

City of Garden Grove
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2007 - June 30, 2008



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City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2008

Department of Finance

Kingsley Okereke
Finance Director

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**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Introductory Section

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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

October 30, 2008

Honorable Mayor and City Council
City of Garden Grove, California

Transmitted through the City Manager

Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year ended June 30, 2008. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To accomplish this, City Management designed and established internal controls, which provide reasonable, but not absolute, assurance as to the effectiveness and efficiency of its operations, reliability of its financial reporting, and its compliance with applicable laws and regulations. Cost benefit considerations are weighed in meeting reasonable assurance objectives. We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly represents the financial position, and changes in financial position of the City as measured by the financial activity of its governmental activities, business type activities, each major fund, and the remaining aggregate fund information. We also believe that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Macias Gini & O'Connell LLP, independent auditors for the City of Garden Grove. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The City of Garden Grove's independent audit is an element of a more comprehensive, federally mandated "Single Audit", which has been established to meet the specific needs and requirements of federal grantor agencies. Single Audit Standards require the independent auditor to report on the audited government's internal controls and compliance with legal requirements

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while focusing on administration of federal grant awards. Satisfying these requirements are duties required of the independent auditor, which are, in addition to the "Single Audit" report, on the fair presentation of the financial statements. These "Single Audit" reports are available for the City of Garden Grove, as a separately issued report, upon a request to the Finance Director.

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

Profile of the City of Garden Grove

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles with a population of approximately 173,000. It is the fifth largest City in Orange County and the twenty-sixth largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued with efforts continuing through the 1980's and 1990's, and into the 2000's. There has been significant benefit from quality construction projects and an improved economic base as a result of these activities.

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

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

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the

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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 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 2007-08 fiscal year, much of California economy weakened with a sagging housing market, tighter credit and breakdown of the mortgage industry, more volatile financial markets, and rising energy prices all of which are fueling inflation fears and eroding consumer confidence. As expected, Orange County and the City in particular have been negatively impacted by these disconcerting general economic conditions. The City's sales tax revenues have declined and growth has slowed in other City revenue sources. The City's unemployment rate increased from 4.3% in the previous fiscal year to 5% as of June 30, 2008.

However, over this period, the City continued to benefit from community economic development and redevelopment efforts. In the past six years, the City has attracted major retail stores and facilitated the construction of eight 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 City continues to stimulate this market with improvements to infrastructure, code enforcement, pro-active public safety services, and community promotion programs. These elements will continue to strengthen the City's economic base.

As in past years, the City's management will strive to strengthen the City's financial condition through planning, effective management, and expanding the City's economic base through aggressive redevelopment, economic development and active pursuit of state, federal, and local grant funds.

In light of the weakened California and local economies, the City is developing a three-year plan to be used in conjunction with its Strategic Plan to mitigate projected decreases in fund balance. The City's five year Strategic Plan was adopted in March 2006. Areas of the fiscal year 2008-2009 Strategic Plan are in the process of being amended to suspend funding increases originally budgeted. The City intends to adhere to its mission to promote safety, cultural harmony and life enrichment by taking proactive measures to maintain its financial health and stability.

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 centers. The trend toward improving efficiency in operations, by using the latest computer hardware and software, will continue. 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 present, and will continue to be in the future.

Cash Management

The Finance Director is responsible for investing all temporarily idle cash in accordance with the State Government Code and the City's approved investment policy. In order to maximize yield, all City funds are pooled and interest is allocated back to the funds on a proportionate basis. During the year, the City achieved a yield of 4.61 percent on its portfolio investments compared to 4.06 percent in prior fiscal year. At year end, cash, deposits, and investments included the following proportions of aggregate cash invested: United States Government Securities, 85 percent, and Local Agency Investment Fund of the State of California, 15 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).

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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 \$300 million per occurrence. All losses, including IBNR, were funded at the 90% confidence level based upon actuarial studies completed biannually. A third party administrator administers all claims on behalf of the City of Garden Grove.

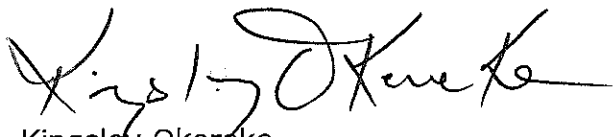
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garden Grove for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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



Kingsley Okereke
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garden City
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



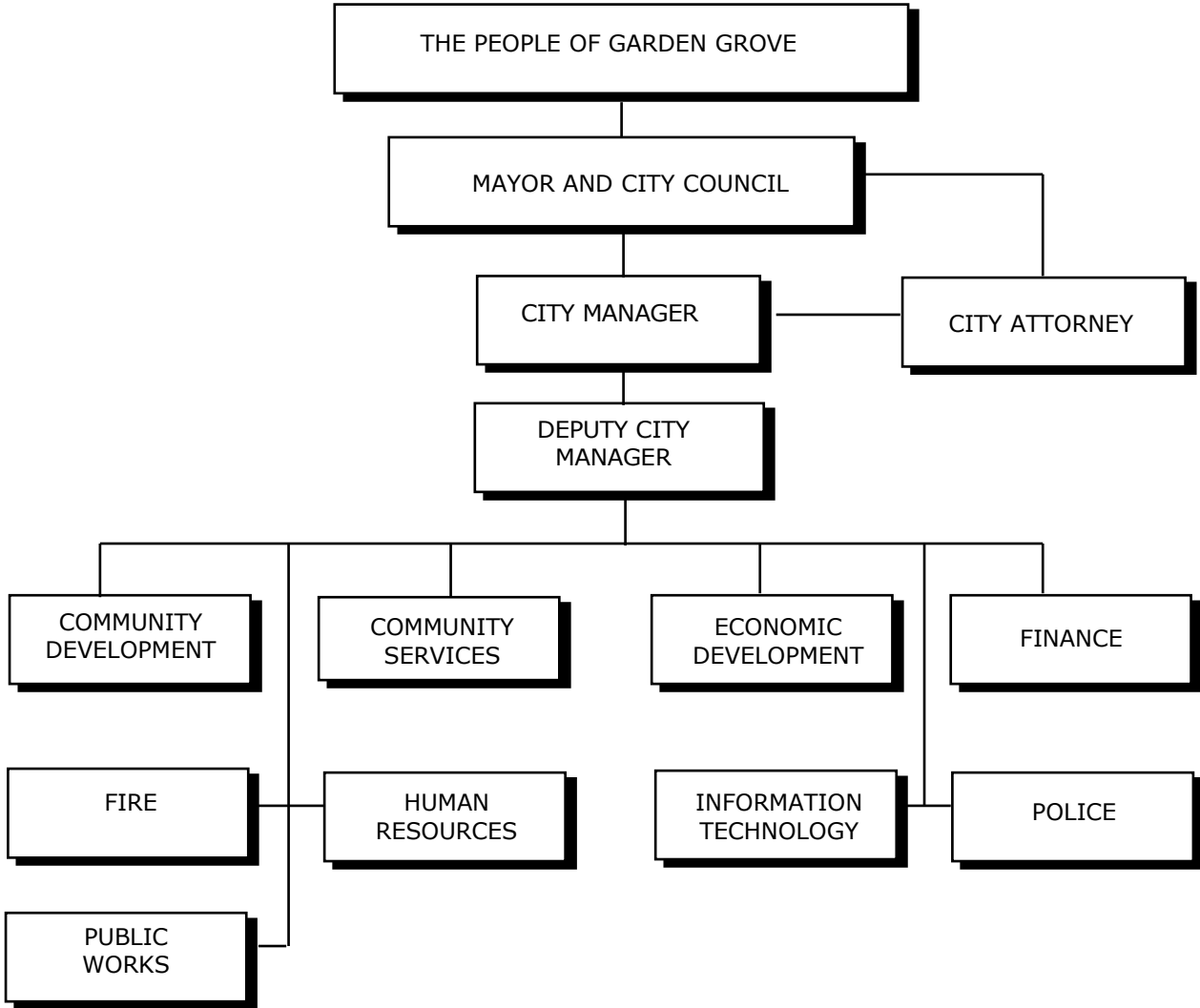
Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

William Dalton
Mayor

Mark Rosen
Mayor Pro Tem

Bruce A Broadwater
Council Member

Dina Nguyen
Council Member

Steven R Jones
Council Member

CITY OFFICIALS

Matthew J. Fertal
City Manager

Les Jones
Deputy City Manager

Tom Nixon
City Attorney

David Bertka
Fire Chief

Susan Emery
Community Development Director

Charles Kalil
Information Technology Director

Kim Huy
Community Services Director

John Clark
Human Resources Director

Chet Yoshizaki
Economic Development Director

Joseph Polisar
Police Chief

Kingsley Okereke
Finance Director

Keith Jones
Public Works Director

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Financial Section

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of and for the year ended June 30, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note D13 and D14 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures - An amendment of GASB Statements No. 25 and 27*, respectively.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2008 on our consideration of the City of Garden Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

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

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

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

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

October 30, 2008

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, 2008. 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, 2008 totaled \$847.4 million. Of this amount, \$39.4 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 \$146.9 million, an increase of \$33.1 million over the prior year balance.
- The unreserved deficit amount of \$31.1 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 \$28.5 million. The City of Garden Grove issued \$41.7 million in new debt (Agency Bank loan, and Subordinate note, and HUD loan refinance) and paid \$13.0 million in principal.

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Garden Grove maintains twenty-four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General fund, Housing Authority special revenue fund, Community Project debt service fund, 2008 RDA Loan debt service fund, Community Project capital projects fund, Low Income Housing capital projects fund, and 2003 Tax Allocation capital projects fund, all of which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Garden Grove, assets exceeded liabilities by \$847.4 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (85.9%) reflects its investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 286.3	\$ 245.6	\$ 39.9	\$ 32.3	\$ 326.2	\$ 278.0
Capital assets	665.6	670.4	107.1	102.0	772.7	772.4
Total assets	951.9	916.0	147.0	134.3	1,098.9	1,050.4
Long-term liabilities	148.8	99.5	46.5	48.7	195.3	148.2
Other liabilities	47.7	61.9	8.5	5.8	56.2	67.7
Total liabilities	196.5	161.4	55.0	54.5	251.5	215.9
Net assets	\$ 755.4	\$ 754.6	\$ 92.0	\$ 79.8	\$ 847.4	\$ 834.5
Invested in capital assets, net of related debt	662.5	666.8	65.6	65.0	728.1	731.8
Restricted	79.9	52.2	-	-	79.9	52.2
Unrestricted	13	35.6	26.4	14.8	39.4	50.4
Total net assets	\$ 755.4	\$ 754.6	\$ 92.0	\$ 79.8	\$ 847.4	\$ 834.4

An additional portion of the City's net assets, \$79.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$39.4 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 \$13.0 million over the prior fiscal year end balance. The improved net asset was largely a result of revenues (\$206.0 million) exceeding expenditures (\$193.0 million) at the close of the fiscal year. The revenue increases are due to increases in hotel tax, property tax revenues and increase in water rates.

City of Garden Grove, Change in Net Assets (in millions)						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 12.0	\$ 12.7	\$ 45.1	\$ 40.4	\$ 57.1	\$ 53.1
Operating grants and contributions	42.9	43.7	0.8	0.5	43.7	44.2
Capital grants and contributions	4.9	2.5	-	0.7	4.9	3.2
General revenues:			-	-		
Sales taxes	19.8	19.7	-	-	19.8	19.7
Property taxes	39.1	36.3	-	-	39.1	36.3
Other taxes	31.6	30.7	-	-	31.6	30.7
Earning on investments	5.7	4.7	2.6	1.5	8.3	6.2
Other	1.5	3.2	-	-	1.5	3.2
Total revenues	<u>157.5</u>	<u>153.5</u>	<u>48.5</u>	<u>43.1</u>	<u>206.0</u>	<u>196.6</u>
Expenses:					-	-
Fire	19.8	17.5	-	-	19.8	17.5
Police	45.3	38.0	-	-	45.3	38.0
Traffic safety	3.3	3.2	-	-	3.3	3.2
Public right of way	14.0	15.1	-	-	14.0	15.1
Drainage	1.3	1.5	-	-	1.3	1.5
Community buildings	4.4	0.1	-	-	4.4	0.1
Community services	4.4	3.6	-	-	4.4	3.6
Parks and greenbelts	2.0	1.8	-	-	2.0	1.8
Community planning and development	46.1	42.8	-	-	46.1	42.8
Municipal support	8.4	6.7	-	-	8.4	6.7
Interest on Long-term debt	7.7	6.9	-	-	7.7	6.9
Water utility	-	-	20.6	20.4	20.6	20.4
Sewage collection	-	-	6.1	4.1	6.1	4.1
Solid waste disposal	-	-	7.2	7.1	7.2	7.1
Mobile home parks	-	-	1.8	1.5	1.8	1.5
RV park	-	-	0.6	0.5	0.6	0.5
Total expenses	<u>156.7</u>	<u>137.2</u>	<u>36.3</u>	<u>33.6</u>	<u>193.0</u>	<u>170.8</u>
Change in net assets	0.8	16.3	12.2	9.5	13.0	25.8
Net assets, July 1	<u>754.6</u>	<u>738.3</u>	<u>79.8</u>	<u>70.3</u>	<u>834.4</u>	<u>808.6</u>
Net assets, June 30	<u>\$ 755.4</u>	<u>\$ 754.6</u>	<u>\$ 92.0</u>	<u>\$ 79.8</u>	<u>\$ 847.4</u>	<u>\$ 834.4</u>

Governmental Activities. The City of Garden Grove governmental activities net assets increased by \$0.8 million for the year ended June 30, 2008. Key elements of this increase are as follows:

- Property taxes revenue increased by \$2.8 million, primarily due to increase in property value.
- Other taxes increased by \$0.9 million, primarily due to increases in hotel tax revenues.
- Capital and operating grants revenue increased by \$1.6 million due to increased grants receipts and commitments related to transportation and parks from other governmental agencies.
- Earning on investments increased by \$1.0 million, primarily due to increased cash and investments.

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

- Police expenses increased by \$7.3 million mainly as a result of labor costs and equipment purchases.
- Community planning and development expenses increased by \$3.3 million largely due to increase in land acquisitions for redevelopment purposes by the Agency for Community Development.
- Community building expenses increased by \$4.3 million due to temporary lease of office space for police during remodeling and due to in-house building maintenance labor.

