a Lease/Purchase Agreement. The leased properties consist of Garden Grove Park, Willowick Golf Course, a municipal amphitheater, a community meeting center, fire station, and related land. Lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1, beginning March 1, 2005, and continuing until March 1, 2027. Interest is payable semiannually, beginning on September 1, 2002, with an interest rate ranging from 3.500% to 5.125% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2006.

\$21,895,000

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.

\$1,000,000

\$13,580,000 Federal Housing and Community Development Section 108 Loan for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The Agency for Community Development has pledged future tax increment funds to satisfy the City's obligations under this loan agreement. Principal payments ranging from \$460,000 to \$1,200,000 are due annually on August 1 through the year 2016. Interest is due semi-annually on February 1 and August 1.

9,620,000

\$265,000 real property purchase. On July 3, 2001 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$265,000,

Notes to Basic Financial Statements (Continued)

bearing interest at an annual rate of 7.25%. Equal payments are due annually until paid off on July 3, 2006. 53,000

\$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. 219,380

\$829,159 real property purchase. On March 13, 2002 the Agency for Community Development entered into a real property purchase and sale agreement wherein the Agency assumed the balance on an existing promissory note bearing interest at an annual rate of 8.5%. Equal monthly payments in the amount of \$7,355 will continue until February 13, 2016 when all unpaid principal and interest will be due and payable. 738,529

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

\$513,900 capital improvement loan. On July 27, 2004 the City received an energy efficiency loan from the California Energy Commission to assist in the funding of the second energy retrofit project. The loan has an annual interest rate of 3.95% with payments due semi-annually, in the amount of \$24,201, through June 22, 2018. 473,794

On July 15, 2005, the Agency for Community Development entered into an agreement in the amount of \$1,500,000, in accordance with an Option Agreement executed on May 5, 2003 for the purchase of the Travel County RV Park located on Harbor Boulevard in Garden Grove. The loan has an annual interest rate of 6% with interest payments of \$7,500 due monthly until July 1, 2008. No interest will accrue after July 1, 2008. The full agreement amount including interest is due on July 15, 2009. As of June 30, 2006 the amount outstanding was \$1,500,000. 1,500,000

Total agreements payable \$15,159,293

Lease purchases:

\$3,410,000 Countywide Public Financing Authority 1996 Revenue Bonds were issued 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

Notes to Basic Financial Statements (Continued)

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%.

\$420,000

\$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.

1,901,804

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

492,457

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

1,058,317

Total lease purchases

3,872,578

TOTAL GOVERNMENTAL LONG TERM DEBT

\$97,951,871

c. Proprietary long-term debt at June 30, 2006 consisted of the following items:

Revenue bonds payable - Water enterprise fund:

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

The City's previously issued \$20,495,000 water revenue bonds, series 1993, was originally issued to finance the construction of water storage and transmission facilities, and certain other city water systems. Principal payments for the Series 2004 Revenue Bonds range from \$435,000 to \$1,165,000 due annually on December 15, 2004 through 2023. Interest is due semi-annually on June 15 and December 15, at rates ranging from 2.000% to 5.000% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2006.

\$15,775,000

Unamortized bond premium fees

190,150

Unamortized deferred refunding cost

(647,130)

Notes to Basic Financial Statements (Continued)

Total revenue bonds payable \$15,318,020
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	\$ 18,409,497
Non-operating revenues	<u>242,308</u>
Gross revenue	18,651,805
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(17,225,625)</u>
Net revenues	<u>\$ 1,426,180</u>
Debt service requirement for next bond year: \$1,289,700 x 125%	<u>\$ 1,612,125</u>

For the fiscal year ended June 30, 2006, the City did not meet the required 125 percent debt service coverage with respect to the Water Refunding Revenue Bonds, Series 2004. In September 2006, the City hired a contractor to develop a financial plan to study water rates and revenues necessary to provide for requisite water production costs in order to comply with the 125 percent debt service coverage for the fiscal year ending June 30 2006.

Certificates of Participation – Mobile Home enterprise fund:

\$15,645,000 1993 Certificates of Participation (Bahia Village/Emerald Isle Project) were issued on August 26, 1993. Proceeds from the sale of the certificates were used to finance the acquisition by the Garden Grove Housing Authority of certain real property constituting two Mobile Home parks within the City (excluding the Mobile Homes in such parks): Bahia Village Mobile Home Park located at 13096 Blackbird Street and Emerald Isle Mobile Home Park located at 13741 Clinton Street. The City is obligated under a lease agreement with the Garden Grove Housing Authority to make lease payments and additional rental payments from any source of legally available funds, as the rental for the right to the use and possession of the projects. Principal payments ranging from \$330,000 to \$1,045,000 are due annually on August 1 through the year 2023. Interest is due semiannually on August 1 and February 1 at rates ranging from 4.0% to 5.7%. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2006.

	12,250,000
Unamortized COP discount fee	<u>(48,998)</u>
Total certificates of participation	<u>12,201,002</u>

Notes to Basic Financial Statements (Continued)

Revenue certificates of participation – Sewer enterprise fund:

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

21,845,000

Unamortized bond premium fees

422,994

Total revenue certificates of participation

22,267,994

TOTAL PROPRIETARY LONG TERM DEBT

49,787,016

TOTAL LONG TERM DEBT

\$147,738,887

d. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2006, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2007	\$ 1,625,000	\$ 2,741,269	\$ 4,366,269
2008	1,660,000	2,698,088	4,358,088
2009	1,710,000	2,647,537	4,357,537
2010	1,765,000	2,577,762	4,342,762
2011	1,850,000	2,487,388	4,337,388
2012-2016	10,575,000	11,097,963	21,672,963
2017-2021	13,525,000	8,029,597	21,554,597
2022-2026	15,940,000	4,557,166	20,497,166
2026-2029	8,375,000	1,465,625	9,840,625
Total	<u>\$ 57,025,000</u>	<u>\$ 38,302,395</u>	<u>\$ 95,327,395</u>

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2007	\$ 440,000	\$ 1,115,190	\$ 1,555,190
2008	460,000	1,099,790	1,559,790
2009	470,000	1,081,390	1,551,390
2010	500,000	1,062,590	1,562,590
2011	515,000	1,041,340	1,556,340
2012-2016	2,945,000	4,845,823	7,790,823
2017-2021	3,770,000	4,014,269	7,784,269
2122-2026	4,925,000	2,858,188	7,783,188
2027-2031	6,390,000	1,394,769	7,784,769
2032	1,480,000	75,850	1,555,850
Total	<u>\$ 21,895,000</u>	<u>\$ 18,589,199</u>	<u>\$ 40,484,199</u>

Notes to Basic Financial Statements (Continued)

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2007	\$ 2,495,108	\$ 762,077	\$ 3,257,185
2008	1,541,205	717,404	2,258,609
2009	2,291,549	590,781	2,882,330
2010	846,737	535,337	1,382,074
2011	902,268	483,217	1,385,485
2011-2016	5,768,274	1,464,243	7,232,517
2019-2019	1,314,152	46,395	1,360,547
Total	\$ 15,159,293	\$ 4,599,454	\$ 19,758,747

Year Ending June 30	Lease Purchase Agreements		
	Principal	Interest	Total
2007	\$ 810,951	\$ 169,991	\$ 980,942
2008	411,041	141,260	552,301
2009	432,143	122,694	554,837
2010	298,071	105,243	403,314
2011	301,690	90,241	391,931
2012-2016	1,298,109	210,014	1,508,123
2016-2020	320,573	25,854	346,427
Total	\$ 3,872,578	\$ 865,297	\$ 4,737,875

e. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2006, including interest payments, are as follows.

Year Ending June 30	2004 Water Revenue Bonds		
	Principal	Interest	Total
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	695,000	592,638	1,287,638
2011	720,000	570,512	1,290,512
2012-2016	4,000,000	2,408,762	6,408,762
2017-2021	4,905,000	1,468,831	6,373,831
2022-2024	3,470,000	262,250	3,732,250
Total	\$ 15,775,000	\$ 7,189,975	\$ 22,964,975

Year Ending June 30	1993 Mobile Home Park Certificate of Participation		
	Principal	Interest	Total
2007	\$ 410,000	\$ 683,025	\$ 1,093,025
2008	435,000	659,788	1,094,788
2009	455,000	635,313	1,090,313
2010	485,000	609,099	1,094,099
2011	510,000	580,990	1,090,990
2012-2016	3,010,000	2,426,034	5,436,034
2017-2021	3,975,000	1,437,968	5,412,968
2022-2024	2,970,000	260,205	3,230,205
Total	\$ 12,250,000	\$ 7,292,422	\$ 19,542,422

Year Ending June 30	2006 Sewer Revenue COP		
	Principal	Interest	Total
2007	\$ -	\$ 1,023,341	\$ 1,023,341
2008	-	1,023,341	1,023,341
2009	-	1,023,341	1,023,341
2010	440,000	1,023,341	1,463,341
2011	460,000	1,005,741	1,465,741
2012-2016	2,580,000	4,738,706	7,318,706
2017-2021	3,155,000	4,167,389	7,322,389
2022-2026	3,905,000	3,418,550	7,323,550
2027-2031	4,960,000	2,367,631	7,327,631
2032-2036	6,345,000	982,500	7,327,500
Total	\$ 21,845,000	\$ 20,773,881	\$ 42,618,881