Business-type activities. Business-type activities increased the City of Garden Grove's net assets by \$12.2 million. Key element in this increase is as follows:

The Water Utility fund showed an increase in revenue of \$4.8 million due to a 40% rate increase effective on July 1, 2007, and consistent with a water rate study and financial plan designed to provide enough revenue to cover current and future operational and capital requirements of the water utility.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City of Garden Grove's governmental funds reported combined ending fund balances of \$146.9 million, an increase of \$33.028 million in comparison with the prior year. The unreserved portion of fund balance ended with a

deficit of \$40.4 million which consists of a surplus in the General fund (\$14.7 million), Special Revenue funds (\$3.8 million), and deficits in the Community Development Capital Projects fund (\$31.1 million) and nonmajor governmental funds (\$31.5 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 (\$14.9 million), 2) to reserve the cost of land held for resale (\$40.6 million), 3) to reserve an amount to cover intercity loans receivable (\$47.2 million), 4) to pay debt service (\$20.9 million), 5) to fund prior period continuing projects (\$59.6 million), 6) to reserve an amount to cover contingencies (\$3.0 million), and 7) to reserve a variety of other restricted purposes (\$5.7 million).

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the fiscal year, unreserved fund balance of the general fund was \$14.7 million. The total general fund year-end balance was \$65.7 million, a decrease of \$6.6 million compared to the previous year.
- **Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$1.4 million due to the continued growth in the Section 8 federal housing program. This program has a fund balance of \$3.8 million at year-end.
- **Community Project debt service fund.** The Community Project debt service fund reserve, which provides an accounting of resources used to pay principal and interest on the Agency's Tax Allocation Bonds, ended the year with a deficit of (\$0.8) million due to the purchase of land for the Brookhurst Triangle Development. This deficit will be funded from the community project capital project fund reserve.
- **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 (\$31.0) million. The total fund balance in the current year was a surplus balance of \$6.2 million. The surplus fund balance was due to the increase in land held for resale of \$13.0 million. The reserved balance increased by \$22.8 million due primarily to a \$13.0 million increase in land held for resale and \$1.2 million increase in continuing project.
- **Low Income Housing capital projects fund.** The Low Income Housing capital projects fund accounts for the proceeds of the 20 percent set-aside of tax increment revenues for the City's redevelopment Agency. The reserved fund balance decreased by \$284,729.
- **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. The reserved fund balance increased by \$330,428 due to increased building improvements.

- **2008 RDA Loan.** The 2008 RDA Loan debt service fund accounts for the principal and interest on the 2008 RDA Loans between Garden Grove Agency for Community Development and both Union Bank of California and Katella Cottages, LLC.
- **Proprietary funds.** All but the RV Park of the City's proprietary funds are considered major funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility fund at the end of the year amounted to deficit (\$3.5 million). For the Sewage Collection fund, unrestricted net assets was \$21.4 million, Solid Waste Disposal fund was \$1.6 million and Mobile Home Parks fund was \$4.6 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 some changes between the original budget and the final amended budget as outlined below.

- General Fund revenues of \$152.7 million exceeded budgeted revenues of \$149.0 million by \$3.7 million (2.49%). The excess was primarily due to increase in tax and investment income revenue.
- General Fund expenditures of \$85.3 million were less than budgeted expenditures of \$91.4 million by \$6.1 million (6.65%). Municipal support expenditures of \$6.6 million were less than budgeted expenditures of \$10.4 million by \$3.8 million due to budgeted loans from General Fund to Water Fund that were not needed. Community planning and development expenditures of \$3.6 million were less than budgeted expenditures of \$4.9 million by \$1.3 million due to reduced expenses on the General Plan Update.

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, 2008, amounts to \$772.7 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 410.4	\$ 408.9	\$ 17.3	\$ 17.3	\$ 427.7	\$ 426.2
Construction in progress	0.7	3.7	1.7	1.8	2.4	5.5
Infrastructure	217.2	221.0	88.0	82.8	305.2	303.8
Building and structures	25.3	26.1	-	-	25.3	26.1
Machinery and equipment	12.0	10.7	0.1	0.1	12.1	10.8
Total capital assets	<u>\$ 665.6</u>	<u>\$ 670.4</u>	<u>\$ 107.1</u>	<u>\$ 102.0</u>	<u>\$ 772.7</u>	<u>\$ 772.4</u>

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

- An improvement to the City sewer system of \$5.7 million.
- An improvement to the City water utility system of \$2.5 million.
- A variety of street widening and expansion projects for \$6.3 million and related construction in progress projects for \$0.5 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 \$170.6 million. The City's total debt increased by \$28.5 million during the current fiscal year. The \$28.5 million increase is primarily comprised of \$34.0 million redevelopment agency borrowing for land purchases to be set aside for future city development and of \$7.7 million in HUD loans and payment of \$13.0 million of principal payments.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation (\$9,893,940,341). The current debt limitation for the City of Garden Grove is \$344.9 million. There are no outstanding general obligation bonds for the City.

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

	Government activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Tax allocation bonds	\$ 53.7	\$ 55.4	\$ -	\$ -	\$ 53.7	\$ 55.4
Certificates of participation	21.0	21.4	11.4	11.8	32.4	33.2
2008 Subordinate Note	2.0					
Agreements payable	43.2	13.4	-	-	43.2	13.4
Capital lease purchase	3.0	3.1	-	-	3.0	3.1
Sewer revenue COP	-	-	21.8	21.8	21.8	21.8
Water revenue bonds	-	-	14.5	15.1	14.5	15.1
Total net assets	<u>\$ 122.9</u>	<u>\$ 93.3</u>	<u>\$ 47.7</u>	<u>\$ 48.7</u>	<u>\$ 168.6</u>	<u>\$ 142.0</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- During the 2007-08 fiscal year, much of California economy weakened due to a sagging housing market, credit tightening, mortgage industry difficulties, increased financial market volatility, and fluctuating energy prices. As a result, Orange County economy has been impacted by these negative economic conditions. The City's sales tax revenues have declined and the growth in the City's other revenue sources has slowed. During the current fiscal year the City's unemployment rate increased to 5.0% from the previous year's rate of 4.3%.
- The City's basic operating budget of \$96.75 million and capital budget of \$7.39 million was balanced in part with a large projected General Fund balance carry-over from 2007-08 of approximately \$12.1 million. Additional balancing measures will definitely be required in subsequent years given the adverse economic climate, and the anticipated decline in the City's major revenue sources.
- The budget includes a 20% rate increase for the Water Utility fund. This increase was part of a five-year cost of service study to make sure the water utility will be financially sound for the near future.
- Overall, the City is in a good and stable financial position. However, the uncertainty regarding the depth and duration of the current economic downturn has cast some doubt about the level of City revenues expected next year. In addition, the state continues to struggle with balancing its budget, which could mean future reductions in local government subventions or outright taking of city resources. Improved growth is projected in 2009 and 2010. As in past years, staff will strive to strengthen the City's financial condition through planning, effective management, and expanding the City's economic base through aggressive redevelopment, economic development and active pursuit of state, federal and local grant funds.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 167,306,392	\$ 28,987,942	\$ 196,294,334
Cash and investments with fiscal agents	25,763,430	12,183,649	37,947,079
Receivables, net	18,659,345	7,880,814	26,540,159
Internal balances	10,012,472	(10,012,472)	-
Notes receivable	17,926,897	-	17,926,897
Inventory	548,335	-	548,335
Land held for resale	40,595,882	-	40,595,882
Prepaid items	1,850,270	-	1,850,270
Deposits	2,059,932	15,000	2,074,932
Total current assets	<u>284,722,955</u>	<u>39,054,933</u>	<u>323,777,888</u>
Noncurrent assets:			
Deferred issuance costs	1,553,866	897,179	2,451,045
Capital assets:			
Land	410,446,275	17,323,762	427,770,037
Construction in progress	736,938	1,673,101	2,410,039
Depreciable infrastructure, net	217,238,898	88,016,254	305,255,152
Depreciable buildings and structures, net	25,260,109	-	25,260,109
Depreciable equipment, net	12,023,646	112,195	12,135,841
Total noncurrent assets	<u>667,259,732</u>	<u>108,022,491</u>	<u>775,282,223</u>
Total assets	<u>951,982,687</u>	<u>147,077,424</u>	<u>1,099,060,111</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	15,978,646	6,011,235	21,989,881
Refundable deposits	3,117,965	375,560	3,493,525
Unearned revenue	13,565,532	1,005,628	14,571,160
Unamortized premium	1,084,873	-	1,084,873
Long-term debt, due within one year	5,077,641	1,130,000	6,207,641
Claims payable, due within one year	8,149,947	-	8,149,947
Accrued compensated absences, due within one year	703,296	-	703,296
Total current liabilities	<u>47,677,900</u>	<u>8,522,423</u>	<u>56,200,323</u>
Noncurrent liabilities:			
Postemployment benefit obligation	408,875	-	408,875
Long-term debt, due in more than one year	117,890,840	46,530,144	164,420,984
Claims payable, due in more than one year	24,215,688	-	24,215,688
Accrued compensated absences, due in more than one year	6,329,659	-	6,329,659
Total noncurrent liabilities	<u>148,845,062</u>	<u>46,530,144</u>	<u>194,966,331</u>
Total liabilities	<u>196,522,962</u>	<u>55,052,567</u>	<u>251,166,654</u>
NET ASSETS			
Invested in capital assets, net of related debt	662,476,096	65,581,330	728,057,426
Restricted for:			
Debt service	20,153,905	-	20,153,905
Low income housing	19,089,209	-	19,089,209
Streets and roads	19,138,961	-	19,138,961
Community development	21,597,135	-	21,597,135
Unrestricted	13,004,419	26,443,527	39,447,946
Total net assets	<u>\$ 755,459,725</u>	<u>\$ 92,024,857</u>	<u>\$ 847,484,582</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, 2008**

Functions/programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Fire	\$ 19,778,057	\$ 883,674	\$ -
Police	45,332,795	3,564,425	1,548,200
Traffic safety	3,272,973	1,314,308	286,730
Public right of way	13,988,993	290,746	5,295,059
Drainage	1,372,120	89,774	-
Community buildings	4,442,091	-	-
Community services	4,382,991	848,847	412,810
Parks and greenbelts	2,015,885	1,394,191	343,004
Community planning and development	46,061,039	1,402,847	34,592,979
Municipal support	8,405,424	2,222,600	501,283
Interest on long term debt	7,767,629	-	-
Total governmental activities	<u>156,819,997</u>	<u>12,011,412</u>	<u>42,980,065</u>
Business-type activities:			
Water utility	20,557,116	25,573,052	139,025
Sewage collection	6,113,256	9,050,771	295,890
Solid waste disposal	7,181,705	7,394,564	341,977
Mobile home parks	1,783,038	2,608,778	22,864
RV park	555,474	424,288	4,003
Total business-type activities	<u>36,190,589</u>	<u>45,051,453</u>	<u>803,759</u>
Total	<u>\$ 193,010,586</u>	<u>\$ 57,062,865</u>	<u>\$ 43,783,824</u>

General revenues:

Taxes:

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

Transfers

Total general revenues and transfers

Change in net assets

Net assets-July 1

Net assets-June 30

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

Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
	Capital Grants and Contributions	Governmental Activities	Business-type Activities
\$ -	\$ (18,894,383)	\$ -	\$ (18,894,383)
84,689	(40,135,481)	-	(40,135,481)
169,962	(1,501,973)	-	(1,501,973)
4,013,951	(4,389,237)	-	(4,389,237)
139,443	(1,142,903)	-	(1,142,903)
-	(4,442,091)	-	(4,442,091)
-	(3,121,334)	-	(3,121,334)
296,254	17,564	-	17,564
185,882	(9,879,331)	-	(9,879,331)
-	(5,681,541)	-	(5,681,541)
-	(7,767,629)	-	(7,767,629)
<u>4,890,181</u>	<u>(96,938,339)</u>	<u>-</u>	<u>(96,938,339)</u>
-	-	5,154,961	5,154,961
-	-	3,233,405	3,233,405
-	-	554,836	554,836
-	-	848,604	848,604
-	-	(127,183)	(127,183)
-	-	<u>9,664,623</u>	<u>9,664,623</u>
<u>\$ 4,890,181</u>	<u>(96,938,339)</u>	<u>9,664,623</u>	<u>(87,273,716)</u>
	19,780,085	-	19,780,085
	39,143,593	-	39,143,593
	2,337,053	-	2,337,053
	2,596,833	-	2,596,833
	12,672,985	-	12,672,985
	14,011,002	-	14,011,002
	5,687,463	2,579,473	8,266,936
	1,511,289	-	1,511,289
	<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
	<u>97,810,303</u>	<u>2,509,473</u>	<u>100,319,776</u>
	871,964	12,174,096	13,046,060
	<u>754,587,761</u>	<u>79,850,761</u>	<u>834,438,522</u>
<u>\$ 755,459,725</u>	<u>\$ 92,024,857</u>	<u>\$ 847,484,582</u>	

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENT FUNDS
JUNE 30, 2008**

	<u>Special Revenue Fund</u>		<u>Debt Service Funds</u>	
	<u>General Fund</u>	<u>Housing Authority</u>	<u>Community Project</u>	<u>RDA Loan 2008</u>
ASSETS				
Cash and cash investments	\$ 29,007,634	\$ 2,293,735	\$ -	\$ -
Cash and cash investments with fiscal agents	-	-	-	21,172,204
Taxes receivable	3,064,988	-	237,438	-
Accounts receivable	3,165,947	12,146	-	-
Interest receivable	408,485	17,735	-	-
Intergovernmental receivable	-	99,576	-	-
Notes receivable	273,292	-	-	-
Intercity loans receivable	49,100,469	-	-	-
Due from other funds	1,096,193	-	-	-
Land held for resale, net	-	-	-	-
Prepaid items	-	1,850,270	-	-
Deposits	16,740	-	-	-
Total assets	<u>\$ 86,133,748</u>	<u>\$ 4,273,462</u>	<u>\$ 237,438</u>	<u>\$ 21,172,204</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,766,600	\$ 27,546	\$ -	\$ -
Other accrued liabilities	2,734,164	92,624	-	179,527
Refundable deposits	1,977,688	309,039	-	-
Due to other funds	2,091	-	1,084,259	-
Deferred revenue	6,933,443	-	-	-
Intercity loans payable	-	-	-	-
Total liabilities	<u>20,413,986</u>	<u>429,209</u>	<u>1,084,259</u>	<u>179,527</u>
Fund balances (deficit)				
Reserved for:				
Encumbrances	493,446	-	-	-
Property tax lawsuit	1,500,000	-	-	-
Building improvements	1,300,000	-	-	-
Intercity loans receivable	43,249,345	-	-	-
Contingencies	3,000,000	-	-	-
Continuing projects	1,439,550	-	-	-
Land held for resale	-	-	-	-
Contractual commitments	-	-	-	-
Debt service	-	-	-	20,992,677
Deposits	16,740	-	-	-
Unreserved, reported in:				
General fund	14,720,681	-	-	-
Special revenue funds	-	3,844,253	-	-
Debt service funds	-	-	(846,821)	-
Capital projects funds	-	-	-	-
Total fund balances (deficit)	<u>65,719,762</u>	<u>3,844,253</u>	<u>(846,821)</u>	<u>20,992,677</u>
Total liabilities and fund balances	<u>\$ 86,133,748</u>	<u>\$ 4,273,462</u>	<u>\$ 237,438</u>	<u>\$ 21,172,204</u>

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

Capital Projects Funds				
Community Project	Low Income Housing	2003 Tax Allocation	Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,710,479	\$ 6,894,942	\$ 2,898,474	\$ 31,137,472	\$ 84,942,736
-	-	4,578,805	12,421	25,763,430
-	61,250	-	855,884	4,219,560
60,403	52,353	-	3,546,682	6,837,531
174,392	54,946	2,875	225,175	883,608
-	-	-	4,718,922	4,818,498
6,051,448	3,315,987	-	8,286,170	17,926,897
-	3,953,608	-	-	53,054,077
-	-	-	-	1,096,193
32,508,628	8,087,254	-	-	40,595,882
-	-	-	-	1,850,270
2,000,000	-	-	2,657	2,019,397
<u>\$ 53,505,350</u>	<u>\$ 22,420,340</u>	<u>\$ 7,480,154</u>	<u>\$ 48,785,383</u>	<u>\$ 244,008,079</u>
\$ -	\$ -	\$ -	\$ 1,154,488	\$ 9,948,634
5,784	14,953	-	791,363	3,818,415
765,281	190	-	64,247	3,116,445
-	-	-	4,899,629	5,985,979
6,051,448	3,315,988	-	17,477,120	33,777,999
40,500,530	-	-	-	40,500,530
<u>47,323,043</u>	<u>3,331,131</u>	<u>-</u>	<u>24,386,847</u>	<u>97,148,002</u>
202,250	1,725	-	222,847	920,268
-	-	-	-	1,500,000
-	-	-	-	1,300,000
-	3,953,608	-	-	47,202,953
-	-	-	-	3,000,000
2,538,299	-	-	55,599,630	59,577,479
32,508,628	8,087,254	-	-	40,595,882
-	7,464,014	7,480,154	-	14,944,168
-	-	-	-	20,992,677
2,000,000	-	-	2,657	2,019,397
-	-	-	-	14,720,681
-	-	-	(31,689,519)	(27,845,266)
-	-	-	(576,551)	(1,423,372)
(31,066,870)	(417,392)	-	839,472	(30,644,790)
<u>6,182,307</u>	<u>19,089,209</u>	<u>7,480,154</u>	<u>24,398,536</u>	<u>146,860,077</u>
<u>\$ 53,505,350</u>	<u>\$ 22,420,340</u>	<u>\$ 7,480,154</u>	<u>\$ 48,785,383</u>	<u>\$ 244,008,079</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

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

Fund balances - total governmental funds	\$ 146,860,077
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	665,705,866
Certain notes receivables are not available to pay for current period expenditures, and therefore are offset by deferred revenue in the governmental funds.	20,212,467
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:	46,836,222
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(124,154,907)</u>
Net assets of governmental activities	<u><u>\$ 755,459,725</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, 2008

	<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>	
	<u>General Fund</u>	<u>Housing Authority</u>	<u>Community Project</u>	<u>RDA Loan 2008</u>
REVENUES				
Taxes	\$ 66,290,232	\$ -	\$ 19,043,645	\$ -
Licenses and permits	1,038,639	-	-	-
Fines, forfeits and penalties	2,049,255	-	-	-
Investment earnings	2,777,339	140,907	-	4,243
Charges for current services	6,297,394	-	-	-
From other agencies	462,904	25,388,745	-	-
Other revenues	1,606,520	12,053	-	181
Total revenues	<u>80,522,283</u>	<u>25,541,705</u>	<u>19,043,645</u>	<u>4,424</u>
EXPENDITURES				
Current:				
Fire	19,551,517	-	-	-
Police	41,757,835	-	-	-
Traffic safety	875,044	-	-	-
Public right of way	3,934,833	-	-	-
Community buildings	3,581,420	-	-	-
Community services	2,308,556	-	-	-
Parks and greenbelts	855,060	-	-	-
Community planning and development	3,552,269	24,131,570	-	-
Municipal support	6,588,712	20,559	128,430	-
Capital outlay:				
Fire	23,630	-	-	-
Police	239,277	-	-	-
Traffic safety	45	-	-	-
Public right of way	1,104,811	-	-	-
Drainage	-	-	-	-
Community buildings	274,344	-	-	-
Community services	12,476	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	41,986	-	-	-
Debt service:				
Principal retirement	469,433	-	1,660,000	-
Interest and other charges	165,500	-	2,700,734	591,230
Total expenditures	<u>85,336,748</u>	<u>24,152,129</u>	<u>4,489,164</u>	<u>591,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,814,465)</u>	<u>1,389,576</u>	<u>14,554,481</u>	<u>(586,806)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,061,724	-	12,922,416	293,856
Transfers out	(2,887,983)	-	(28,568,095)	(12,729,373)
Proceeds of long-term debt	-	-	-	34,015,000
Payments to refunding escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(1,826,259)</u>	<u>-</u>	<u>(15,645,679)</u>	<u>21,579,483</u>
Net change in fund balances	(6,640,724)	1,389,576	(1,091,198)	20,992,677
Fund balances (deficit), July 1	<u>72,360,486</u>	<u>2,454,677</u>	<u>244,377</u>	<u>-</u>
Fund balances (deficit), June 30	<u>\$ 65,719,762</u>	<u>3,844,253</u>	<u>\$ (846,821)</u>	<u>\$ 20,992,677</u>

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

Capital Projects Funds				
Community Project	Low Income Housing	2003 Tax Allocation	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,866,228	\$ -	\$ 1,091,867	\$ 91,291,972
-	-	-	29,742	1,068,381
-	-	-	820,579	2,869,834
1,823,866	272,649	330,428	1,226,728	6,576,160
-	-	-	3,785,752	10,083,146
-	-	-	16,443,605	42,295,254
236,390	186,012	-	474,433	2,515,589
<u>2,060,256</u>	<u>5,324,889</u>	<u>330,428</u>	<u>23,872,706</u>	<u>156,700,336</u>
-	-	-	172,873	19,724,390
-	-	-	1,290,448	43,048,283
-	-	-	2,151,267	3,026,311
-	-	-	2,038,433	5,973,266
-	-	-	-	3,581,420
-	-	-	1,899,474	4,208,030
-	-	-	1,069,421	1,924,481
-	-	-	2,392,081	30,075,920
-	-	-	425,153	7,162,854
-	-	-	24,348	47,978
-	-	-	1,098,707	1,337,984
-	-	-	1,438,722	1,438,767
38,277	-	-	2,806,961	3,950,049
-	-	-	117,138	117,138
33,001	-	-	-	307,345
-	-	-	-	12,476
-	-	-	101,903	101,903
16,376,938	1,802,433	-	-	18,179,371
407,829	347,069	-	-	796,884
1,241,357	-	-	600,000	3,970,790
3,496,191	-	-	829,360	7,783,015
<u>21,593,593</u>	<u>2,149,502</u>	<u>-</u>	<u>18,456,289</u>	<u>156,768,655</u>
<u>(19,533,337)</u>	<u>3,175,387</u>	<u>330,428</u>	<u>5,416,417</u>	<u>(68,319)</u>
32,355,943	77,825	-	1,512,799	48,224,563
(2,409,811)	-	-	(1,798,301)	(48,393,563)
-	-	-	7,660,000	41,675,000
-	-	-	(8,410,000)	(8,410,000)
<u>29,946,132</u>	<u>77,825</u>	<u>-</u>	<u>(1,035,502)</u>	<u>33,096,000</u>
10,412,795	3,253,212	330,428	4,380,915	33,027,681
<u>(4,230,488)</u>	<u>15,835,997</u>	<u>7,149,726</u>	<u>20,017,621</u>	<u>113,832,396</u>
<u>\$ 6,182,307</u>	<u>\$ 19,089,209</u>	<u>\$ 7,480,154</u>	<u>\$ 24,398,536</u>	<u>\$ 146,860,077</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, 2008**

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

Net change in fund balances - total governmental funds	\$ 33,027,681
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.	(5,861,605)
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.	(29,654,384)
Certain expenditures relate to current financial resources and, therefore effect net assets for governmental activities.	600,000
Internal service funds are used by management to charge the costs of certain activities, such as worker’s compensation, fleet management, employee benefits, telephones, information systems, risk management and warehouse operations to individual funds. The net revenues of these internal service funds are reported as governmental activities.	2,293,815
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>466,457</u>
Net assets of governmental activities	<u><u>\$ 871,964</u></u>

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

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**CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Business-Type Activities- Enterprise Funds	
	Water Utility	Sewage Collection
ASSETS		
Current Assets:		
Cash and cash investments	\$ 5,933,318	\$ 18,360,735
Cash and cash investments with fiscal agents	1,303,250	9,690,697
Taxes receivable	-	65,859
Accounts receivable	4,722,341	1,160,838
Interest receivable	71,490	179,734
Due from other funds	-	-
Intercity loans receivable	750,000	-
Inventory	-	-
Deposits	15,000	-
Total current assets	<u>12,795,399</u>	<u>29,457,863</u>
Noncurrent assets:		
Deferred issuance costs	239,049	274,941
Capital assets:		
Land	1,470,305	63,385
Construction in progress	-	1,673,101
Depreciable infrastructure, net	48,516,282	39,498,433
Depreciable equipment, net	61,919	33,161
Total noncurrent assets	<u>50,287,555</u>	<u>41,543,021</u>
Total assets	<u>63,082,954</u>	<u>71,000,884</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	3,181,596	1,240,953
Accrued interest payable	25,901	42,639
Other current liabilities	201,963	366,229
Refundable deposits	362,275	10,314
Due to other funds	-	-
Deferred revenue	-	-
Intercity loans payable	13,303,548	-
Current portion of long-term obligations	675,000	-
Total current liabilities	<u>17,750,283</u>	<u>1,660,135</u>
Noncurrent liabilities:		
Accrued compensated absences	-	-
Claims payable	-	-
Noncurrent portion of long-term obligations:		
Lease purchase	-	-
Revenue bonds payable	13,959,022	-
Certificates of participation payable	-	22,239,638
Deferred refunding costs	(575,227)	-
Total noncurrent liabilities	<u>13,383,795</u>	<u>22,239,638</u>
Total liabilities	<u>31,134,078</u>	<u>23,899,773</u>
NET ASSETS		
Invested in capital assets, net of related debt	35,414,484	25,719,831
Unrestricted	(3,465,608)	21,381,280
Total net assets	<u>\$ 31,948,876</u>	<u>\$ 47,101,111</u>

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

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

Business-Type Activities- Enterprise Funds				Governmental
Solid Waste Disposal	Mobile Home Parks	Nonmajor RV Park	Total	Activities - Internal Service Funds
\$ 1,681,023	\$ 2,953,640	\$ 59,226	\$ 28,987,942	\$ 82,363,656
-	1,189,702	-	12,183,649	-
94,611	-	-	160,470	-
1,466,668	26,302	48,420	7,424,569	1,235,205
11,219	33,332	-	295,775	664,943
-	230,476	-	230,476	4,889,786
-	-	-	750,000	-
-	-	-	-	548,335
-	-	-	15,000	40,535
<u>3,253,521</u>	<u>4,433,452</u>	<u>107,646</u>	<u>50,047,881</u>	<u>89,742,460</u>
-	383,189	-	897,179	-
-	11,790,072	4,000,000	17,323,762	-
-	-	-	1,673,101	-
-	1,539	-	88,016,254	-
3,300	13,815	-	112,195	8,587,996
<u>3,300</u>	<u>12,188,615</u>	<u>4,000,000</u>	<u>108,022,491</u>	<u>8,587,996</u>
<u>3,256,821</u>	<u>16,622,067</u>	<u>4,107,646</u>	<u>158,070,372</u>	<u>98,330,456</u>
651,686	-	26,141	5,100,376	1,385,741
-	259,500	-	328,040	-
14,627	-	-	582,819	179,312
2,010	961	-	375,560	1,520
-	-	230,476	230,476	-
1,005,628	-	-	1,005,628	-
-	-	-	13,303,548	-
-	455,000	-	1,130,000	8,922,601
<u>1,673,951</u>	<u>715,461</u>	<u>256,617</u>	<u>22,056,447</u>	<u>10,489,174</u>
-	-	-	-	6,329,659
-	-	-	-	24,215,688
-	-	-	-	307,416
-	-	-	13,959,022	-
-	10,906,711	-	33,146,349	-
-	-	-	(575,227)	-
-	<u>10,906,711</u>	-	<u>47,105,371</u>	<u>30,852,763</u>
<u>1,673,951</u>	<u>11,622,172</u>	<u>256,617</u>	<u>69,161,818</u>	<u>41,341,937</u>
3,300	443,715	4,000,000	65,581,330	8,587,996
<u>1,579,570</u>	<u>4,556,180</u>	<u>(148,971)</u>	<u>23,902,451</u>	<u>48,400,523</u>
<u>\$ 1,582,870</u>	<u>\$ 4,999,895</u>	<u>\$ 3,851,029</u>	<u>89,483,781</u>	<u>\$ 56,988,519</u>
			2,541,076	
			<u>\$ 92,024,857</u>	