11. Reserves of fund equity

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

12. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1,000,000, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a joint powers authority for losses from \$1,000,000 up to \$150,000,000 per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$19,179,933 (\$5,854,801 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2006, 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

Notes to Basic Financial Statements (Continued)

service fund. The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2006, in the amount of \$7,816,060 (\$1,834,622 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, 2006. 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, 2006 and June 30, 2005 are as follows:

	2006	2005
	<u>Worker's Compensation</u>	
Liability, July 1	\$ 15,976,957	\$ 13,393,111
Changes in estimates	8,958,399	7,113,817
Claim payments	<u>(5,756,001)</u>	<u>(4,529,971)</u>
Liability, June 30	<u>\$ 19,179,355</u>	<u>\$ 15,976,957</u>
	<u>Risk Management</u>	
Liability, July 1	\$ 7,137,925	\$ 5,694,187
Changes in estimates	2,425,394	3,567,037
Claim payments	<u>(1,747,259)</u>	<u>(2,123,299)</u>
Liability, June 30	<u>\$ 7,816,060</u>	<u>\$ 7,137,925</u>

13. Public Employees Retirement System

a. Plan description

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

b. Funding policy

Active plan members in the miscellaneous plan of the City are required to contribute 7% of their annual covered salary for a 2% at 55 retirement plan. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2006 was 10.584% for miscellaneous employees and 30.530%

Notes to Basic Financial Statements (Continued)

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, 2006 the City of Garden Grove's annual pension cost of \$12,300,550 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2006 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members. Both (a) and (b) include an inflation component of 3.00%.

<u>FYE</u>	<u>Annual Pension Cost</u>	<u>% of Annual Person Cost Contribution</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 6,721,017	100%	0
6/30/2005	\$ 9,801,968	100%	0
6/30/2006	\$ 12,300,550	100%	0

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

14. Postemployment benefits

In addition to the pension benefit described in Note 13, the City provides post retirement health care benefits to all retired employee. From July 1, 2005 to December 31, 2005, the City contributed \$48.40 per month for each retiree towards this benefit. Effective January 1, 2006, the City's contribution rate increased to \$64.60 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 195 have selected this option. At June 30, 2006, the total yearly cost to the City for this benefit was \$129,676 which represents 11% of the total yearly premium cost of \$1,220,924. The difference of \$1,091,248 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 Variable Rate Demand Multifamily Housing Revenue Bonds, Series A of 1990, for \$12,000,000 were issued as an obligation of the Housing Authority. These bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bonds were issued to provide funds for the cost of developing the Valley View Senior Village, a multifamily rental housing project in the City.

c. On March 16, 1996, the Garden Grove Housing Authority issued Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996A in the amount of \$7,790,000, Taxable Multifamily Housing Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996B in the amount of \$2,000,000, and Low Income Housing Tax Increment Revenue Bonds (Stuart Drive/Rose Garden Apartments Project) Series 1996C in the amount of \$8,500,000. The proceeds of the bonds were used to provide funds for the purpose of the acquisition and rehabilitation of multifamily rental housing projects in the City. The Series A, B and C Bonds are special obligations of the Authority and are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is liable for the payment of principal or interest on the bonds. The City has, however, guaranteed the annual principal and interest payments on the Series C Bonds. The City's obligation under the limited guarantee does not accumulate and transfer to the following fiscal year of the City. The City will receive a promissory note from the developer of the multifamily rental housing project for any payments made by the City on the limited guarantee. As of June 30, 2006, the City has made payments totaling \$729,999 towards the guarantee.

d. Utilizing special assessment bond financing under the authority of the Improvement Bond Act of 1915, the City formed a special assessment district for the purpose of improving the water distribution system and fire hydrant infrastructure in the Dale-Josephine neighborhood of the City. The bonds, which financed this debt, were issued on September 15, 1990 for \$656,608. The bonds were considered a non-obligation special assessment debt and are wholly a liability of the property owners. The City's role is limited to acting in an agent capacity for the property owners. The interest rate on the bonds ranges from 8.10% to 8.15% and the bonds matures on September 2, 2010. The outstanding balance at June 30, 2006 was \$275,000.

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, 2006.

18. Commitments and contingencies

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. If some

expenditures were disallowed, the City believes such disallowances, if any, would be immaterial.

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

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

19. Low Income Housing Loan Programs

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and CDBG HOME other governmental fund provide down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. These second mortgage loans become due upon the sale of the property or if the property no longer qualifies as the applicants principal residence. These loans are interest-free for up to thirty years. There is an equity participation interest on some of the loans. The balance of these loans at June 30, 2006 totaled \$826,760 in the Low Income Housing capital projects fund and \$181,317 in the HOME other governmental fund. Since the loans do not bear interest for at least thirty years, the present value of the loans is significantly less than the principal amounts. For this reason and because collection may be dependent on equity in the home when sold, the loans are not included as an asset. These loans are expensed when made and repayments are recorded as revenues in the year received.

20. Joint venture

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

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



Required Supplemental Information

**CITY OF GARDEN GROVE
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2006**

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

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ 60,746,690	\$ 60,746,690	\$ 60,746,690	\$ -
Resources:				
Taxes	53,093,000	53,093,000	61,994,617	8,901,617
Licenses and permits	1,248,500	1,248,500	1,604,040	355,540
Fines, forfeits and penalties	1,650,900	1,650,900	2,789,572	1,138,672
Investment earnings	1,738,000	1,738,000	1,408,151	(329,849)
Charges for current services	7,010,033	7,010,033	7,136,641	126,608
From other agencies	568,500	568,500	662,739	94,239
Other revenues	765,700	1,395,700	1,518,569	122,869
Transfers from other funds	-	-	7,335,628	7,335,628
Amounts available for appropriation:	<u>126,821,323</u>	<u>127,451,323</u>	<u>145,196,647</u>	<u>17,745,324</u>
Charges to appropriations:				
Current:				
Fire	17,572,397	17,572,397	16,942,499	629,898
Police	34,917,922	34,917,922	33,986,518	931,404
Traffic safety	1,343,310	1,343,310	1,620,025	(276,715)
Public right of way	3,945,043	3,945,043	2,928,533	1,016,510
Community buildings	3,650,359	3,650,359	2,738,271	912,088
Community services	1,596,368	1,596,368	1,359,002	237,366
Parks and greenbelts	725,668	725,668	663,055	62,613
Community planning and development	3,624,712	4,594,712	3,391,498	1,203,214
Municipal support	8,550,100	8,550,100	6,861,093	1,689,007
Capital outlay:				
Fire	720,374	720,374	720,374	-
Public right of way	455,950	455,950	455,950	-
Community buildings	28,653	28,653	28,653	-
Debt service:				
Principal retirement	831,561	831,561	831,561	-
Interest and other charges	225,989	225,989	225,989	-
Total charges to appropriation before other appropriations:	<u>78,188,406</u>	<u>79,158,406</u>	<u>72,753,021</u>	<u>6,405,385</u>
Other appropriations (net):				
Transfers to other funds	(1,035,473)	(1,035,473)	(2,138,787)	(1,103,314)
Net changes to appropriation:	<u>79,223,879</u>	<u>80,193,879</u>	<u>74,891,808</u>	<u>5,302,071</u>
Fund balance, June 30	<u>\$ 47,597,444</u>	<u>\$ 47,257,444</u>	<u>\$ 70,304,839</u>	<u>\$ 23,047,395</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, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ -	\$ -	\$ -
Resources:			
Investment earnings	-	43	43
From other agencies	23,430,722	22,818,089	(612,633)
Other revenues	-	3,647	3,647
Amounts available for appropriation	<u>23,430,722</u>	<u>22,821,779</u>	<u>(608,943)</u>
Charges to appropriations:			
Current:			
Community planning and development	23,400,814	22,800,542	600,272
Municipal support	<u>29,908</u>	<u>21,237</u>	<u>8,671</u>
Total charges to appropriations	<u>23,430,722</u>	<u>22,821,779</u>	<u>608,943</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying note to required supplementary information.

CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2006

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

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

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



Other Supplemental Information

**CITY OF GARDEN GROVE
COMMUNITY PROJECT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 13,837,000	\$ 16,450,980	\$ 2,613,980
EXPENDITURES			
Current:			
Municipal support	-	111,278	(111,278)
Debt service:			
Interest and other charges	2,759,600	2,762,200	(2,600)
Total expenditures	<u>2,759,600</u>	<u>2,873,478</u>	<u>(113,878)</u>
Excess of revenues over expenditures	11,077,400	13,577,502	2,727,858
OTHER FINANCING USES			
Transfers in	-	413,349	413,349
Transfers out	<u>(11,633,731)</u>	<u>(14,057,058)</u>	<u>(2,423,327)</u>
Total other financing sources (uses)	<u>(11,633,731)</u>	<u>(13,643,709)</u>	<u>(2,009,978)</u>
Net change in fund balance	(556,331)	(66,207)	490,124
Fund Balance, July 1	<u>277,951</u>	<u>277,951</u>	<u>-</u>
Fund Balance, June 30	<u>\$ (278,380)</u>	<u>\$ 211,744</u>	<u>\$ 490,124</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 25,000	\$ 122,690	\$ 97,690
OTHER FINANCING USES			
Transfers in	-	98,780	98,780
Transfers out	-	(4,875,051)	(4,875,051)
Total other financing sources (uses)	-	(4,776,271)	(4,776,271)
Net change in fund balance	25,000	(4,653,581)	(4,678,581)
Fund balance, July 1	5,414,560	5,414,560	-
Fund balance, June 30	<u>\$ 5,439,560</u>	<u>\$ 760,979</u>	<u>\$ (4,678,581)</u>

**CITY OF GARDEN GROVE
COMMUNITY PROJECT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 750,000	\$ 1,322,797	\$ 572,797
Charges for current services	-	9	9
Other revenues	<u>236,932</u>	<u>1,211,321</u>	<u>974,389</u>
Total revenues	<u>986,932</u>	<u>2,534,127</u>	<u>1,547,195</u>
EXPENDITURES			
Current:			
Community planning and development	-	2,050,000	(2,050,000)
Capital outlay:			
Public right of way	41,554	18,790	22,764
Community buildings	71,154	39,994	31,160
Community planning and development	15,322,947	16,741,541	(1,418,594)
Municipal support	350,644	295,823	54,821
Debt service:			
Principal retirement	3,507,347	3,507,347	-
Interest and other charges	<u>3,113,363</u>	<u>3,113,363</u>	<u>-</u>
Total expenditures	<u>22,407,009</u>	<u>25,766,858</u>	<u>(3,359,849)</u>
Deficiency of revenues under expenditures	<u>(21,420,077)</u>	<u>(23,232,731)</u>	<u>(1,812,654)</u>
OTHER FINANCING SOURCES			
Transfers in	13,129,026	20,938,070	7,809,044
Transfers out	-	(5,171,867)	(5,171,867)
Issuance of debt	1,500,000	1,500,000	-
Gain (Loss) on sale of capital assets	-	986,700	986,700
Total other financing sources (uses)	<u>14,629,026</u>	<u>18,252,903</u>	<u>3,623,877</u>
Net change in fund balance	(6,791,051)	(4,979,828)	1,811,223
Fund balance, July 1	<u>2,275,502</u>	<u>2,275,502</u>	<u>-</u>
Fund balance, June 30	<u>\$ (4,515,549)</u>	<u>\$ (2,704,326)</u>	<u>\$ 1,811,223</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, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 3,560,000	\$ 4,209,895	\$ 649,895
Investment earnings	38,000	56,666	18,666
Other revenues	602,000	406,494	(195,506)
Total revenues	<u>4,200,000</u>	<u>4,673,055</u>	<u>473,055</u>
EXPENDITURES			
Capital outlay:			
Community planning and development	2,338,889	914,390	1,424,499
Municipal support	67,664	57,949	9,715
Debt service:			
Interest and other charges	23,107	23,107	-
Total expenditures	<u>2,429,660</u>	<u>995,446</u>	<u>1,434,214</u>
Excess/(deficiency) of revenues over expenditures	<u>1,770,340</u>	<u>3,677,609</u>	<u>1,907,269</u>
OTHER FINANCING SOURCES			
Transfers in	-	49,625	49,625
Transfers out	-	(5,013)	(5,013)
Gain (Loss) on sale of capital assets	-	(375,081)	(375,081)
Total other financing sources (uses)	<u>-</u>	<u>(330,469)</u>	<u>(330,469)</u>
Net change in fund balance	1,770,340	3,347,140	1,576,800
Fund balance, July 1	<u>12,021,056</u>	<u>12,021,056</u>	<u>-</u>
Fund balance, June 30	<u>\$ 13,791,396</u>	<u>\$ 15,368,196</u>	<u>\$ 1,576,800</u>

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SPECIAL REVENUE FUNDS

Public Safety Fund

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

State Gas Tax Fund

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

Golf Course Fund

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

Self-supporting Revenue Fund

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

Developer Fees Fund

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

Garden Grove Cable Fund

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

Street Lighting Fund

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

Park Maintenance Fund

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

Parking District Fund

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

SPECIAL REVENUE FUNDS (continued)

Air Quality Improvement Fund

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

Federal Employment Grants Fund

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

Other Grants and Contributions

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

HOME Grant Fund

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

Street Rehabilitation Fund

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

DEBT SERVICE FUND

Buena-Clinton Project Fund

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

CAPITAL PROJECTS FUNDS

Buena-Clinton Project Fund

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

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

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 2,305,628	\$ 1,855,156	\$ 1,129,673	\$ 60,842
Taxes receivable	50,828	282,397	-	-
Accounts receivable	-	10,588	1,959	-
Interest receivable	7,509	-	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable	-	-	-	-
Land held for resale, net	-	-	-	-
Deposits	2,600	-	-	-
Total assets	<u>\$ 2,366,565</u>	<u>\$ 2,148,141</u>	<u>\$ 1,131,632</u>	<u>\$ 60,842</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,242	\$ -	\$ -	\$ 14,606
Other accrued liabilities	8,227	59,711	-	27,387
Refundable deposits	-	-	-	48,804
Due to other funds	-	-	-	-
Deferred revenue	-	-	5,941	-
Total liabilities	<u>14,469</u>	<u>59,711</u>	<u>5,941</u>	<u>90,797</u>
Fund balances:				
Reserved for:				
Encumbrances	332,824	-	-	-
Continuing projects	-	-	-	-
Land held for resale	-	-	-	-
Deposits	2,600	-	-	-
Unreserved	2,016,672	2,088,430	1,125,691	(29,955)
Total fund balances	<u>2,352,096</u>	<u>2,088,430</u>	<u>1,125,691</u>	<u>(29,955)</u>
Total liabilities and fund balances	<u>\$ 2,366,565</u>	<u>\$ 2,148,141</u>	<u>\$ 1,131,632</u>	<u>\$ 60,842</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 5,537,043	\$ 403,346	\$ 1,126,511	\$ 22,814	\$ 185,095	\$ 397,337
-	-	14,365	6,992	527	-
-	30,149	1,605	-	-	52,116
20,645	1,361	-	-	619	1,152
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,557,688</u>	<u>\$ 434,856</u>	<u>\$ 1,142,481</u>	<u>\$ 29,806</u>	<u>\$ 186,241</u>	<u>\$ 450,605</u>
\$ 9,921	\$ 11,350	\$ 213,937	\$ 14,338	\$ 54	\$ -
18,771	2,570	4,793	15,468	-	1,098
400	-	-	-	-	-
-	-	-	-	-	2,594
-	-	-	-	-	51,790
<u>29,092</u>	<u>13,920</u>	<u>218,730</u>	<u>29,806</u>	<u>54</u>	<u>55,482</u>
-	199,424	-	-	-	170,985
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,528,596	221,512	923,751	-	186,187	224,138
<u>5,528,596</u>	<u>420,936</u>	<u>923,751</u>	<u>-</u>	<u>186,187</u>	<u>395,123</u>
<u>\$ 5,557,688</u>	<u>\$ 434,856</u>	<u>\$ 1,142,481</u>	<u>\$ 29,806</u>	<u>\$ 186,241</u>	<u>\$ 450,605</u>

Continued

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

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
ASSETS			
Cash and investments	\$ 1,176	\$ 462,879	\$ 131
Taxes receivable	-	215,418	-
Accounts receivable	-	-	13,048
Interest receivable	-	252	24
Intergovernmental receivable	125,068	5,054,317	654,708
Notes receivable	-	-	6,542,678
Land held for resale, net	-	-	-
Deposits	-	-	-
Total assets	<u>\$ 126,244</u>	<u>\$ 5,732,866</u>	<u>\$ 7,210,589</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,893	\$ 210,024	\$ 852
Other accrued liabilities	14,701	60,415	1,922
Refundable deposits	984	1,379	-
Due to other funds	102,868	4,858,287	634,325
Deferred revenue	1,176	3,589,408	6,542,677
Total liabilities	<u>123,622</u>	<u>8,719,513</u>	<u>7,179,776</u>
Fund balances:			
Reserved for:			
Encumbrances	-	200,335	-
Continuing projects	-	-	-
Land held for resale	-	-	-
Deposits	-	-	-
Unreserved	2,622	(3,186,982)	30,813
Total fund balances	<u>2,622</u>	<u>(2,986,647)</u>	<u>30,813</u>
Total liabilities and fund balances	<u>\$ 126,244</u>	<u>\$ 5,732,866</u>	<u>\$ 7,210,589</u>

Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Street Rehabilitation	Buena-Clinton Project	Buena-Clinton Project	
\$ 5,091,837	\$ -	\$ 623,956	\$ 19,203,424
-	1,582	-	572,109
339,302	-	944	449,711
16,403	-	2,187	50,152
3,729,976	-	-	9,564,069
-	-	-	6,542,678
-	-	275,890	275,890
-	-	-	2,600
\$ 9,177,518	\$ 1,582	\$ 902,977	\$ 36,660,633
\$ 25,132	\$ -	\$ 15,791	\$ 526,140
16,284	-	-	231,347
-	-	-	51,567
425,753	-	-	6,023,827
4,013,138	-	-	14,204,130
4,480,307	-	15,791	21,037,011
106,309	-	-	1,009,877
4,590,902	-	-	4,590,902
-	-	275,890	275,890
-	-	-	2,600
-	1,582	611,296	9,744,353
4,697,211	1,582	887,186	15,623,622
\$ 9,177,518	\$ 1,582	\$ 902,977	\$ 36,660,633

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 640,348	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	149,172	-	-	-
Investment earnings	72,110	89,072	-	-
Charges for current services	129,272	-	623,075	605,244
From other agencies	248,849	3,098,893	-	-
Other revenues	2,600	-	-	-
Total revenues	<u>1,242,351</u>	<u>3,187,965</u>	<u>623,075</u>	<u>605,244</u>
EXPENDITURES:				
Current:				
Fire	107,943	-	-	-
Police	446,538	-	-	-
Traffic safety	-	130,583	-	-
Public right of way	-	1,435,670	-	-
Community services	-	-	-	675,102
Parks and greenbelts	-	-	40,426	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	39,113	-	-	-
Police	419,849	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	3,401	-	-
Drainage	-	1,235	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,013,443</u>	<u>1,570,889</u>	<u>40,426</u>	<u>675,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,908</u>	<u>1,617,076</u>	<u>582,649</u>	<u>(69,858)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,345	-	-	111,531
Transfers out	(23,574)	(1,518,592)	(500,000)	-
Total other financing sources (uses)	<u>(18,229)</u>	<u>(1,518,592)</u>	<u>(500,000)</u>	<u>111,531</u>
Net change in fund balances	210,679	98,484	82,649	41,673
Fund balances, July 1	<u>2,141,417</u>	<u>1,989,946</u>	<u>1,043,042</u>	<u>(71,628)</u>
Fund balances, June 30	<u>\$ 2,352,096</u>	<u>\$ 2,088,430</u>	<u>\$ 1,125,691</u>	<u>\$ (29,955)</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
68,151	-	-	-	-	-
-	-	-	-	-	-
190,985	14,881	-	-	6,131	11,805
2,081,506	-	1,318,497	691,715	27,791	-
-	-	-	-	-	207,644
-	102,081	-	-	-	3,893
<u>2,340,642</u>	<u>116,962</u>	<u>1,318,497</u>	<u>691,715</u>	<u>33,922</u>	<u>223,342</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,066,646	-	-	-
-	-	16,173	-	43,032	-
-	228,259	-	-	-	-
47,267	-	-	707,665	-	-
130,204	-	-	-	-	-
-	-	24,776	-	-	154,183
-	-	-	-	-	-
-	-	-	-	-	-
332,778	-	58,587	-	-	-
(22,917)	-	-	-	-	-
1,885	-	-	-	-	-
540,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,029,217</u>	<u>228,259</u>	<u>1,166,182</u>	<u>707,665</u>	<u>43,032</u>	<u>154,183</u>
<u>1,311,425</u>	<u>(111,297)</u>	<u>152,315</u>	<u>(15,950)</u>	<u>(9,110)</u>	<u>69,159</u>
-	-	-	15,950	-	-
(183,461)	-	-	-	-	-
<u>(183,461)</u>	<u>-</u>	<u>-</u>	<u>15,950</u>	<u>-</u>	<u>-</u>
1,127,964	(111,297)	152,315	-	(9,110)	69,159
<u>4,400,632</u>	<u>532,233</u>	<u>771,436</u>	<u>-</u>	<u>195,297</u>	<u>325,964</u>
<u>\$ 5,528,596</u>	<u>\$ 420,936</u>	<u>\$ 923,751</u>	<u>\$ -</u>	<u>\$ 186,187</u>	<u>\$ 395,123</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, 2006**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	148	-
Fines, forfeits and penalties	-	-	-
Investment earnings	-	3,563	450
Charges for current services	-	-	-
From other agencies	527,075	6,313,885	1,342,314
Other revenues	-	75,000	95,737
Total revenues	<u>527,075</u>	<u>6,392,596</u>	<u>1,438,501</u>
EXPENDITURES:			
Current:			
Fire	-	138,693	-
Police	-	369,759	-
Traffic safety	-	1,000	-
Public right of way	-	957,069	-
Community services	521,310	625,255	-
Parks and greenbelts	-	-	-
Community planning and development	-	923,857	1,761,366
Municipal support	-	25,000	-
Capital outlay:			
Fire	-	116,407	-
Police	-	-	-
Traffic safety	-	13,607	-
Public right of way	-	-	-
Drainage	-	103,575	-
Parks and greenbelts	-	1,541,346	-
Community planning and development	-	480,626	-
Debt service:			
Principal retirement	-	570,000	-
Interest and other charges	-	613,228	-
Total expenditures	<u>521,310</u>	<u>6,479,422</u>	<u>1,761,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,765</u>	<u>(86,826)</u>	<u>(322,865)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	5,013	-
Transfers out	-	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(94,987)</u>	<u>-</u>
Net change in fund balances	5,765	(181,813)	(322,865)
Fund balances, July 1	<u>(3,143)</u>	<u>(2,804,834)</u>	<u>353,678</u>
Fund balances, June 30	<u>\$ 2,622</u>	<u>\$ (2,986,647)</u>	<u>\$ 30,813</u>

Special Revenue Fund	Debt-Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Street Rehabilitation	Buena-Clinton Project	Buena-Clinton Project	
\$ -	\$ 388,597	\$ -	\$ 1,028,945
-	-	-	68,299
-	-	-	149,172
152,058	-	20,072	561,127
-	-	-	5,477,100
4,665,860	-	-	16,404,520
56,812	-	944	337,067
<u>4,874,730</u>	<u>388,597</u>	<u>21,016</u>	<u>24,026,230</u>
-	-	-	246,636
-	-	-	816,297
-	-	-	1,198,229
-	-	-	2,451,944
-	-	-	2,049,926
-	-	-	2,845,358
-	-	-	2,815,427
-	-	-	203,959
-	-	-	155,520
-	-	119,155	539,004
315,867	-	-	720,839
4,551,938	-	-	4,532,422
-	-	-	106,695
-	-	-	2,081,346
-	-	247,736	728,362
-	-	-	570,000
-	-	-	613,228
<u>4,867,805</u>	<u>-</u>	<u>366,891</u>	<u>20,625,192</u>
<u>6,925</u>	<u>388,597</u>	<u>(345,875)</u>	<u>3,401,038</u>
183,461	-	391,878	713,178
-	(391,878)	-	(2,717,505)
<u>183,461</u>	<u>(391,878)</u>	<u>391,878</u>	<u>(2,004,327)</u>
190,386	(3,281)	46,003	1,396,711
<u>4,506,825</u>	<u>4,863</u>	<u>841,183</u>	<u>14,226,911</u>
<u>\$ 4,697,211</u>	<u>\$ 1,582</u>	<u>\$ 887,186</u>	<u>\$ 15,623,622</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, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 520,000	\$ 640,348	\$ 120,348
Fines, forfeits and penalties	20,000	149,172	129,172
Investment earnings	30,000	72,110	42,110
Charges for current services	100,000	129,272	29,272
From other agencies	255,000	248,849	(6,151)
Other revenues	-	2,600	2,600
Total revenues	<u>925,000</u>	<u>1,242,351</u>	<u>317,351</u>
EXPENDITURES:			
Current:			
Fire	217,058	107,943	109,115
Police	1,668,723	446,538	1,222,185
Capital outlay:			
Fire	-	39,113	(39,113)
Police	1,314,040	419,849	894,191
Total expenditures	<u>3,199,821</u>	<u>1,013,443</u>	<u>2,186,378</u>
Excess (deficiency) of revenues over (under) expenditures	(2,274,821)	228,908	2,503,729
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,345	5,345
Transfers out	-	(23,574)	(23,574)
Total other financing sources (uses)	<u>-</u>	<u>(18,229)</u>	<u>(18,229)</u>
Net change in fund balance	(2,274,821)	210,679	2,485,500
Fund balance, July 1	<u>2,141,417</u>	<u>2,141,417</u>	<u>-</u>
Fund balance, June 30	<u>\$ (133,404)</u>	<u>\$ 2,352,096</u>	<u>\$ 2,485,500</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 50,000	\$ 89,072	\$ 39,072
From other agencies	<u>3,100,000</u>	<u>3,098,893</u>	<u>(1,107)</u>
Total revenues	<u>3,150,000</u>	<u>3,187,965</u>	<u>37,965</u>
EXPENDITURES:			
Current:			
Traffic safety	156,991	130,583	26,408
Public right of way	1,888,193	1,435,670	452,523
Capital outlay:			
Traffic safety	1,594	-	1,594
Public right of way	1,662,436	3,401	1,659,035
Drainage	<u>123,585</u>	<u>1,235</u>	<u>122,350</u>
Total expenditures	<u>3,832,799</u>	<u>1,570,889</u>	<u>2,261,910</u>
Excess (deficiency) of revenues over (under) expenditures	(682,799)	1,617,076	2,299,875
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(1,518,592)</u>	<u>(1,518,592)</u>
Net change in fund balance	(682,799)	98,484	781,283
Fund balance, July 1	<u>1,989,946</u>	<u>1,989,946</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,307,147</u>	<u>\$ 2,088,430</u>	<u>\$ 781,283</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, 2006**