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	25,673,122	-
Mobile home parks operation	-	-
Solid waste disposal fees	-	-
Property assessments	-	2,031,525
Sewer user fees	-	7,080,147
RV park operations	-	-
Other	17,118	77,800
Total operating revenues	<u>25,690,240</u>	<u>9,189,472</u>
Operating expenses:		
Salaries and wages	3,565,651	1,437,302
Contractual services	3,620,645	2,371,427
Liability claims	-	-
Materials and supplies	692,897	214,449
Water production expenses	10,186,633	-
Mobile home parks on-site operations	-	-
RV park on-site operations	-	-
Depreciation	1,821,717	1,066,737
Amortization	40,328	-
Total operating expenses	<u>19,927,871</u>	<u>5,089,915</u>
Operating income (loss)	<u>5,762,369</u>	<u>4,099,557</u>
Nonoperating revenues (expenses):		
Investment income	359,429	2,016,884
Gain on disposal of assets	-	-
Other nonoperating revenues	-	-
Interest expense	(629,245)	(1,023,341)
Total nonoperating revenues (expenses)	<u>(269,816)</u>	<u>993,543</u>
Income (loss) before transfers	5,492,553	5,093,100
Transfers in/(out)	-	-
Change in net assets	5,492,553	5,093,100
Total net assets, July 1	<u>26,456,323</u>	<u>42,008,011</u>
Total net assets, June 30	<u>\$ 31,948,876</u>	<u>\$ 47,101,111</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	
\$ -	\$ -	\$ -	\$ -	\$ 40,950,432
-	-	-	25,673,122	-
-	2,631,643	-	2,631,643	-
7,286,275	-	-	7,286,275	-
301,542	-	-	2,333,067	-
-	-	-	7,080,147	-
-	-	424,288	424,288	-
40,000	-	4,003	138,921	-
<u>7,627,817</u>	<u>2,631,643</u>	<u>428,291</u>	<u>45,567,463</u>	<u>40,950,432</u>
326,083	-	-	5,329,036	16,984,633
6,837,101	-	-	12,829,173	13,934,288
-	-	-	-	7,182,156
17,971	-	-	925,317	1,998,668
-	-	-	10,186,633	-
-	1,103,410	-	1,103,410	-
-	-	555,474	555,474	-
550	2,149	-	2,891,153	1,168,565
-	28,119	-	68,447	-
<u>7,181,705</u>	<u>1,133,678</u>	<u>555,474</u>	<u>33,888,643</u>	<u>41,268,310</u>
<u>446,112</u>	<u>1,497,965</u>	<u>(127,183)</u>	<u>11,678,820</u>	<u>(317,878)</u>
60,992	156,618	-	2,593,923	2,462,673
-	-	-	-	74,596
108,723	-	-	108,723	-
-	(649,360)	-	(2,301,946)	-
<u>169,715</u>	<u>(492,742)</u>	<u>-</u>	<u>400,700</u>	<u>2,537,269</u>
615,827	1,005,223	(127,183)	12,079,520	2,219,391
-	(70,000)	-	(70,000)	239,000
615,827	935,223	(127,183)	12,009,520	2,458,391
967,043	4,064,672	3,978,212	-	54,530,128
<u>\$ 1,582,870</u>	<u>\$ 4,999,895</u>	<u>\$ 3,851,029</u>		<u>\$ 56,988,519</u>
			<u>164,576</u>	
			<u>\$ 12,174,096</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 24,005,857	\$ 8,867,578
Payments to suppliers	(13,578,847)	(1,883,936)
Payments to employees	(3,565,651)	(1,437,302)
Internal activity-payments to/from other funds	-	-
Net cash provided by operating activities	<u>6,861,359</u>	<u>5,546,340</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES		
Transfers from (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	(2,488,533)	(5,484,790)
Proceeds from disposal of capital assets	-	-
Principal paid on capital debt	(665,000)	-
Interest paid on capital debt	(629,245)	(1,027,142)
Net cash provided (used) by capital and related financing activities	<u>(3,782,778)</u>	<u>(6,511,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	<u>359,429</u>	<u>2,016,884</u>
Net cash provided by investing activities	<u>359,429</u>	<u>2,016,884</u>
Net increase in cash and cash equivalents	3,438,010	1,051,292
Cash and cash equivalents, July 1	<u>3,798,558</u>	<u>27,000,140</u>
Cash and cash equivalents, June 30	<u>\$ 7,236,568</u>	<u>\$ 28,051,432</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	
\$ 7,449,679 (6,905,912) (326,083) -	\$ 2,455,783 (1,114,940) -	\$ 565,178 (529,333) -	\$ 43,344,075 (24,012,968) (5,329,036) -	\$ 40,906,074 (17,847,976) (16,165,709) (2,956,742)
<u>217,684</u>	<u>1,340,843</u>	<u>35,845</u>	<u>14,002,071</u>	<u>3,935,647</u>
-	(70,000)	-	(70,000)	239,000
-	(70,000)	-	(70,000)	239,000
108,723 - - - -	- - - (435,000) (649,328)	- - - -	108,723 (7,973,323) - (1,100,000) (2,305,715)	- (1,902,266) 67,596 - -
<u>108,723</u>	<u>(1,084,328)</u>	<u>-</u>	<u>(11,270,315)</u>	<u>(1,834,670)</u>
60,992 60,992	156,618 156,618	- -	- 2,593,923	2,391,367 2,391,367
387,399	343,133	35,845	5,255,679	4,731,344
<u>1,293,624</u>	<u>3,800,209</u>	<u>23,381</u>	<u>35,915,912</u>	<u>77,632,312</u>
<u>\$ 1,681,023</u>	<u>\$ 4,143,342</u>	<u>\$ 59,226</u>	<u>\$ 41,171,591</u>	<u>\$ 82,363,656</u>

CONTINUED

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 5,762,369	\$ 4,099,557
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	1,821,717	1,066,737
Amortization expense	40,328	-
Decrease (increase) in taxes receivable	-	(7,629)
Decrease (increase) in accounts receivable	(1,647,554)	(230,715)
Decrease (increase) in accrued interest receivable	(36,829)	(83,550)
Decrease (increase) in due to/from other funds	-	-
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Decrease (increase) in deposits	-	-
Increase (decrease) in accounts payable	871,671	602,480
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued interest payable	(693)	-
Increase (decrease) in other accrued liabilities	41,805	98,299
Increase (decrease) in refundable deposits	8,545	1,161
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in claims payable	-	-
Total adjustments	<u>1,098,990</u>	<u>1,446,783</u>
Net cash provided by operating activities	<u>\$ 6,861,359</u>	<u>\$ 5,546,340</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	
\$ 446,112	\$ 1,497,965	\$ (127,183)	\$ 11,678,820	\$ (317,878)
550	2,149	-	2,891,153	1,168,565
-	28,119	-	68,447	-
(17,406)	-	-	(25,035)	-
(156,762)	(9,136)	(25,302)	(2,069,469)	(44,358)
(3,970)	(4,535)	-	(128,884)	-
-	(162,189)	162,189	-	(2,956,742)
-	-	-	-	(43,087)
-	-	-	-	263,144
-	-	-	-	(6,786)
(90,095)	-	26,141	1,410,197	58,968
-	-	-	-	818,924
-	(10,427)	-	(11,120)	-
1,357	-	-	141,461	65,298
-	-	-	9,706	76
37,898	(1,103)	-	36,795	-
-	-	-	-	4,929,523
(228,428)	(157,122)	163,028	2,323,251	4,253,525
\$ 217,684	\$ 1,340,843	\$ 35,845	\$ 14,002,071	\$ 3,935,647

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting entity

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

Blended component units:

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

Notes to Basic Financial Statements (Continued)

- d. The Garden Grove Public Financing Authority (the "Authority") was established on June 22, 1993 as a joint powers agency organized under the laws of the State of California. The Authority is composed of the City and the Agency for Community Development and was formed to assist in the financing of public and capital improvements. It is reported as a debt service fund as if it were part of the primary City government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Authority 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.

Notes to Basic Financial Statements (Continued)

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

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

The City reports the following major governmental funds:

General fund

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

Housing Authority special revenue fund

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

Community Project debt service fund

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

RDA Loan 2008 debt service fund

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

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 systems, warehouse operations, telephone system, and risk management services provided to City departments on a cost reimbursement basis.

As a general rule the effect of 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 service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Notes to Basic Financial Statements (Continued)

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 and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Receivables and payables

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

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

c. Taxes receivable

Property taxes in California are levied in accordance with Article 13A of the State Constitution at one percent of county wide assessed valuations. This one percent is allocated pursuant to state law to appropriate units of local government. In addition, a voter-approved property tax 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 - After December 10 Second installment - After April 10

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

November 1, 2007	7% - 10%
December 14, 2007	10% - 15%
December 21, 2007	25% - 30%
January 25, 2008	1% - 5%
March 21, 2008	5% - 7%
April 18, 2008	30% - 35%
May 23, 2008	1% - 5%
July 15, 2008	1% - 2% (Collections through June 30)

d. Inventory, prepaid items and land held for resale

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

Land held for resale is valued at lower of cost or estimated net realizable value, determined upon execution of a disposition and development agreement, at June 30, 2008 and is located in the City's redevelopment project area.

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

e. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, medians, traffic signals, storm drains), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are capitalized at cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Notes to Basic Financial Statements (Continued)

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

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

f. Accrued compensated absences

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

g. Long term obligations

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

h. Encumbrances

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

Notes to Basic Financial Statements (Continued)

i. Fund equity

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

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds 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	\$	410,446,275
Construction in progress		736,938
Depreciable infrastructure, net		217,238,898
Depreciable buildings and park assets, net		25,260,109
Depreciable equipment, net		12,023,646
	\$	<u>665,705,866</u>

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

Deferred revenue-beginning of year	\$	19,746,010
Note receivables not available to pay for current period expenditures		1,561,247
Grant receivables not available to pay for current period expenditures		(1,094,790)
	\$	<u>20,212,467</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	\$	52,753,628
Change in net assets		2,327,130
Capital assets investment		(8,587,996)
Lease purchase investment		343,460
	\$	<u>46,836,222</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 governmental funds." The details of this \$124,154,907 adjustment are as follows:

Notes to Basic Financial Statements (Continued)

Tax allocation refunding bonds	\$	(53,740,000)
Certificates of participation		(20,995,000)
2008 Subordinate note		(2,015,000)
Agreements payable		(43,225,054)
Lease purchases		(2,993,427)
Accrued interest payable		(1,246,544)
Postemployment benefit obligation		(408,875)
Deferred charge for issuance costs (to be amortized over life of debt)		1,553,866
Unamortized bonds premium		(1,084,873)
	\$	<u>(124,154,907)</u>

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

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

Capital outlay capitalization for year	\$	6,060,869
Current year governmental depreciation		(11,922,474)
	\$	<u>(5,861,605)</u>

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

Debt principal repayments:		
Tax allocation bonds	\$	1,660,000
Certificates of participation		460,000
Agreements payable		9,849,131
Lease purchase payments		444,974
Debt issuance:		
2008 Subordinate note		(2,015,000)
Agreements payable		(39,660,000)
Amortization of issuance costs		(68,890)
Amortization of premium		49,313
Change in accrued interest		34,963
Change in postemployment benefit obligation		(408,875)
Total long term debt adjustment	\$	<u>(29,654,384)</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

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

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

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

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

2. Excess of expenditures over appropriations

The following individual fund exceeded its expenditures budget:

Fund	Type of Fund	Amount over Budget
Community Project	Debt service fund	\$ 101,164
RDA Loan 2008	Capital projects fund	591,230
Self Supporting Revenue	Special revenue fund	13,562
Developer fees	Special revenue fund	293,889
Garden Grove Cable	Special revenue fund	118,151
Park Maintenance	Special revenue fund	235,290
Parking District	Special revenue fund	3,627
Air Quality Improvement	Special revenue fund	130,062
Federal Employment Grants	Special revenue fund	1,286
Buena Clinton Project	Capital projects fund	21,538

The unbudgeted expenditures in Community Project debt service fund were funded by current year revenues and the RDA Loan 2008 unbudgeted expenditures were funded from the issuance of debt. The Garden Grove Cable special revenue fund unbudgeted expenditures were funded by available fund balance and future revenues and transfers. The Park Maintenance and Self-supporting Revenue special revenue funds unbudgeted

Notes to Basic Financial Statements (Continued)

expenditures were funded by transfers from the General Fund. The Federal Employment Grants, Developer Fees, and Air Quality Improvement special revenue funds and Buena Clinton Project Capital Project fund were funded by current year revenues, available fund balance, and future revenues and transfers. The Parking District special revenue fund unbudgeted expenditures were funded by current year revenues.

3. Deficit fund equity

The following funds had a deficit at June 30, 2008:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Community Project	Debt service fund	\$ 846,821
Garden Grove Calde	Special revenue fund	85,624
Federal Employment Grants	Special revenue fund	1,396
Buena-Clinton Project	Debt service fund	4,372

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

4. Tax increment financing - Agency for Community Development

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

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

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

5. Reimbursement agreements

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

6. Estimates

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

Notes to Basic Financial Statements (Continued)

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments - unrestricted	\$ 196,294,334
Cash and investments with fiscal agent	37,947,079
Total cash and investments	<u>\$ 234,241,413</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 45,369
Deposits with financial institutions	20,139,449
Investments	214,056,595
Total cash and investments	<u>\$ 234,241,413</u>

Investments Authorized by the City's Investment Policy

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

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

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

Notes to Basic Financial Statements (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 60,500,000	1.59
U.S. Agency Securities		
FHLB	35,450,000	1.50
FFCB	39,450,000	2.18
FNMA	23,527,000	1.66
Mortgage-backed Securities	4,354	0.50
Local Agency Investment Fund (LAIF)	32,075,312	0.50
Held by fiscal agent:		
Investment Contracts	12,548,141	0.50
Money Market Funds	10,501,788	0.50
	<u> </u>	
Total	<u><u>\$ 214,056,595</u></u>	

Notes to Basic Financial Statements (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

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.

\$4,354

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury	\$ 60,500,000	N/A	\$ 60,500,000	\$	-
U.S. Agency Securities					
FHLB	35,450,000	N/A	-	35,450,000	-
FFCB	39,450,000	N/A	-	39,450,000	-
FNMA	23,527,000	N/A	-	23,527,000	-
Local Agency Investment Fund	32,075,312	N/A	-		32,075,312
GNMA (mortgage backed securities)	4,354	N/A	4,354		-
Held by fiscal agent:					
Investment Contracts	12,548,141	AAA	-	12,548,141	-
Money Market Funds	10,501,788	AAA	-	10,501,788	-
Total	<u>\$ 214,056,595</u>		<u>\$ 60,504,354</u>	<u>\$ 121,476,929</u>	<u>\$ 32,075,312</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Investment Type
FHLB	U.S. Agency Securities	\$ 35,450,000
FFCB	U.S. Agency Securities	39,450,000
FNMA	U.S. Agency Securities	23,527,000
Held by fiscal agent: US Bank	Investment Contracts	12,548,141

Custodial Credit Risk

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

Investment in State Investment Pool

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

LAIF management has indicated that as of June 30, 2008, the amortized cost of the pool was \$70,027,950,242 and the estimated fair value of the pool was \$70,024,464,150. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$6,113.006 million and asset backed securities totaling \$4,188.272 million.

Notes to Basic Financial Statements (Continued)

2. Receivables

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

Governmental activities:

	General Fund	Housing Authority Special Revenue	Community Project Debt Service	Community Project Capital Projects	Low Income Housing Capital Projects
Taxes receivable	\$ 3,064,988	\$ -	\$ 237,438	\$ -	\$ 61,250
Accounts receivable	3,165,947	12,146	-	60,403	52,353
Interest receivable	408,485	17,735	-	174,392	54,946
Intergovernmental receivable	-	99,576	-	-	-
	<u>\$ 6,639,420</u>	<u>\$ 129,457</u>	<u>\$ 237,438</u>	<u>\$ 234,795</u>	<u>\$ 168,549</u>

	2003 Tax Allocation Capital Projects	Nonmajor Governmental Funds	Internal Service Funds	Governmental Activities Receivables
Taxes receivable	\$ -	\$ 855,884	\$ -	\$ 4,219,560
Accounts receivable	-	3,546,682	1,235,205	8,072,736
Interest receivable	2,875	225,175	664,943	1,548,551
Intergovernmental receivable	-	4,718,922	-	4,818,498
	<u>\$ 2,875</u>	<u>\$ 9,346,663</u>	<u>\$ 1,900,148</u>	<u>\$ 18,659,345</u>

Business-type activities:

	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile Home Parks Enterprise	Nonmajor RV Park
Taxes receivable	\$ -	\$ 65,859	\$ 94,611	\$ -	\$ -
Accounts receivable	4,722,341	1,160,838	1,466,668	26,032	48,420
Interest receivable	71,490	179,734	11,219	33,332	-
	<u>\$ 4,793,831</u>	<u>\$ 1,406,431</u>	<u>\$ 1,572,498</u>	<u>\$ 59,364</u>	<u>\$ 48,420</u>

	Business-type Activities Receivables
Taxes receivable	\$ 160,470
Accounts receivable	7,424,569
Interest receivable	295,775
	<u>\$ 7,880,814</u>

3. Intercity loans receivable/payable at June 30, 2008 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

Notes to Basic Financial Statements (Continued)

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

The General Fund has loaned to the Community Project capital projects fund a total of \$7,175,791 to assist in funding the Agency's operating budget for the past five fiscal years. The loans accrue interest at a rate of 6.5% per annum. There is no set repayment schedule for these loans. Interest of \$214,458 has accrued, and the outstanding principal and interest balance is \$3,513,814 at June 30, 2008.

3,513,814

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

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

4,221,384

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

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%, beginning March 1, 2005. Also, the Agency was responsible for making interest-only payments until March 1, 2005 on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which were used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739 issuance costs related to the Certificates of Participation. Beginning March 1, 2005, the Agency is responsible for principal and interest payment on the Certificates to the extent that the Agency has utilized Certificate proceeds. The Agency received additional advances of \$3,589,099, \$6,041,483, \$2,342,049, and \$1,712,687 during fiscal year ends June 30, 2005, 2006, 2007 and 2008 respectively, which brings the total under this agreement to \$28,061,723 at June 30, 2008.

28,061,723

Notes to Basic Financial Statements (Continued)

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 Project capital project fund:

The Community Project Capital projects fund has three loans from the Low Income Housing Capital Project fund, that were used to make the fiscal year 2003-04 (\$912,172), 2004-05 (\$1,577,177), and 2005-06 (\$1,386,434) mandated Educational Revenue Augmentation Fund payments. Interest is accrued annually for the respective loans based upon the City's investment rate of return of the prior year. The rate accrued on the loans for fiscal year 2003-04 was 2.30%, 2004-05 was 1.60%, and 2005-06 was 2.28%. Interest of \$20,980, \$25,235 and \$31,611 were accrued, and the combined outstanding principal and interest balance is \$3,953,608 at June 30, 2008. The loan is due in 10 years.

3,953,608

TOTAL INTERCITY LOANS RECEIVABLE/PAYABLE

\$53,804,077

4. Notes receivable at June 30, 2008 consisted of the following:

a. Commercial rehabilitation:

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

\$68,974

b. Property acquisitions-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.

4,184,023

Notes to Basic Financial Statements (Continued)

c. Property acquisitions:

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

1,548,019

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. Revenue will be recognized when payments are received.

25,805

e. Rental rehabilitation:

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and Community Project capital projects fund holds seven notes related to property rehabilitation loans, which have been used to assist developers in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents. Since these note repayments are not available for current expenditures, the notes receivable are offset by deferred revenue in the Low Income Housing capital projects fund (\$3,315,987) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received.

3,540,614

f. Rental rehabilitation –Other governmental funds:

The City has entered into fifteen Housing Rehabilitation Agreements utilizing CDBG and HOME funds, which are reflected in other governmental funds. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing adequate low-income housing to City residents. Many of these buildings had suffered from serious structural

Notes to Basic Financial Statements (Continued)

deterioration, overcrowding and high crime. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in other governmental funds. Revenue will be recognized when received.

8,286,170

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.

273,292

TOTAL NOTES RECEIVABLE

\$17,926,897

5. Inventories – Land held for resale

The Community Project capital projects fund and Low Income Housing capital projects fund's land held for resale is an inventory of land purchased by the Agency for Community Development which is intended to be sold to developers. The land is carried at the lower of cost or estimated net realizable value, which at June 30, 2008 is \$40,595,882, a net increase of \$13.5 million from the prior fiscal year.

Notes to Basic Financial Statements (Continued)

6. Capital assets

Capital asset activity for the year ended June 30, 2008 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	\$ 408,893,994	\$ 1,552,281	\$ -	\$ 410,446,275
Construction in progress	3,692,140	822,569	(3,777,771)	736,938
Total capital assets, not being depreciated	<u>412,586,134</u>	<u>2,374,850</u>	<u>(3,777,771)</u>	<u>411,183,213</u>
Capital assets, being depreciated:				
Infrastructure				
Street system	327,777,984	6,251,550	(338,104)	333,691,430
Storm drain assets	68,349,011	117,138	-	68,466,149
Buildings and park assets	41,506,842	361,377	-	41,868,219
Furniture and equipment	26,047,648	3,374,779	(487,540)	28,934,887
Total capital assets, being depreciated	<u>463,681,485</u>	<u>10,104,844</u>	<u>(825,644)</u>	<u>472,960,685</u>
Less accumulated depreciated for:				
Infrastructure				
Street system	(142,517,457)	(8,788,643)	338,104	(150,967,996)
Storm drain assets	(32,585,692)	(1,364,993)	-	(33,950,685)
Buildings and park assets	(15,406,277)	(1,201,833)	-	(16,608,110)
Furniture and equipment	(15,308,196)	(2,073,675)	470,630	(16,911,241)
Total accumulated depreciation	<u>(205,817,622)</u>	<u>(13,429,144)</u>	<u>808,734</u>	<u>(218,438,032)</u>
Total capital assets, being depreciated, net	<u>257,863,863</u>	<u>(3,324,300)</u>	<u>(16,910)</u>	<u>254,522,653</u>
Governmental activities capital assets, net	<u>\$ 670,449,997</u>	<u>\$ (949,450)</u>	<u>\$ (3,794,681)</u>	<u>\$ 665,705,866</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 17,266,377	\$ 57,385	\$ -	\$ 17,323,762
Construction in progress	1,848,766	2,110,387	(2,286,052)	1,673,101
Total capital assets, not being depreciated	<u>19,115,143</u>	<u>2,167,772</u>	<u>(2,286,052)</u>	<u>18,996,863</u>
Capital assets, being depreciated:				
Buildings and structures	115,806	-	-	115,806
Water system	82,469,466	2,476,167	(325,695)	84,619,938
Sewer system	71,809,426	5,584,296	(149,137)	77,244,585
Machinery and equipment	262,279	31,107	-	293,386
Total capital assets, being depreciated:	<u>154,656,977</u>	<u>8,091,570</u>	<u>(474,832)</u>	<u>162,273,715</u>
Less accumulated depreciated for:				
Buildings and structures	(99,096)	(171)	-	(99,267)
Water system	(34,637,723)	(1,806,629)	325,695	(36,118,657)
Sewer system	(36,831,319)	(1,063,969)	149,137	(37,746,151)
Machinery and equipment	(160,807)	(20,384)	-	(181,191)
Total accumulated depreciation	<u>(71,728,945)</u>	<u>(2,891,153)</u>	<u>474,832</u>	<u>(74,145,266)</u>
Total capital assets, being depreciated, net	<u>82,928,032</u>	<u>5,200,417</u>	<u>-</u>	<u>88,128,449</u>
Business-type activities capital assets, net	<u>\$ 102,043,175</u>	<u>\$ 7,368,189</u>	<u>\$ (2,286,052)</u>	<u>\$ 107,125,312</u>

Notes to Basic Financial Statements (Continued)

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

	Governmental Activities	Business-type Activities
Fire	\$ 452,936	\$ -
Police	1,191,902	-
Traffic safety	288,043	-
Right of way	8,834,306	-
Drainage	1,368,637	-
Community buildings	722,909	-
Community services	212,906	-
Parks and greenbelts	236,134	-
Community development	71,330	-
Municipal support	50,041	-
Water	-	1,821,717
Sewage collection	-	1,066,737
Solid waste disposal	-	550
Mobile home park	-	2,149
Total	<u>\$ 13,429,144</u>	<u>\$ 2,891,153</u>

7. Interfund receivables, payables, and transfers

a. The composition of interfund receivable/payable balances as of June 30, 2008 is as follows:

	Due From Other Funds	Due To Other Funds
General fund	\$ 1,096,193	\$ 2,091
Community Project debt service fund	-	1,084,259
Nonmajor governmental funds	-	4,899,629
Internal service	4,889,786	-
Total	<u>\$ 5,985,979</u>	<u>\$ 5,985,979</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.

b. The composition of interfund transfer balances for the year ended June 30, 2008 is as follows:

	Transfers In							Total
	General fund	Community Project debt service fund	RDA Loan 2008 Debt service fund	Community Project capital projects fund	Low Income Housing capital projects	Nonmajor governmental	Internal service fund	
Transfers out:								
General Fund	\$ -	\$ -	\$ -	\$ 2,121,405	\$ -	\$ 427,578	\$ 339,000	\$ 2,887,983
Community Projects debt service fund	-	-	-	28,568,095	-	-	-	28,568,095
Community Projects capital project fund	182,724	1,855,406	293,856	-	77,825	-	-	2,409,811
RDA Loan 2008 debt service fund	-	11,067,010	-	1,662,363	-	-	-	12,729,373
Mobile Home Parks enterprise fund	70,000	-	-	-	-	-	-	70,000
Nonmajor governmental	709,000	-	-	4,080	-	1,085,221	-	1,798,301
Internal service funds	100,000	-	-	-	-	-	-	100,000
Total	<u>\$ 1,061,724</u>	<u>\$ 12,922,416</u>	<u>\$ 293,856</u>	<u>\$ 32,355,943</u>	<u>\$ 77,825</u>	<u>\$ 1,512,799</u>	<u>\$ 339,000</u>	<u>\$ 48,563,563</u>

Notes to Basic Financial Statements (Continued)

- Transfers between General Fund, Community Project capital projects fund, and Community Project debt service fund provided financing based on a reimbursement agreement between the Agency for Community Development and the City (see note C5).
- Transfers between the Community Project capital projects fund and Community Project debt service fund were related to the issuance of new debt.
- Transfers between the Community Project debt service fund and RDA Loan 2008 debt service fund were for the repayment of outstanding debt and issuance of additional debt.
- In addition, the General Fund provided funding to the Self-supporting Revenue special revenue fund to support recreational programs and the General Fund received funding from the Golf Course special revenue fund to cover administrative costs.
- 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, 2008 is \$7,032,955.

Vacation accrues for all employee groups other than fire at 10 hours per month after 1 year of service, 12 hours per month after 9 years, 14 hours per month after 14 years, 17 hours per month after 19 years, and 21 hours per month after 24 years. The maximum an employee may accumulate is an amount equivalent to 2 full calendar years of service.

Annual leave accrues for all fireman at 17 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 25 hours per month after 9 years, 28 hours per month after 14 years, 31 hours per month after 19 years, and 35 hours per month after 24 years. The maximum a fireman may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours. Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$4,868,349 at June 30, 2008.

Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than fire. The City has adopted a policy for payment of unused sick leave benefits at time of retirement, miscellaneous and league employees can be paid 50% for all unused hours up to 1000, police employees 50% of up to 1,000 unused hours, and management employees 50% of all unused hours. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. Studies have indicated that only 75 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 \$2,164,606 June 30, 2008.

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.

Notes to Basic Financial Statements (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation, annual leave, benefits, and comp time	\$ 4,295,724	\$ 6,436,447	\$ (5,863,822)	\$ 4,868,349	\$ 486,835
Sick leave	1,918,307	1,314,300	(1,068,001)	2,164,606	216,461
	<u>\$ 6,214,031</u>	<u>\$ 7,750,747</u>	<u>\$ (6,931,823)</u>	<u>\$ 7,032,955</u>	<u>\$ 703,296</u>

9. Deferred revenue

The deferred revenue in the General fund in the amount of \$6,933,443 represents \$809,027 due from the State of California for mandated cost reimbursements, \$5,851,124 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund (see Note D3), and \$273,292 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 D4.