	<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	\$ 623,075	\$ (76,925)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>67,187</u>	<u>40,426</u>	<u>26,761</u>
Excess of revenues over expenditures	632,813	582,649	(50,164)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance	132,813	82,649	(50,164)
Fund balance, July 1	<u>1,043,042</u>	<u>1,043,042</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,175,855</u>	<u>\$ 1,125,691</u>	<u>\$ (50,164)</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 630,000	\$ 605,244	\$ (24,756)
EXPENDITURES:			
Current:			
Community services	<u>741,531</u>	<u>675,102</u>	<u>66,429</u>
(Deficiency) of revenues under expenditures	(111,531)	(69,858)	41,673
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>210,178</u>	<u>111,531</u>	<u>(98,647)</u>
Net change in fund balance	98,647	41,673	(56,974)
Fund balance, July 1	<u>(71,628)</u>	<u>(71,628)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 27,019</u></u>	<u><u>\$ (29,955)</u></u>	<u><u>\$ (56,974)</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, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 27,500	\$ 68,151	\$ 40,651
Investment earnings	115,500	190,985	75,485
Charges for current services	<u>282,000</u>	<u>2,081,506</u>	<u>1,799,506</u>
Total revenues	<u>425,000</u>	<u>2,340,642</u>	<u>1,915,642</u>
EXPENDITURES:			
Current:			
Community services	6,000	-	6,000
Parks and greenbelts	46,000	47,267	(1,267)
Community planning and development	170,144	130,204	39,940
Capital outlay:			
Traffic safety	1,207,187	332,778	874,409
Public right of way	319,548	(22,917)	342,465
Drainage	512,845	1,885	510,960
Parks and greenbelts	<u>808,461</u>	<u>540,000</u>	<u>268,461</u>
Total expenditures	<u>3,070,185</u>	<u>1,029,217</u>	<u>2,040,968</u>
Excess (deficiency) of revenues over (under) expenditures	(2,645,185)	1,311,425	3,956,610
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(183,461)</u>	<u>(183,461)</u>
Net change in fund balance	(2,645,185)	1,127,964	3,773,149
Fund balance, July 1	<u>4,400,632</u>	<u>4,400,632</u>	<u>-</u>
Fund balance, June 30	<u>\$ 4,400,632</u>	<u>\$ 4,400,632</u>	<u>\$ 3,773,149</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 6,500	\$ 14,881	\$ 8,381
Other revenues	<u>105,000</u>	<u>102,081</u>	<u>(2,919)</u>
Total revenues	<u>111,500</u>	<u>116,962</u>	<u>5,462</u>
EXPENDITURES:			
Current:			
Community buildings	5,000	-	5,000
Community services	<u>326,279</u>	<u>228,259</u>	<u>98,020</u>
Total expenditures	<u>331,279</u>	<u>228,259</u>	<u>103,020</u>
Net change in fund balance	(219,779)	(111,297)	108,482
Fund balance, July 1	<u>532,233</u>	<u>532,233</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 312,454</u></u>	<u><u>\$ 420,936</u></u>	<u><u>\$ 108,482</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 1,309,438	\$ 1,318,497	\$ 9,059
EXPENDITURES:			
Current:			
Traffic safety	1,428,753	1,066,646	362,107
Public right of way	18,365	16,173	2,192
Municipal support	22,469	24,776	(2,307)
Capital outlay:			
Traffic safety	140,000	58,587	81,413
Total expenditures	<u>1,609,587</u>	<u>1,166,182</u>	<u>443,405</u>
Net change in fund balance	(300,149)	152,315	452,464
Fund balance, July 1	<u>771,436</u>	<u>771,436</u>	<u>-</u>
Fund balance, June 30	<u>\$ 471,287</u>	<u>\$ 923,751</u>	<u>\$ 452,464</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, 2006**

	<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	\$ 691,715	\$ (8,285)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>702,226</u>	<u>707,665</u>	<u>(5,439)</u>
(Deficiency) of revenues under expenditures	(2,226)	(15,950)	(13,724)
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>15,950</u>	<u>15,950</u>
Net change in fund balance	(2,226)	-	2,226
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (2,226)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,226</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 5,274	\$ 6,131	\$ 857
Investment earnings	<u>28,012</u>	<u>27,791</u>	<u>(221)</u>
Total revenues	33,286	33,922	636
EXPENDITURES:			
Current:			
Public right of way	<u>47,593</u>	<u>43,032</u>	<u>4,561</u>
Net change in fund balance	(14,307)	(9,110)	5,197
Fund balance, July 1	<u>195,297</u>	<u>195,297</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 180,990</u></u>	<u><u>\$ 186,187</u></u>	<u><u>\$ 5,197</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 2,000	\$ 11,805	\$ 9,805
From other agencies	371,066	207,644	(163,422)
Other revenues	-	3,893	3,893
Total revenues	<u>373,066</u>	<u>223,342</u>	<u>(149,724)</u>
EXPENDITURES:			
Current:			
Community planning and development	6,435	-	6,435
Municipal support	502,604	154,183	348,421
Total expenditures	<u>509,039</u>	<u>154,183</u>	<u>354,856</u>
Net change in fund balance	(135,973)	69,159	205,132
Fund balance, July 1	<u>325,964</u>	<u>325,964</u>	<u>-</u>
Fund balance, June 30	<u>\$ 189,991</u>	<u>\$ 395,123</u>	<u>\$ 205,132</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
From other agencies	\$ 553,449	\$ 527,075	\$ (26,374)
EXPENDITURES:			
Current:			
Community services	<u>553,449</u>	<u>521,310</u>	<u>32,139</u>
Net change in fund balance	-	5,765	5,765
Fund balance, July 1	<u>(3,143)</u>	<u>(3,143)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (3,143)</u></u>	<u><u>\$ 2,622</u></u>	<u><u>\$ 5,765</u></u>

CITY OF GARDEN GROVE
OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 148	\$ 148
Investment earnings	-	-	3,563	3,563
From other agencies	11,582,465	12,322,732	6,313,885	(6,008,847)
Other revenues	100,000	100,000	75,000	(25,000)
Total revenues	<u>11,682,465</u>	<u>12,422,732</u>	<u>6,392,596</u>	<u>(6,030,136)</u>
EXPENDITURES:				
Current:				
Fire	-	139,775	138,693	1,082
Police	820,018	820,018	369,759	450,259
Traffic safety	1,000	1,000	1,000	-
Public right of way	1,020,232	1,020,232	957,069	63,163
Community services	678,654	678,654	625,255	53,399
Community planning and development	991,251	1,271,105	923,857	347,248
Municipal support	-	-	25,000	(25,000)
Capital outlay:				
Fire	-	124,455	116,407	8,048
Police	-	185,489	-	185,489
Traffic safety	133,398	133,398	13,607	119,791
Drainage	1,196,555	1,196,555	103,575	1,092,980
Parks and greenbelts	4,246,018	4,256,712	1,541,346	2,715,366
Community planning and development	1,577,144	1,577,144	480,626	1,096,518
Debt service:				
Principal retirement	570,000	570,000	570,000	-
Interest and other charges	613,228	613,228	613,228	-
Total expenditures	<u>11,847,498</u>	<u>12,587,765</u>	<u>6,479,422</u>	<u>6,108,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,033)</u>	<u>(165,033)</u>	<u>(86,826)</u>	<u>78,207</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,013	5,013
Transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(94,987)</u>	<u>(94,987)</u>
Net change in fund balance	(165,033)	(165,033)	(181,813)	(16,780)
Fund balance, July 1	<u>(2,804,834)</u>	<u>(2,804,834)</u>	<u>(2,804,834)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (2,969,867)</u>	<u>\$ (2,969,867)</u>	<u>\$ (2,986,647)</u>	<u>\$ (16,780)</u>

**CITY OF GARDEN GROVE
HOME GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<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	\$ -	\$ -	\$ 450	\$ 450
From other agencies	1,287,722	2,506,950	1,342,314	(1,164,636)
Other revenues	-	-	95,737	95,737
Total revenues	<u>1,287,722</u>	<u>2,506,950</u>	<u>1,438,501</u>	<u>(1,068,449)</u>
EXPENDITURES:				
Current:				
Community planning and development	<u>1,287,722</u>	<u>2,506,950</u>	<u>1,761,366</u>	<u>745,584</u>
Net change in fund balance	-	-	(322,865)	(322,865)
Fund balance, July 1	<u>353,678</u>	<u>353,678</u>	<u>353,678</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 353,678</u></u>	<u><u>\$ 353,678</u></u>	<u><u>\$ 30,813</u></u>	<u><u>\$ (322,865)</u></u>