Certain federal, state and county grants have advanced funds for project expenditures. These funds are recorded in nonmajor governmental funds as deferred revenue. In addition, the City had incurred grant reimbursable expenditures totaling \$1,289,227 that was recorded as deferred revenue in the Other Grants and Contributions and \$7,015,283 received in the Street Rehabilitation special revenue funds.

The deferred revenue of \$1,005,628 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2008.

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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Tax allocation bonds	\$ 55,400,000	\$ -	\$ (1,660,000)	\$ 53,740,000	\$ 1,710,000
Certificates of participation	21,455,000	-	(460,000)	20,995,000	470,000
2008 Subordinate Note	-	2,015,000	-	2,015,000	-
Agreements payable	13,414,185	39,660,000	(9,849,131)	43,225,054	2,396,139
Lease purchase	3,061,627	376,774	(444,974)	2,993,427	501,502
Governmental activities long-term liabilities	<u>\$ 93,330,812</u>	<u>\$ 42,051,774</u>	<u>\$ (12,414,105)</u>	<u>\$ 122,968,481</u>	<u>\$ 5,077,641</u>
<u>Business-type activities</u>					
Water revenue bonds	\$ 15,130,000	\$ -	\$ (665,000)	\$ 14,465,000	\$ 675,000
Add: premium	179,586	-	(10,564)	169,022	-
Less: deferred amounts on refunding	(611,179)	-	35,951	(575,228)	-
Sewer Revenue COP	21,845,000	-	-	21,845,000	-
Add: premium	408,817	-	(14,177)	394,640	-
Certificates of participation	11,840,000	-	(435,000)	11,405,000	455,000
Less: deferred amounts for issuance discounts	(46,144)	-	2,854	(43,290)	-
Business-type activities long- term liabilities	<u>\$ 48,746,080</u>	<u>\$ -</u>	<u>\$ (1,085,936)</u>	<u>\$ 47,660,144</u>	<u>\$ 1,130,000</u>

Notes to Basic Financial Statements (Continued)

b. Governmental long-term debt at June 30, 2008 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, 2008.

\$53,740,000

Certificates of participation:

\$22,735,000 City of Garden Grove Certificates of Participation, Series A of 2002, were executed to provide funds for the acquisition of land to assist certain redevelopment activity of the Garden Grove Agency for Community development and for other improvement projects of the Agency or the City. The Certificates represent fractional interests of the owners in the lease payments, for certain real property and improvements thereon, to be made by the City, as lessee, to the Garden Grove Public Financing Authority, as lessor, under a Lease/Purchase Agreement. The leased properties consist of Garden Grove Park, Willowick Golf Course, a municipal amphitheater, a community meeting center, fire station, and related land. Lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1, beginning March 1, 2005, and continuing until March 1, 2032. Interest is payable semiannually, beginning on September 1, 2002, with an interest rate ranging from 3.500% to 5.125% over the life of the bond. Such bonds are subject to Federal arbitrage regulations, however, no liability is reported at June 30, 2008.

\$20,995,000

Notes to Basic Financial Statements (Continued)

Subordinate Note:

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

Agreements payable:

\$7,660,000 Federal Housing and Community Development Section 108 Loan was issued for the purpose of refinancing the \$13,380,000 Section 108 Loan that was issued for the purpose of acquisition and development of property located in the section of the City identified as the Harbor Corridor. The Agency for Community Development has pledged future tax increment funds to satisfy the City's obligations under this loan agreement. Principal payments ranging from \$750,000 to \$1,200,000 are due annually on August 1 through the year 2016. Interest is due semi-annually on February 1 and August 1. \$7,660,000

\$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. 167,107

\$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. 680,672

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 was due at the commencement of construction, and the second repayment of \$804,590 is due at completion of construction. 804,590

\$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. 412,685

Notes to Basic Financial Statements (Continued)

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.

1,500,000

On June 2, 2008, the Agency for Community Development entered into an agreement with Union Bank of California for a term loan in the amount of \$32,000,000 for the purpose of acquiring certain parcels of real property. The loan has an annual interest rate of 2.98% with annual interest payments due on June 30 of each year. The principal balance is due in full on June 30, 2011.

32,000,000

Total agreements payable

\$43,225,054

Lease purchases:

\$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.

\$1,535,778

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.

178,235

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.

935,955

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

343,459

Total lease purchases

2,993,427

TOTAL GOVERNMENTAL LONG TERM DEBT

\$122,968,481

c. Proprietary long-term debt at June 30, 2008 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

Notes to Basic Financial Statements (Continued)

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, 2008.

\$14,465,000

Unamortized bond premium fees
Unamortized deferred refunding cost

169,022

(575,228)

Total revenue bonds payable

\$14,058,794

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	\$ 25,690,240
Non-operating revenues	<u>359,429</u>
Gross revenue	26,049,669
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(18,065,826)</u>
Net revenues	<u>\$ 7,983,843</u>
Debt service requirement for next bond year: \$1,287,344 x 125%	<u>\$ 1,609,180</u>

Revenue certificates of participation – Sewer enterprise fund:

Garden Grove Sanitary District Revenue Certificates of Participation in the amount of \$21,845,000 were issued on April 12, 2006. The Certificates 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, 2008 is \$21,845,000.

\$21,845,000

Unamortized bond premium fees

394,640

Total revenue certificates of participation

\$22,239,640

Notes to Basic Financial Statements (Continued)

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, 2008.

	\$11,405,000
Unamortized COP discount fee	<u>(43,290)</u>
Total certificates of participation	<u>\$11,361,710</u>
TOTAL PROPRIETARY LONG TERM DEBT	<u>\$47,660,144</u>
TOTAL LONG TERM DEBT	<u>\$170,628,625</u>

d. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2008, including interest payments, are as follows.

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2003		
	Principal	Interest	Total
2009	\$ 1,710,000	\$ 2,647,537	\$ 4,357,537
2010	1,765,000	2,577,762	4,342,762
2011	1,850,000	2,487,388	4,337,388
2012	1,945,000	2,402,238	4,347,238
2013	2,020,000	2,320,413	4,340,413
2014-2018	11,600,000	10,018,175	21,618,175
2019-2023	15,010,000	6,504,525	21,514,525
2024-2028	9,465,000	3,276,875	12,741,875
2029	8,375,000	628,125	9,003,125
Total	\$ 53,740,000	\$ 32,863,038	\$ 86,603,038

Notes to Basic Financial Statements (Continued)

Year Ending June 30	2002 Certificates of Participation		
	Principal	Interest	Total
2009	\$ 470,000	\$ 1,081,390	\$ 1,551,390
2010	500,000	1,062,590	1,562,590
2011	515,000	1,041,340	1,556,340
2012	540,000	1,019,452	1,559,452
2013	560,000	995,828	1,555,828
2014-2018	3,235,000	4,555,694	7,790,694
2019-2023	4,195,000	3,588,863	7,783,863
2024-2028	5,475,000	2,306,175	7,781,175
2029-2032	5,505,000	722,881	6,227,881
Total	\$ 20,995,000	\$ 16,374,213	\$ 37,369,213

Year Ending June 30	2008 Subordinate Note		
	Principal	Interest	Total
2009	\$ -	\$ 36,942	\$ 36,942
2010	60,000	120,900	180,900
2011	65,000	117,300	182,300
2012	65,000	113,400	178,400
2013	70,000	109,500	179,500
2014-2018	425,000	478,500	903,500
2019-2023	570,000	335,100	905,100
2024-2028	760,000	141,900	901,900
Total	\$ 2,015,000	\$ 1,453,542	\$ 3,468,542

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2009	\$ 2,396,139	\$ 1,764,635	\$ 4,160,774
2010	846,737	1,848,907	2,695,644
2011	32,902,268	1,821,112	34,723,380
2012	958,128	296,992	1,255,120
2013	1,024,459	258,660	1,283,119
2014-2018	5,076,108	531,019	5,607,127
2019	21,215	470	21,685
Total	\$ 43,225,054	\$ 6,521,795	\$ 49,746,849

Year Ending June 30	Lease Purchase Agreements		
	Principal	Interest	Total
2009	\$ 501,502	\$ 139,384	\$ 640,886
2010	371,232	118,131	489,363
2011	378,863	99,117	477,980
2012	401,665	78,988	480,653
2013	382,229	58,123	440,352
2014-2018	745,299	99,675	844,974
2019-2020	152,637	4,389	157,026
Total	\$ 2,933,427	\$ 597,807	\$ 3,531,234

Notes to Basic Financial Statements (Continued)

- e. *The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2008, including interest payments, are as follows.*

Year Ending June 30	2004 Water Revenue Bonds		
	Principal	Interest	Total
2009	\$ 675,000	\$ 612,344	\$ 1,287,344
2010	695,000	592,638	1,287,638
2011	720,000	570,512	1,290,512
2012	740,000	544,937	1,284,937
2013	765,000	515,763	1,280,763
2014-2018	4,335,000	2,065,425	6,400,425
2019-2023	5,370,000	984,594	6,354,594
2024	1,165,000	29,125	1,194,125
Total	<u>\$ 14,465,000</u>	<u>\$ 5,915,338</u>	<u>\$ 20,380,338</u>

Year Ending June 30	2006 Sewer Revenue COP		
	Principal	Interest	Total
2009	\$ -	\$ 1,023,341	\$ 1,023,341
2010	440,000	1,023,341	1,463,341
2011	460,000	1,005,741	1,465,741
2012	475,000	987,341	1,462,341
2013	495,000	968,341	1,463,341
2014-2018	2,795,000	4,527,381	7,322,381
2019-2023	3,430,000	3,892,200	7,322,200
2024-2028	4,280,000	3,043,675	7,323,675
2029-2033	5,480,000	1,850,330	7,330,330
2034-2036	3,990,000	405,500	4,395,500
Total	<u>\$ 21,845,000</u>	<u>\$ 18,727,191</u>	<u>\$ 40,572,191</u>

Year Ending June 30	1993 Moblie Home Park Certificate of Participation		
	Principal	Interest	Total
2009	\$ 455,000	\$ 635,312	\$ 1,090,312
2010	485,000	609,099	1,094,099
2011	510,000	580,990	1,090,990
2012	535,000	551,469	1,086,469
2013	570,000	520,523	1,090,523
2014-2018	3,365,000	2,063,963	5,428,963
2019-2023	4,440,000	958,740	5,398,740
2024	1,045,000	29,783	1,074,783
Total	<u>\$ 11,405,000</u>	<u>\$ 5,949,879</u>	<u>\$ 17,354,879</u>

11. Reserves of fund equity

- a. Amounts reserved for encumbrances are commitments for materials and services on purchase orders.
- b. Amount reserved for property tax lawsuits represents an amount reserved for an anticipated property tax revenue reduction if the outcome of a lawsuit currently in litigation against the County of Orange is unfavorable.

Notes to Basic Financial Statements (Continued)

- 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 contingencies are for unknown future City commitments.
- f. Amounts reserved for continuing projects are unexpended appropriations on incomplete capital improvement projects which have been carried forward into the new fiscal year.
- g. 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.
- h. Amounts reserved for contractual commitments represent commitments for future year expenditures against the current balance available.
- i. 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
- j. Amounts reserved for deposits represent an amount reserved to cover refunding of deposits.

12. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1 million, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a joint powers authority for losses from \$1 million up to \$150 million per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$25,206,867 (\$5,970,100 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2008, which has been included as liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first \$2 million of each occurrence. Excess liability insurance is carried thereafter to \$10 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund. The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2008, in the amount of \$7,158,768 (\$2,179,847 estimated to be due within one year), which has been included as liabilities in the Risk Management internal service fund.

Notes to Basic Financial Statements (Continued)

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2008. 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, 2008 and June 30, 2007 are as follows:

<u>Workers' Compensation</u>	<u>2008</u>	<u>2007</u>
Liability, July 1	\$ 21,508,477	\$ 19,179,355
Changes in estimates	5,685,810	6,899,595
Claim payments	(1,987,420)	(4,570,473)
Liability, June 30	<u>\$ 25,206,867</u>	<u>\$ 21,508,477</u>
Due within one year	\$ 5,970,100	\$ 4,798,997
Due in more than one year	19,236,767	16,709,480
	<u>\$ 25,206,867</u>	<u>\$ 21,508,477</u>
<u>Risk Management</u>		
Liability, July 1	\$ 5,927,635	\$ 7,816,060
Changes in estimates	1,813,513	(1,216,526)
Claim payments	(582,380)	(671,899)
Liability, June 30	<u>\$ 7,158,768</u>	<u>\$ 5,927,635</u>
Due within one year	\$ 2,179,847	\$ 705,494
Due in more than one year	4,978,921	5,222,141
	<u>\$ 7,158,768</u>	<u>\$ 5,927,635</u>

13. Public Employees Retirement System

During the year ended June 30, 2008, the City implemented GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and 27*.

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

b. Funding policy

Active plan members in the miscellaneous plan of the City are required to contribute 8% of their annual covered salary for a 2.5% at 55 retirement plan. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. The City is required to contribute the

Notes to Basic Financial Statements (Continued)

actuarially determined remaining amounts necessary to fund the benefits for its members based on the Entry Age Actuarial Cost Method. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2008 was 12.89% for miscellaneous employees and 27.28% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The funded status of the plan based on the June 30, 2006 actuarial valuation is as follows:

Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>					
\$ 148,531,509	\$ 135,417,623	\$ 13,113,884	91.2%	\$ 21,487,451	61.0%
<u>Safety Plan</u>					
\$ 268,313,084	\$ 221,927,999	\$ 46,385,085	82.7%	\$ 21,696,132	213.8%

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

c. Annual pension cost

For the fiscal year ended June 30, 2008 the City of Garden Grove's annual pension cost of \$14,139,499 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2008 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. 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%.

FYE	Annual Pension Cost	% of Annual Pension Cost Contribution	Net Pension Obligation
6/30/2006	\$ 12,736,475	100%	0
6/30/2007	12,975,132	100%	0
6/30/2008	14,139,499	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

Notes to Basic Financial Statements (Continued)

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

During the year ended June 30, 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions by State and Local Governmental Employers*.

a. Plan description

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2008:

	<u>Police</u>	<u>Fire</u>	<u>Management</u>	<u>League</u>	<u>Association</u>	<u>Total</u>
Eligible Active Employees	234	85	109	93	209	730
Enrolled eligible retirees	66	47	37	22	35	207

The above table does not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

c. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City CalPERS Board. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. Effective January 1, 2007, the City's contribution rate was \$80.80 per month for each retiree. For the year ended June 30, 2008, the City contributed \$218,489 to the plan. Plan members receiving benefits contributed \$1,276,648 (approximately 85% of total premiums) through their required contribution.

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

Notes to Basic Financial Statements (Continued)

The City's OPEB obligation as of July 1, 2005, the most recent actuarial valuation, was \$532,744. For the Annual Required Contribution (ARC) as of June 30, 2008, this OPEB obligation has been adjusted by the following components: 1) an annual inflation percentage of 3 percent based on the assumptions of the actuarial valuation, and 2) the 11 percent increase in participants from 2005 to 2008. This results in an ARC of \$627,359. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Police	Fire	Management	League	Association	Total June 30, 2008
Annual required contribution	\$ 162,357	\$ 104,644	\$ 111,842	\$ 65,277	\$ 183,239	\$ 627,359
Contributions made	(69,662)	(49,607)	(39,053)	(23,221)	(36,941)	(218,484)
Increase in net OPEB obligation	92,695	55,037	72,789	42,056	146,298	408,875
Net OPEB Obligation, Beginning of Year	-	-	-	-	-	-
Net OPEB Obligation, End of Year	\$ 92,695	\$ 55,037	\$ 72,789	\$ 42,056	\$ 146,298	\$ 408,875

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/06	N/A	N/A	N/A
6/30/07	N/A	N/A	N/A
6/30/08	\$ 627,359	34.8%	\$ 408,875

d. Funding Status and Progress

As of July 1, 2005, the most recent valuation date, the actuarial accrued liability for benefits was \$7.59 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.59 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent.

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

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern

Notes to Basic Financial Statements (Continued)

of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

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

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, 2008, 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, 2008 was \$180,000.

16. 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 were 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, 2008.

17. 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.

18. Low Income Housing Loan Programs

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and CDBG HOME other governmental fund provide down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. These second mortgage loans become due

Notes to Basic Financial Statements (Continued)

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, 2008 totaled \$825,296 in the Low Income Housing capital projects fund and \$74,202 in the HOME other governmental fund. Since the loans do not bear interest for at least thirty years, the present value of the loans is significantly less than the principal amounts. For this reason and because collection may be dependent on equity in the home when sold, the loans are not included as an asset. These loans are expensed when made and repayments are recorded as revenues in the year received.

19. Joint Venture

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

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

20. Subsequent Events

In September 2008, the U.S. Treasury placed government sponsored enterprises Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) into conservatorship, committed to provide as much as \$100 billion to each company to backstop any shortfalls in capital through 2009, and protected the principal and interest payments on its debt.

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Required Supplemental Information

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**CITY OF GARDEN GROVE
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2008**

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>						
6/30/2004	\$ 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%
6/30/2006	148,531,509	135,417,625	13,113,884	91.2%	21,487,451	61.0%
<u>Safety Plan</u>						
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%
6/30/2006	268,313,084	221,927,999	46,385,085	82.7%	21,696,132	213.8%

CITY OF GARDEN GROVE
Schedule of Funding Progress and
Schedule of Employer Contributions- Postemployment Benefits
June 30, 2008

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2005	-	\$7,586,050	\$7,586,050	0.0%	\$ 5,437,434 *	139.5%

* covered payroll is at June 30, 2008

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ 72,360,486	\$ 72,360,486	\$ 72,360,486	\$ -
Resources:				
Taxes	62,220,000	62,220,000	66,290,232	4,070,232
Licenses and permits	1,629,000	1,629,000	1,038,639	(590,361)
Fines, forfeits and penalties	1,865,100	1,865,100	2,049,255	184,155
Investment earnings	1,494,500	1,494,500	2,777,339	1,282,839
Charges for current services	6,712,399	6,692,399	6,297,394	(395,005)
From other agencies	767,400	767,400	462,904	(304,496)
Other revenues	1,917,000	1,917,000	1,606,520	(310,480)
Transfers from other funds	-	-	1,061,724	1,061,724
Amounts available for appropriation:	<u>148,965,885</u>	<u>148,945,885</u>	<u>153,944,493</u>	<u>4,998,608</u>
Charges to appropriations:				
Current:				
Fire	19,197,262	19,177,262	19,551,517	(374,255)
Police	41,735,626	41,735,626	41,757,835	(22,209)
Traffic safety	910,700	910,700	875,044	35,656
Public right of way	4,795,379	4,795,379	3,934,833	860,546
Community buildings	3,864,233	3,864,233	3,581,420	282,813
Community services	2,308,893	2,308,893	2,308,556	337
Parks and greenbelts	949,901	949,901	855,060	94,841
Community planning and development	4,899,409	4,899,409	3,552,269	1,347,140
Municipal support	10,419,251	10,419,251	6,588,712	3,830,539
Capital outlay:				
Fire	23,630	23,630	23,630	-
Police	239,277	239,277	239,277	-
Traffic safety	45	45	45	-
Public right of way	1,104,811	1,104,811	1,104,811	-
Community buildings	274,344	274,344	274,344	-
Parks and greenbelts	-	-	-	-
Community services	12,476	12,476	12,476	-
Community planning and development	-	-	-	-
Municipal support	41,986	41,986	41,986	-
Debt service:				
Principal retirement	469,433	469,433	469,433	-
Interest and other charges	165,500	165,500	165,500	-
Total charges to appropriation before other appropriations:	<u>91,412,156</u>	<u>91,392,156</u>	<u>85,336,748</u>	<u>6,055,408</u>
Other appropriations:				
Transfers to other funds	-	-	(2,887,983)	(2,887,983)
Total charges to appropriation	<u>91,412,156</u>	<u>91,392,156</u>	<u>88,224,731</u>	<u>3,167,425</u>
Fund balance, June 30	<u>\$ 57,553,729</u>	<u>\$ 57,553,729</u>	<u>\$ 65,719,762</u>	<u>\$ 8,166,033</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, 2008**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Fund balance, July 1	\$ 2,454,677	\$ 2,454,677	\$ -
Resources:			
Investment earnings	100,000	140,907	40,907
From other agencies	24,675,005	25,388,745	713,740
Other revenues	-	12,053	12,053
Amounts available for appropriation	<u>27,229,682</u>	<u>27,996,382</u>	<u>766,700</u>
Charges to appropriations:			
Current:			
Community planning and development	24,635,761	24,131,570	504,191
Municipal support	<u>39,244</u>	<u>20,559</u>	<u>18,685</u>
Total charges to appropriation:	<u>24,675,005</u>	<u>24,152,129</u>	<u>522,876</u>
Fund balance, June 30	<u>\$ 2,554,677</u>	<u>\$ 3,844,253</u>	<u>\$ 1,289,576</u>

See accompanying note to required supplementary information.

CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

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.

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Other Supplemental Information

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**CITY OF GARDEN GROVE
COMMUNITY PROJECT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 17,500,000	\$ 19,043,645	\$ 1,543,645
EXPENDITURES			
Current:			
Municipal support	5,000	128,430	(123,430)
Debt service:			
Principal retirement	1,660,000	1,660,000	-
Interest and other charges	2,723,000	2,700,734	22,266
Total expenditures	<u>4,388,000</u>	<u>4,489,164</u>	<u>(101,164)</u>
Excess of revenues over expenditures	<u>13,112,000</u>	<u>14,554,481</u>	<u>1,442,481</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	12,922,416	12,922,416
Transfers out	-	(28,568,095)	(28,568,095)
Total other financing sources (uses)	<u>-</u>	<u>(15,645,679)</u>	<u>(15,645,679)</u>
Net change in fund balance	13,112,000	(1,091,198)	(14,203,198)
Fund Balance, July 1	<u>244,377</u>	<u>244,377</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 13,356,377</u>	<u>\$ (846,821)</u>	<u>\$ (14,203,198)</u>

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 4,243	\$ 4,243
Other revenues	-	181	181
Total revenues	<u>-</u>	<u>4,424</u>	<u>4,424</u>
EXPENDITURES			
Debt service:			
Interest and other charges	-	591,230	(591,230)
(Deficiency) of revenues over expenditures	<u>-</u>	<u>(586,806)</u>	<u>(586,806)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	293,856	293,856
Transfers out	-	(12,729,373)	(12,729,373)
Proceeds of long-term debt	<u>-</u>	<u>34,015,000</u>	<u>34,015,000</u>
Total other financing sources (uses)	<u>-</u>	<u>21,579,483</u>	<u>21,579,483</u>
Net change in fund balance	-	20,992,677	20,992,677
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 20,992,677</u>	<u>\$ 20,992,677</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, 2008**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Investment earnings	\$ 1,190,000	\$ 1,190,000	\$ 1,823,866	\$ 633,866
Other revenues	10,000	10,000	236,390	226,390
Total revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>2,060,256</u>	<u>860,256</u>
EXPENDITURES				
Capital outlay:				
Public right of way	41,321	41,321	38,277	3,044
Community buildings	50,584	50,584	33,001	17,583
Community planning and development	14,607,498	16,607,498	16,376,938	230,560
Municipal support	398,158	398,158	407,829	(9,671)
Debt service:				
Principal retirement	1,241,357	1,241,357	1,241,357	-
Interest and other charges	3,496,191	3,496,191	3,496,191	-
Total expenditures	<u>19,835,109</u>	<u>21,835,109</u>	<u>21,593,593</u>	<u>241,516</u>
Deficiency of revenues under expenditures	<u>(18,635,109)</u>	<u>(20,635,109)</u>	<u>(19,533,337)</u>	<u>1,101,772</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	32,355,943	32,355,943
Transfers out	-	-	(2,409,811)	(2,409,811)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>29,946,132</u>	<u>29,946,132</u>
Net change in fund balance	(18,635,109)	(20,635,109)	10,412,795	31,047,904
Fund balance, July 1	<u>(4,230,488)</u>	<u>(4,230,488)</u>	<u>(4,230,488)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (22,865,597)</u>	<u>\$ (24,865,597)</u>	<u>\$ 6,182,307</u>	<u>\$ 31,047,904</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, 2008**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 4,512,500	\$ 4,866,228	\$ 353,728
Investment earnings	60,000	272,649	212,649
Other revenues	290,000	186,012	(103,988)
Total revenues	<u>4,862,500</u>	<u>5,324,889</u>	<u>462,389</u>
EXPENDITURES			
Capital outlay:			
Community planning and development	2,920,928	1,802,433	1,118,495
Municipal support	<u>329,493</u>	<u>347,069</u>	<u>(17,576)</u>
Total expenditures	<u>3,250,421</u>	<u>2,149,502</u>	<u>1,100,919</u>
Excess/(deficiency) of revenues over expenditures	<u>1,612,079</u>	<u>3,175,387</u>	<u>1,563,308</u>
OTHER FINANCING SOURCES			
Transfers in	-	77,825	77,825
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>77,825</u>	<u>77,825</u>
Net change in fund balance	1,612,079	3,253,212	1,641,133
Fund balance, July 1	<u>15,835,997</u>	<u>15,835,997</u>	<u>-</u>
Fund balance, June 30	<u>\$ 17,448,076</u>	<u>\$ 19,089,209</u>	<u>\$ 1,641,133</u>

**CITY OF GARDEN GROVE
2003 TAX ALLOCATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ -	\$ 330,428	\$ 330,428
Fund balance, July 1	<u>7,149,726</u>	<u>7,149,726</u>	<u>-</u>
Fund balance, June 30	<u>\$ 7,149,726</u>	<u>\$ 7,480,154</u>	<u>\$ 330,428</u>

SPECIAL REVENUE FUNDS

Public Safety Fund

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

State Gas Tax Fund

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

Golf Course Fund

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

Self-supporting Revenue Fund

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

Developer Fees Fund

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

Garden Grove Cable Fund

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

Street Lighting Fund

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

Park Maintenance Fund

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

Parking District Fund

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

Air Quality Improvement Fund

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

Federal Employment Grants Fund

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

SPECIAL REVENUE FUNDS (continued)

Other Grants and Contributions

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

HOME Grant Fund

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

Street Rehabilitation Fund

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

DEBT SERVICE FUND

2002 Capital Improvement Project Fund

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

Buena-Clinton Project Fund

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

CAPITAL PROJECTS FUND

Buena-Clinton Project Fund

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

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 1,972,296	\$ 3,457,543	\$ 1,255,663	\$ 114,631
Cash and cash investments with fisca	-	-	-	-
Taxes receivable	78,415	741,486	-	-
Accounts receivable	-	-	1,953	-
Interest receivable	15,983	27,510	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable	-	-	-	-
Deposits	2,600	-	-	-
Total assets	\$ 2,069,294	\$ 4,226,539	\$ 1,257,616	\$ 114,631
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 42,070	\$ 5,653	\$ -	\$ 17,947
Other accrued liabilities	6,983	106,081	-	42,057
Refundable deposits	-	-	-	50,017
Due to other funds	-	484,971	-	-
Deferred revenue	-	-	15,497	-
Total liabilities	49,053	596,705	15,497	110,021
Fund balances (deficits):				
Reserved for:				
Encumbrances	-	-	-	2,637
Continuing projects	957,645	3,631,988	-	-
Deposits	2,600	-	-	-
Unreserved	1,059,996	(2,154)	1,242,119	1,973
Total fund balances (deficits)	2,020,241	3,629,834	1,242,119	4,610
Total liabilities and fund balances	\$ 2,069,294	\$ 4,226,539	\$ 1,257,616	\$ 114,631