**CITY OF GARDEN GROVE
STREET REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ 162,000	\$ 152,058	\$ (9,942)
From other agencies	25,094,435	4,665,860	(20,428,575)
Other revenues	-	56,812	56,812
Total revenues	<u>25,256,435</u>	<u>4,874,730</u>	<u>(20,381,705)</u>
EXPENDITURES:			
Capital outlay:			
Traffic safety	2,283,619	315,867	1,967,752
Public right of way	28,023,189	4,551,938	23,471,251
Total expenditures	<u>30,306,808</u>	<u>4,867,805</u>	<u>25,439,003</u>
Excess (Deficiency) of revenues over (under) expenditures	(5,050,373)	6,925	5,057,298
OTHER FINANCING SOURCES			
Transfers in	-	183,461	183,461
Net change in fund balance	(5,050,373)	190,386	5,240,759
Fund balance, July 1	<u>4,506,825</u>	<u>4,506,825</u>	<u>-</u>
Fund balance, June 30	<u>\$ (543,548)</u>	<u>\$ 4,697,211</u>	<u>\$ 5,240,759</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, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 400,000	\$ 388,597	\$ (11,403)
OTHER FINANCING SOURCES			
Transfers out	<u>(500,000)</u>	<u>(391,878)</u>	<u>108,122</u>
Net change in fund balance	(100,000)	(3,281)	96,719
Fund balance, July 1	<u>4,863</u>	<u>4,863</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (95,137)</u></u>	<u><u>\$ 1,582</u></u>	<u><u>\$ 96,719</u></u>

**CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ 10,000	\$ 20,072	\$ 10,072
Other revenues	-	944	944
Total revenues	<u>10,000</u>	<u>21,016</u>	<u>11,016</u>
EXPENDITURES:			
Capital outlay:			
Police	142,800	119,155	23,645
Community planning and development	<u>517,200</u>	<u>247,736</u>	<u>269,464</u>
Total expenditures	<u>660,000</u>	<u>366,891</u>	<u>293,109</u>
(Deficiency) of revenues under expenditures	(650,000)	(345,875)	304,125
OTHER FINANCING SOURCES			
Transfers in	<u>500,000</u>	<u>391,878</u>	<u>(108,122)</u>
Net change in fund balance	(150,000)	46,003	196,003
Fund balance, July 1	<u>841,183</u>	<u>841,183</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 691,183</u></u>	<u><u>\$ 887,186</u></u>	<u><u>\$ 196,003</u></u>

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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, 2006**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 12,465,900	\$ 7,789,453	\$ 19,193,667
Accounts receivable	-	47,536	946,413
Interest receivable	138,314	-	-
Due from other funds	6,581,803	-	-
Inventory	-	91,934	-
Prepaid expense	13,500	-	11,035
Deposits	-	-	32,100
Total current assets	<u>19,199,517</u>	<u>7,928,923</u>	<u>20,183,215</u>
Noncurrent Assets:			
Capital assets			
Depreciable buildings, property, and equipment, net	<u>31,332</u>	<u>6,067,134</u>	<u>-</u>
Total assets	<u>19,230,849</u>	<u>13,996,057</u>	<u>20,183,215</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,396	123,205	1,094,533
Accrued compensated absences	-	-	5,761,049
Other current liabilities	20,932	37,827	-
Claims payable	<u>19,179,355</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,208,683</u>	<u>161,032</u>	<u>6,855,582</u>
NET ASSETS			
Invested in capital assets	31,332	6,067,134	-
Unrestricted	<u>(9,166)</u>	<u>7,767,891</u>	<u>13,327,633</u>
Total net assets	<u>\$ 22,166</u>	<u>\$ 13,835,025</u>	<u>\$ 13,327,633</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,725,619	\$ 194,888	\$ 1,616,970	\$ 23,397,620	\$ 66,384,117
1,569	-	2,500	-	998,018
12,519	-	-	171,141	321,974
-	-	-	-	6,581,803
-	287,523	-	-	379,457
-	-	-	5,693	30,228
-	-	-	-	32,100
<u>1,739,707</u>	<u>482,411</u>	<u>1,619,470</u>	<u>23,574,454</u>	<u>74,727,697</u>
<u>271,745</u>	<u>46,744</u>	<u>-</u>	<u>-</u>	<u>6,416,955</u>
<u>2,011,452</u>	<u>529,155</u>	<u>1,619,470</u>	<u>23,574,454</u>	<u>81,144,652</u>
12,083	52,499	33,061	86,939	1,410,716
-	-	-	-	5,761,049
35,531	6,054	3,035	1,058	104,437
-	-	-	7,816,060	26,995,415
<u>47,614</u>	<u>58,553</u>	<u>36,096</u>	<u>7,904,057</u>	<u>34,271,617</u>
271,745	46,744	-	-	6,416,955
<u>1,692,093</u>	<u>423,858</u>	<u>1,583,374</u>	<u>15,670,397</u>	<u>40,456,080</u>
<u>\$ 1,963,838</u>	<u>\$ 470,602</u>	<u>\$ 1,583,374</u>	<u>\$ 15,670,397</u>	<u>\$ 46,873,035</u>

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, 2006

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>
Operating revenues:			
Charges for services	\$ 5,453,215	\$ 4,466,044	\$ 20,257,291
Operating expenses:			
Salaries and wages	514,698	874,770	11,095,137
Contractual services	53,476	474,738	10,132,164
Liability claims	5,583,515	-	-
Materials and supplies	2,351	659,198	217,410
Depreciation	10,099	966,916	-
Total operating expenses	<u>6,164,139</u>	<u>2,975,622</u>	<u>21,444,711</u>
Operating income (loss)	<u>(710,924)</u>	<u>1,490,422</u>	<u>(1,187,420)</u>
Nonoperating revenues (expenses):			
Investment income	641,210	-	-
Gain (loss) on disposal of assets	-	49,102	-
Total nonoperating revenues (expenses)	<u>641,210</u>	<u>49,102</u>	<u>-</u>
Income (loss) before transfers	(69,714)	1,539,524	(1,187,420)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(69,714)	1,539,524	(1,187,420)
Total net assets, July 1	<u>91,880</u>	<u>12,295,501</u>	<u>14,515,053</u>
Total net assets, June 30	<u>\$ 22,166</u>	<u>\$ 13,835,025</u>	<u>\$ 13,327,633</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
<u>\$ 1,170,815</u>	<u>\$ 129,913</u>	<u>\$ 550,382</u>	<u>\$ 1,940,106</u>	<u>\$ 33,967,766</u>
856,617	138,210	75,407	138,566	13,693,405
125,542	27	448,264	1,099,971	12,334,182
-	-	-	1,142,154	6,725,669
220,350	6,114	-	1,958	1,107,381
31,592	7,791	-	-	1,016,398
<u>1,234,101</u>	<u>152,142</u>	<u>523,671</u>	<u>2,382,649</u>	<u>34,877,035</u>
<u>(63,286)</u>	<u>(22,229)</u>	<u>26,711</u>	<u>(442,543)</u>	<u>(909,269)</u>
58,014	-	-	805,293	1,504,517
-	2,885	-	-	51,987
<u>58,014</u>	<u>2,885</u>	<u>-</u>	<u>805,293</u>	<u>1,556,504</u>
(5,272)	(19,344)	26,711	362,750	647,235
-	-	-	(100,000)	(100,000)
<u>(5,272)</u>	<u>(19,344)</u>	<u>26,711</u>	<u>262,750</u>	<u>547,235</u>
<u>1,969,110</u>	<u>489,946</u>	<u>1,556,663</u>	<u>15,407,647</u>	<u>46,325,800</u>
<u>\$ 1,963,838</u>	<u>\$ 470,602</u>	<u>\$ 1,583,374</u>	<u>\$ 15,670,397</u>	<u>\$ 46,873,035</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,453,215	\$ 4,418,508	\$ 20,434,244
Payments to suppliers	(2,453,152)	(1,152,819)	(10,328,680)
Payments to employees	(514,698)	(874,770)	(10,560,710)
Internal activity-payments to/from other funds	(978,482)	-	-
Net cash provided (used) by operating activities	<u>1,506,883</u>	<u>2,390,919</u>	<u>(455,146)</u>
CASH FLOWS FROM NO CAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to/from other funds	-	-	-
Net cash provided (used) by no capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(1,829,838)	-
Proceeds from disposal of capital assets	-	76,533	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,753,305)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	577,793	-	-
Net cash provided by investing activities	<u>577,793</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,084,676	637,614	(455,146)
Cash and cash equivalents, July 1	<u>10,381,224</u>	<u>7,151,839</u>	<u>19,648,813</u>
Cash and cash equivalents, June 30	<u>\$ 12,465,900</u>	<u>\$ 7,789,453</u>	<u>\$ 19,193,667</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (710,924)</u>	<u>\$ 1,490,422</u>	<u>\$ (1,187,420)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	966,916	-
Changes in assets and liabilities:			
(Increase) decrease in inventory	-	(30,176)	-
(Increase) decrease in prepaid expenses	(13,500)	-	(11,035)
(Increase) decrease in accounts receivable	-	(47,536)	176,953
(Increase) decrease in due to/from other funds	(978,482)	-	-
(Increase) decrease in compensated absences	-	-	534,427
Increase (decrease) in other accrued liabilities	(3,051)	8,817	(198,917)
Increase (decrease) in claims payable	3,202,976	-	-
Increase (decrease) in accounts payable	(235)	2,476	230,846
Total adjustments	<u>2,217,807</u>	<u>900,497</u>	<u>732,274</u>
Net cash provided (used) by operating activities	<u>\$ 1,506,883</u>	<u>\$ 2,390,919</u>	<u>\$ (455,146)</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,170,815	\$ 129,913	\$ 550,382	\$ 1,940,106	\$ 34,097,183
(335,466)	(39,465)	(75,407)	(1,331,612)	(15,716,601)
(856,617)	(138,210)	(450,167)	(138,566)	(13,533,738)
-	-	-	-	(978,482)
(21,268)	(47,762)	24,808	469,928	3,868,362
-	-	-	(100,000)	(100,000)
-	-	-	(100,000)	(100,000)
(63,418)	-	-	-	(1,893,256)
-	2,885	-	-	79,418
(63,418)	2,885	-	-	(1,813,838)
57,530	-	-	787,543	1,422,866
57,530	-	-	787,543	1,422,866
(27,156)	(44,877)	24,808	1,157,471	3,377,390
1,752,775	239,765	1,592,162	22,240,149	63,006,727
<u>\$ 1,725,619</u>	<u>\$ 194,888</u>	<u>\$ 1,616,970</u>	<u>\$ 23,397,620</u>	<u>\$ 66,384,117</u>
\$ (63,286)	\$ (22,229)	\$ 26,711	\$ (442,543)	\$ (909,269)
31,592	7,791	-	-	1,016,398
-	(2,375)	-	-	(32,551)
-	-	-	255,042	230,507
-	-	(2,500)	-	126,917
-	-	-	-	(978,482)
-	-	-	-	534,427
5,517	850	751	(4,326)	(190,359)
-	-	-	678,135	3,881,111
4,909	(31,799)	(154)	(16,380)	189,663
42,018	(25,533)	(1,903)	912,471	4,777,631
<u>\$ (21,268)</u>	<u>\$ (47,762)</u>	<u>\$ 24,808</u>	<u>\$ 469,928</u>	<u>\$ 3,868,362</u>

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Statistical Section

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operation Information

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

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

CITY OF GARDEN GROVE
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
(In Thousands)

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

Source: Finance Office, City of Garden Grove

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

CITY OF GARDEN GROVE
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(In Thousands)

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

continued

CITY OF GARDEN GROVE
Changes in Net Assets
Last Five Fiscal Years (Continued)
(accrual basis of accounting)
(In Thousands)

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

Source: Finance Office, City of Garden Grove

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

CITY OF GARDEN GROVE
Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

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

Source: Finance Office, City of Garden Grove

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

CITY OF GARDEN GROVE
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

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

Source: Finance Office, City of Garden Grove

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

CITY OF GARDEN GROVE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
1997	\$ 4,569,482	\$ 234,999	\$ 4,804,481	\$ 1,219,792	\$ 198,650	\$ 1,418,442	1.034%
1998	4,626,553	246,003	4,872,556	1,211,282	197,886	1,409,169	1.034%
1999	4,784,032	253,573	5,037,605	1,245,998	201,865	1,447,863	1.034%
2000	5,066,585	275,398	5,341,983	1,339,007	194,516	1,533,523	1.034%
2001	5,485,695	286,423	5,772,118	1,400,145	215,011	1,615,157	1.034%
2002	5,858,899	328,907	6,187,806	1,566,566	216,556	1,783,123	1.034%
2003	6,237,993	302,093	6,540,085	1,714,551	216,939	1,931,489	1.034%
2004	6,690,749	299,913	6,990,662	1,864,236	238,481	2,102,717	1.031%
2005	7,256,567	300,045	7,556,612	1,958,661	242,817	2,201,478	1.031%
2006	8,044,199	282,324	8,326,523	2,154,902	258,917	2,413,820	1.030%

NOTE:

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

Source: Orange County Assessor's Office

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

Fiscal Year	Basic Levy	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
1997	1.0000	0.02500	0.00890	-	-	-	-	1.03390
1998	1.0000	0.02500	0.00890	-	-	-	-	1.03390
1999	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2000	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2001	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2002	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2003	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2004	1.0000	0.02500	0.00610	-	-	-	-	1.03110
2005	1.0000	0.02500	0.00580				-	1.03080
2006	1.0000	0.02500	0.00470					1.02970

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 p

Source: Orange County Tax Rates Book

CITY OF GARDEN GROVE
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Ashford Anaheim Limited Partnership	\$ 75,126,609	0.70%	\$ -	0.00%
Landmark Hotels	89,580,136	0.83%	-	0.00%
RLJ Anaheim Hotel LLC	34,905,200	0.32%	-	0.00%
Kilroy Realty LP	28,452,037	0.26%	-	0.00%
Swedlow, Inc.	22,795,852	0.21%	28,034,077	0.45%
BB Promenade	23,409,091	0.22%	-	0.00%
Calwest Industrial	45,066,660	0.42%	-	0.00%
7300 Chapman Ave, LLC	19,319,750	0.18%	-	0.00%
CC Technology Limited Partnership	19,412,640	0.18%	-	0.00%
American Medical	18,938,018	0.18%	26,073,901	0.42%
Gateway Properties	-	-	49,880,538	0.80%
HughesLyon	-	-	30,126,986	0.48%
Alphs Electric	-	-	28,232,540	0.45%
Air Industries Corp	-	-	19,560,672	0.31%
Tra-Tel Centers	-	-	14,832,056	0.24%
Fujita Corporation	-	-	12,402,345	0.20%
Mead Corporation	-	-	11,596,668	0.19%
Choe, Kyong Sun	-	-	11,170,000	0.18%
	<u>\$ 377,005,993</u>	<u>3.51%</u>	<u>\$ 231,909,783</u>	<u>3.73%</u>

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

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

Fiscal Year	City Tax Rate (Per \$100)	Total Tax Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1997	0.0250	\$ 7,097,406	\$ 6,698,543	94.3	\$ 317,589	\$ 7,016,132	98.9	\$ 145,099	2.0%
1998	0.003	7,347,609	7,084,765	96.4	235,421	7,320,186	99.6	150,644	2.0%
1999	0.003	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0%
2000	0.003	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.003	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.003	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%
2003	0.003	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.003	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.003	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%
2006	0.003	12,913,558	12,338,230	95.5	156,891	12,495,121	96.8	114,095	0.9%

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

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CITY OF GARDEN GROVE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	Certificates of Participation	Revenue Bonds	Tax Allocation Bonds 1	Loans	Capital Leases		
1997	\$ -	\$ 3,410,000	\$ 59,185,000	\$ 25,630,000	\$ 1,454,000	\$ 89,679,000	
1998	-	3,135,000	58,170,000	25,868,000	975,000	88,148,000	
1999	-	2,845,000	57,110,000	22,930,000	535,000	83,420,000	
2000	-	2,545,000	56,000,000	21,220,000	66,000	79,831,000	
2001	-	2,230,000	54,835,000	21,230,000	-	78,295,000	
2002	22,735,000	1,900,000	53,610,000	19,571,400	2,449,937	100,266,337	
2003	22,735,000	-	52,325,000	24,142,198	3,916,355	103,118,553	
2004	22,735,000	-	57,025,000	19,032,833	3,416,890	102,209,723	
2005	22,325,000	-	57,025,000	17,371,380	4,639,399	101,360,779	
2006	21,895,000	-	57,025,000	15,159,293	3,872,578	97,951,871	

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

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

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

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

Business-type Activities

Water Revenue Bonds	Sewer Revenue COP³	Certificates of Participation	Loans	Total Business-type Activities	Total Primary Government	Percentage of Personal Income²	Debt Per Capita²
\$ 19,323,000	\$ -	\$ 18,005,000	\$ 698,000	\$ 38,026,000	\$ 127,705,000	n/a	840
18,958,000	-	17,088,000	433,000	36,479,000	\$ 124,627,000	0.64%	807
18,584,000	-	16,106,000	-	34,690,000	\$ 118,110,000	0.55%	755
18,194,000	-	15,063,000	-	33,257,000	\$ 113,088,000	0.49%	714
17,784,000	-	13,947,000	-	31,731,000	\$ 110,026,000	0.43%	650
17,470,000	-	13,690,000	-	31,160,000	\$ 131,426,337	0.47%	777
17,020,000	-	13,360,000	-	30,380,000	\$ 133,498,553	0.46%	786
16,845,000	-	13,010,000	-	29,855,000	\$ 132,064,723	0.43%	777
16,410,000	-	12,640,000	-	29,050,000	\$ 130,410,779	0.40%	758
15,775,000	21,845,000	12,250,000	-	49,870,000	\$ 147,821,871	0.42%	861

CITY OF GARDEN GROVE
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

<u>Outstanding General Bonded Debt</u>						
Fiscal Year	Tax		Percent of			
Ended	Certificates of	Allocation			Assessed	Per
June 30	Participation	Bonds	Total	Value ¹		Capita
1997	\$ -	\$ 59,185	\$ 59,185	0.95%		389
1998	-	58,170	58,170	0.93%		377
1999	-	57,110	57,110	0.88%		365
2000	-	56,000	56,000	0.81%		354
2001	-	54,835	54,835	0.74%		324
2002	22,735	53,610	76,345	0.96%		451
2003	22,735	52,325	75,060	0.89%		442
2004	22,735	57,025	79,760	0.88%		469
2005	22,325	57,025	79,350	0.81%		461
2006	21,895	57,025	78,920	0.73%		459

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

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

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2006**

2004-05 Assessed Valuation:	\$ 10,232,468,995		
Redevelopment Incremental Valuation:	1,905,946,417		<u>Estimated</u>
Adjusted Assessed Valuation:	\$ 8,326,522,578		<u>Share of</u>
			<u>Overlapping</u>
OVERLAPPING TAX AND ASSESSMENT DEBT:	<u>% Applicable(1)</u>	<u>Debt 6/30/06</u>	<u>Debt</u>
Orange County Teeter Plan Obligations	2.703 %	\$ 123,725,000	\$ 3,344,287
Metropolitan Water District	0.568	389,565,000	2,212,729
Coast Community College District	6.134	102,718,867	6,300,775
North Orange County Joint Community College District	2.67	242,244,001	6,467,915
Rancho Santiago Community College District	5.172	210,699,166	10,897,361
Anaheim Union High School District	0.089	128,308,955	114,195
Huntington Beach Union High School District	1.560	204,458,794	3,189,557
Anaheim School District	0.106	67,355,800	71,397
Magnolia School District	0.303	9,530,000	28,876
City of Garden Grove 1915 Act Bonds	100	<u>275,000</u>	<u>275,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 1,478,880,583	\$ 32,902,092
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Orange County General Fund Obligations	2.703 %	\$ 825,642,000	\$ 22,317,103
Orange County Pension Obligations	2.703	99,716,298	2,695,332
Orange County Board of Education Certificates of Participation	2.703	19,820,000	535,735
Orange County Transit Authority	2.703	2,470,000	66,764
Municipal Water District of Orange County Water Facilities Corporation	3.211	28,205,000	905,663
Coast Community College District Certificates of Participation	6.134	6,695,000	410,671
Orange Unified School District Certificates of Participation	1.280	51,960,000	665,088
Anaheim Union High School District Certificates of Participation	0.089	40,230,000	35,805
Huntington Beach Union High School District Certificates of Participation	1.560	17,000,000	265,200
Westminster School District Certificates of Participation	11.088	17,790,000	1,972,555
City of Garden Grove General Fund Obligations	100.00	34,544,330	34,544,330
Orange County Sanitation District No. 2 Certificates of Participation	3.864	<u>130,370,000</u>	<u>5,037,497</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 1,274,442,628	\$ 69,451,742
Less: Orange County Transit Authority (80% self-supporting)			53,411
MWDOC Water Facilities Corporation (100% self-supporting)			905,663
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$ 68,492,668</u>
GROSS COMBINED TOTAL DEBT			(2) \$ 102,353,834
NET COMBINED TOTAL DEBT			\$ 101,394,760

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

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

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$34,544,330)	4.10%
Gross Combined Total Debt	1.23%
Net Combined Total Debt	1.22%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

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

**CITY OF GARDEN GROVE
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 4,804,481,279	\$ 4,872,556,124	\$ 5,037,605,029	\$ 5,341,983,245
Conversion percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	1,201,120,320	1,218,139,031	1,259,401,257	1,335,495,811
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	180,168,048	182,720,855	188,910,189	200,324,372
Total net debt applicable to limit: General obligation bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>180,168,048</u>	<u>182,720,855</u>	<u>188,910,189</u>	<u>200,324,372</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Source: City Finance Department
Orange County Tax Assessor's Office

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 5,772,118,122	\$ 6,187,806,030	\$ 6,540,085,405	\$ 6,990,662,115	\$ 7,556,611,904	\$ 8,326,522,578
<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
1,443,029,531	1,546,951,508	1,635,021,351	1,747,665,529	1,889,152,976	2,081,630,645
<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
216,454,430	232,042,726	245,253,203	262,149,829	283,372,946	312,244,597
-	-	-	-	-	-
<u>216,454,430</u>	<u>232,042,726</u>	<u>245,253,203</u>	<u>262,149,829</u>	<u>283,372,946</u>	<u>312,244,597</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**CITY OF GARDEN GROVE
Pledged-Revenue Coverage
LAST TEN FISCAL YEARS**

Water Revenue Bonds							
Fiscal Year	Gross Revenue	Expenses(1)	Resources		Debt Service Requirement		Coverage
			Available for Debt Service	Principal	Interest	Total	
1997	\$ 15,908,822	\$ 15,908,822	\$ 15,908,822	\$ 15,908,822	\$ 15,908,822	\$ 15,908,822	1.00
1998	14,719,830	10,951,209	3,768,621	380,000	984,760	1,364,760	2.76
1999	16,308,273	12,038,484	4,269,789	395,000	968,865	1,363,865	3.13
2000	16,179,483	10,841,624	5,337,859	415,000	951,751	1,366,751	3.91
2001	15,562,254	12,946,455	2,615,799	430,000	1,038,377	1,468,377	1.78
2002	16,590,462	13,495,314	3,095,148	450,000	913,458	1,363,458	2.27
2003	16,609,786	14,252,431	2,357,355	470,000	892,464	1,362,464	1.73
2004	18,484,674	15,604,390	2,880,284	435,000	727,982	1,162,982	2.48
2005	18,145,714	16,809,774	1,335,940	635,000	657,500	1,292,500	1.03
2006	18,651,805	17,225,625	1,426,180	645,000	644,700	1,289,700	1.11

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

Source: City Finance Department

Tax Allocation Bonds

Tax		Debt Service				
Increment		Principal	Interest	total	Coverage	
\$	-	\$	-	\$	-	N/A
	-		-		-	N/A
	-		-		-	N/A
	-		-		-	N/A
	-		-		-	N/A
	-		-		-	N/A
	-		-		-	N/A
13,403,657		-	3,004,843	3,004,843	4.46	
14,607,268		-	2,759,550	2,759,550	5.29	
16,339,702		1,625,000	2,741,269	4,366,269	3.74	

**CITY OF GARDEN GROVE
Demographic and Economic Statistics
Last Ten Calendar Years**

Fiscal Year	Population	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate
1997	152,041	n/a	n/a	4.4
1998	154,398	\$ 1,944,398	\$ 12,789	3.8
1999	156,534	2,138,494	13,851	3.7
2000	158,332	2,304,707	14,723	2.9
2001	169,212	2,566,403	16,209	3.9
2002	169,212	2,820,545	16,669	5.3
2003	169,911	2,891,439	17,088	4.8
2004	169,911	3,039,717	17,890	4.2
2005	172,042	3,243,822	19,091	5.2
2006	171,765	3,479,894	20,227	4.8

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

**CITY OF GARDEN GROVE
Principal Employers
Current Year and Nine Years Ago**

Employer	2006	
	Number of Employees	Percent of Total Employment
Garden Grove Hospital/Medical Center	620	0.77%
Crystal Cathedral	600	0.75%
Leiner Halth Products LLC	411	0.51%
Air industries Corp	400	0.50%
Hyatt Regency	400	0.50%
Saint Gobain Performance	375	0.47%
Time warner Communications	364	0.45%
COSTCO	300	0.37%
GKN Aerospace	300	0.37%
Driessen Aircraft Interior Sys.	277	0.34%

1997 data was not available

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

Source: Garden Grove Chamber of Commerce

CITY OF GARDEN GROVE
Full-time and Part-time City Employees
by Department
Last Ten Fiscal Years

<u>Department</u>	<u>Full-Time and Part-time Employees as of June 30</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Administrative Services	-	-	-	-	-	-	-	-	31	34
City Manager	32	32	31	32	39	43	43	39	13	14
Community Development	47	47	48	49	50	50	50	48	45	44
Community Services	170	170	172	153	157	157	148	143	149	155
Finance	34	39	41	38	32	32	33	32	32	32
Fire	103	102	103	103	109	109	113	111	109	110
Personnel	20	20	24	32	40	57	57	13	13	13
Police	358	339	305	299	318	322	321	316	316	314
Public Works	<u>159</u>	<u>164</u>	<u>170</u>	<u>190</u>	<u>189</u>	<u>184</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>192</u>
Total	<u>923</u>	<u>913</u>	<u>894</u>	<u>896</u>	<u>934</u>	<u>954</u>	<u>950</u>	<u>879</u>	<u>887</u>	<u>908</u>
Full Time employees	617	595	615	622	648	678	687	633	637	647
Part time employees	306	318	279	274	286	276	263	246	250	261

Source: City Budget Book/Department Budgets

**CITY OF GARDEN GROVE
Operating Indicators
by Function
Current Fiscal Year**

	<u>2006</u>
Police:	
Arrests	4,044
Traffic Citations Issued	8,718
Fire:	
Number of Emergency Calls	16,215
Public Right-of-Way:	
Parking Citations Issued	29,261
Permits Issued	5,951
Community Services:	
Number of Recreation Classes	1,475
Housing Vouchers	2,337
Community planning and development	
Building Permits Issued	2,626
Water:	
Number of Accounts	34,052
Average Daily Consumption (thousands of gallons)	31,229
Solid Waste Disposal:	
Number of Accounts	31,028
Drainage:	
Channels Cleaned (miles)	5
Municipal Support:	
Passports Issued	412

Source: City of Garden Grove

CITY OF GARDEN GROVE
Capital Asset Statistics
by Function
Current Fiscal Year

	<u>2006</u>
Police:	
Stations	1
Fire:	
Fire stations	7
Public Right-of-Way:	
Streets (miles)	288
Community Services:	
Parks	16
Park Acrage	142
Community Centers	1
Water:	
Water Mains (miles)	418
Number of Connections	34,052
Sewage Collection:	
Sanitary sewers (miles)	330
Drainage:	
Storm Drains (miles)	35

Source: City of Garden Grove



GARDEN GROVE