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ 6,964,326	\$ -	\$ 437,992	\$ 96,228	\$ 185,003	\$ 215,716
-	-	-	-	-	-
-	-	18,830	9,314	276	-
-	-	7,757	-	-	2,386
56,573	-	-	-	1,485	2,445
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	57
<u>\$ 7,020,899</u>	<u>\$ -</u>	<u>\$ 464,579</u>	<u>\$ 105,542</u>	<u>\$ 186,764</u>	<u>\$ 220,604</u>
\$ 100,823	\$ 6,474	\$ 100,517	\$ 37,016	\$ 1,306	\$ 3,131
120,885	15,996	6,312	68,526	-	1,728
425	-	-	-	-	-
-	63,154	-	-	-	88,080
-	-	-	-	-	-
<u>222,133</u>	<u>85,624</u>	<u>106,829</u>	<u>105,542</u>	<u>1,306</u>	<u>92,939</u>
104,576	-	-	-	-	-
1,629,420	-	-	-	-	-
-	-	-	-	-	57
5,064,770	(85,624)	357,750	-	185,458	127,608
<u>6,798,766</u>	<u>(85,624)</u>	<u>357,750</u>	<u>-</u>	<u>185,458</u>	<u>127,665</u>
<u>\$ 7,020,899</u>	<u>\$ -</u>	<u>\$ 464,579</u>	<u>\$ 105,542</u>	<u>\$ 186,764</u>	<u>\$ 220,604</u>

Continued

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2008**

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
ASSETS			
Cash and investments	\$ 1,176	\$ 668,911	\$ 592,839
Cash and cash investments with fiscal agents	-	-	-
Taxes receivable	-	-	-
Accounts receivable	-	3,158,039	46,211
Interest receivable	-	111	4,913
Intergovernmental receivable	-	821,157	-
Notes receivable	-	695,556	7,590,614
Deposits	-	-	-
Total assets	\$ 1,176	\$ 5,343,774	\$ 8,234,577
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 152,333	\$ 9,034
Other accrued liabilities	-	397,939	2,434
Refundable deposits	-	1,379	10,176
Due to other funds	220	3,206,234	-
Deferred revenue	2,352	1,289,227	7,590,614
Total liabilities	2,572	5,047,112	7,612,258
Fund balances (deficits):			
Reserved for:			
Encumbrances	91,566	24,068	-
Continuing projects	-	4,175,118	1,816,390
Deposits	-	-	-
Unreserved	(92,962)	(3,902,524)	(1,194,071)
Total fund balances (deficits)	(1,396)	296,662	622,319
Total liabilities and fund balances	\$ 1,176	\$ 5,343,774	\$ 8,234,577

Special Revenue Fund	Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Street Rehabilitation	2002 Capital Improvement Project	Buena-Clinton Project	Buena-Clinton Project	
\$ 14,341,576	\$ -	\$ -	\$ 833,572	\$ 31,137,472
-	12,421	-	-	12,421
-	-	7,563	-	855,884
330,336	-	-	-	3,546,682
109,631	-	-	6,524	225,175
3,897,765	-	-	-	4,718,922
-	-	-	-	8,286,170
-	-	-	-	2,657
\$ 18,679,308	\$ 12,421	\$ 7,563	\$ 840,096	\$ 48,785,383
\$ 678,184	\$ -	\$ -	\$ -	\$ 1,154,488
21,798	-	-	624	791,363
2,250	-	-	-	64,247
1,045,035	-	11,935	-	4,899,629
8,579,430	-	-	-	17,477,120
10,326,697	-	11,935	624	24,386,847
-	-	-	-	222,847
42,804,469	-	584,600	-	55,599,630
-	-	-	-	2,657
(34,451,858)	12,421	(588,972)	839,472	(31,426,598)
8,352,611	12,421	(4,372)	839,472	24,398,536
\$ 18,679,308	\$ 12,421	\$ 7,563	\$ 840,096	\$ 48,785,383

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 670,602	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	46,705	-	-	-
Investment earnings	105,239	148,115	-	-
Charges for current services	63,375	-	595,153	631,192
From other agencies	367,570	2,770,087	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,253,491</u>	<u>2,918,202</u>	<u>595,153</u>	<u>631,192</u>
EXPENDITURES:				
Current:				
Fire	64,864	-	-	-
Police	546,018	-	-	-
Traffic safety	-	244,167	-	-
Public right of way	-	1,882,724	-	-
Community services	-	-	-	808,211
Parks and greenbelts	-	-	42,443	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	24,348	-	-	-
Police	1,098,707	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	28,637	-	-
Drainage	-	108,957	-	-
Parks and greenbelts	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,733,937</u>	<u>2,264,485</u>	<u>42,443</u>	<u>808,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(480,446)</u>	<u>653,717</u>	<u>552,710</u>	<u>(177,019)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	181,629
Transfers out	-	-	(500,000)	-
Proceeds of long-term debt	-	-	-	-
Payments to refunding escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>181,629</u>
Net change in fund balances	(480,446)	653,717	52,710	4,610
Fund balances (deficits), July 1	<u>2,500,687</u>	<u>2,976,117</u>	<u>1,189,409</u>	<u>-</u>
Fund balances (deficits), June 30	<u>\$ 2,020,241</u>	<u>\$ 3,629,834</u>	<u>\$ 1,242,119</u>	<u>\$ 4,610</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Parking District	Air Quality Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,635	-	-	-	-	-
-	-	-	-	-	-
331,989	904	-	-	8,298	16,131
463,516	-	1,314,308	689,341	28,867	-
-	-	-	-	-	206,061
76	85,298	-	-	-	3,231
<u>825,216</u>	<u>86,202</u>	<u>1,314,308</u>	<u>689,341</u>	<u>37,165</u>	<u>225,423</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,441,354	-	-	-
-	-	23,546	-	25,720	-
8,174	247,916	-	-	-	-
91,688	-	-	935,290	-	-
111,228	-	-	-	-	-
-	-	33,681	-	-	391,472
-	-	-	-	-	-
-	-	-	-	-	-
256,101	-	322,049	-	-	-
129,443	-	-	-	-	-
8,181	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>604,815</u>	<u>247,916</u>	<u>1,820,630</u>	<u>935,290</u>	<u>25,720</u>	<u>391,472</u>
<u>220,401</u>	<u>(161,714)</u>	<u>(506,322)</u>	<u>(245,949)</u>	<u>11,445</u>	<u>(166,049)</u>
-	-	-	245,949	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	245,949	-	-
220,401	(161,714)	(506,322)	-	11,445	(166,049)
<u>6,578,365</u>	<u>76,090</u>	<u>864,072</u>	<u>-</u>	<u>174,013</u>	<u>293,714</u>
<u>\$ 6,798,766</u>	<u>\$ (85,624)</u>	<u>\$ 357,750</u>	<u>\$ -</u>	<u>\$ 185,458</u>	<u>\$ 127,665</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue Funds		
	Federal Employment Grants	Other Grants and Contributions	HOME Grant
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	107	-
Fines, forfeits and penalties	-	773,874	-
Investment earnings	-	1,017	22,737
Charges for current services	-	-	-
From other agencies	-	6,109,115	98,139
Other revenues	-	287,772	90,849
Total revenues	<u>-</u>	<u>7,171,885</u>	<u>211,725</u>
EXPENDITURES:			
Current:			
Fire	-	108,009	-
Police	-	573,454	-
Traffic safety	-	465,746	-
Public right of way	-	106,443	-
Community services	1,286	833,525	-
Parks and greenbelts	-	-	-
Community planning and development	-	2,129,759	105,494
Municipal support	-	-	-
Capital outlay:			
Fire	-	-	-
Police	-	-	-
Traffic safety	-	-	-
Public right of way	-	-	-
Drainage	-	-	-
Parks and greenbelts	-	101,903	-
Debt service:			
Principal retirement	-	600,000	-
Interest and other charges	-	829,360	-
Total expenditures	<u>1,286</u>	<u>5,748,199</u>	<u>105,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,286)</u>	<u>1,423,686</u>	<u>106,231</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(209,000)	-
Proceeds of long-term debt	-	7,660,000	-
Payments to refunding escrow agent	-	(8,410,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(959,000)</u>	<u>-</u>
Net change in fund balances	(1,286)	464,686	106,231
Fund balances (deficits), July 1	<u>(110)</u>	<u>(168,024)</u>	<u>516,088</u>
Fund balances (deficits), June 30	<u>\$ (1,396)</u>	<u>\$ 296,662</u>	<u>\$ 622,319</u>

Special Revenue Fund	Debt-Service Funds		Capital Projects Funds	Total Nonmajor Governmental Funds
Street Rehabilitation	2002 Capital Improvement Project	Buena-Clinton Project	Buena-Clinton Project	
\$ -	\$ -	\$ 421,265	\$ -	\$ 1,091,867
-	-	-	-	29,742
-	-	-	-	820,579
559,892	1,726	-	30,680	1,226,728
-	-	-	-	3,785,752
6,892,633	-	-	-	16,443,605
147	-	-	7,060	474,433
<u>7,452,672</u>	<u>1,726</u>	<u>421,265</u>	<u>37,740</u>	<u>23,872,706</u>
-	-	-	-	172,873
-	-	-	170,976	1,290,448
-	-	-	-	2,151,267
-	-	-	-	2,038,433
-	-	-	362	1,899,474
-	-	-	-	1,069,421
-	-	-	45,600	2,392,081
-	-	-	-	425,153
-	-	-	-	24,348
-	-	-	-	1,098,707
860,572	-	-	-	1,438,722
2,648,881	-	-	-	2,806,961
-	-	-	-	117,138
-	-	-	-	101,903
-	-	-	-	600,000
-	-	-	-	829,360
<u>3,509,453</u>	<u>-</u>	<u>-</u>	<u>216,938</u>	<u>18,456,289</u>
<u>3,943,219</u>	<u>1,726</u>	<u>421,265</u>	<u>(179,198)</u>	<u>5,416,417</u>
-	-	333,837	751,384	1,512,799
-	(4,080)	(751,384)	(333,837)	(1,798,301)
-	-	-	-	7,660,000
-	-	-	-	(8,410,000)
-	<u>(4,080)</u>	<u>(417,547)</u>	<u>417,547</u>	<u>(1,035,502)</u>
3,943,219	(2,354)	3,718	238,349	4,380,915
4,409,392	14,775	(8,090)	601,123	20,017,621
<u>\$ 8,352,611</u>	<u>\$ 12,421</u>	<u>\$ (4,372)</u>	<u>\$ 839,472</u>	<u>\$ 24,398,536</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, 2008**

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 650,000	\$ 650,000	\$ 670,602	\$ 20,602
Fines, forfeits and penalties	20,000	20,000	46,705	26,705
Investment earnings	50,000	50,000	105,239	55,239
Charges for current services	36,000	36,000	63,375	27,375
From other agencies	-	355,000	367,570	12,570
Total revenues	<u>756,000</u>	<u>1,111,000</u>	<u>1,253,491</u>	<u>142,491</u>
EXPENDITURES:				
Current:				
Fire	127,831	127,831	64,864	62,967
Police	808,568	1,174,833	546,018	628,815
Capital outlay:				
Fire	24,348	24,348	24,348	-
Police	<u>1,098,707</u>	<u>1,453,707</u>	<u>1,098,707</u>	<u>355,000</u>
Total expenditures	<u>2,059,454</u>	<u>2,780,719</u>	<u>1,733,937</u>	<u>1,046,782</u>
Excess (deficiency) of revenues over (under) expenditures	(948,454)	(1,669,719)	(480,446)	1,189,273
Fund balance, July 1	<u>2,500,687</u>	<u>2,500,687</u>	<u>2,500,687</u>	-
Fund balance, June 30	<u>\$ 1,552,233</u>	<u>\$ 830,968</u>	<u>\$ 2,020,241</u>	<u>\$ 1,189,273</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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 82,000	\$ 148,115	\$ 66,115
From other agencies	3,218,000	2,770,087	(447,913)
Total revenues	<u>3,300,000</u>	<u>2,918,202</u>	<u>(381,798)</u>
EXPENDITURES:			
Current:			
Traffic safety	253,200	244,167	9,033
Public right of way	1,896,800	1,882,724	14,076
Capital outlay:			
Traffic safety	256,595	-	256,595
Public right of way	2,611,841	28,637	2,583,204
Drainage	956,008	108,957	847,051
Total expenditures	<u>5,974,444</u>	<u>2,264,485</u>	<u>3,709,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,674,444)</u>	<u>653,717</u>	<u>3,328,161</u>
Fund balance, July 1	<u>2,976,117</u>	<u>2,976,117</u>	<u>-</u>
Fund balance, June 30	<u>\$ 301,673</u>	<u>\$ 3,629,834</u>	<u>\$ 3,328,161</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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 650,000	\$ 595,153	\$ (54,847)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>68,180</u>	<u>42,443</u>	<u>25,737</u>
Excess of revenues over expenditures	581,820	552,710	(29,110)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance	81,820	52,710	(29,110)
Fund balance, July 1	<u>1,189,409</u>	<u>1,189,409</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 1,271,229</u></u>	<u><u>\$ 1,242,119</u></u>	<u><u>\$ (29,110)</u></u>

**CITY OF GARDEN GROVE
 SELF SUPPORTING REVENUE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 600,000	\$ 631,192	\$ 31,192
EXPENDITURES:			
Current:			
Community services	<u>794,649</u>	<u>808,211</u>	<u>(13,562)</u>
(Deficiency) of revenues under expenditures	(194,649)	(177,019)	17,630
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>181,629</u>	<u>181,629</u>
Net change in fund balance	(194,649)	4,610	199,259
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ (194,649)</u>	<u>\$ 4,610</u>	<u>\$ 199,259</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, 2008**

	<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	\$ 45,000	\$ 45,000	\$ 29,635	\$ (15,365)
Investment earnings	94,000	94,000	331,989	237,989
Charges for current services	386,000	386,000	463,516	77,516
Other revenues	-	-	76	76
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>825,216</u>	<u>300,216</u>
EXPENDITURES:				
Current:				
Community services	27,000	27,000	8,174	18,826
Parks and greenbelts	135,730	175,460	91,688	83,772
Community planning and development	108,466	108,466	111,228	(2,762)
Capital outlay:				
Traffic safety	-	-	256,101	(256,101)
Public right of way	-	-	129,443	(129,443)
Drainage	-	-	8,181	(8,181)
Total expenditures	<u>271,196</u>	<u>310,926</u>	<u>604,815</u>	<u>(293,889)</u>
Net change in fund balance	<u>253,804</u>	<u>214,074</u>	<u>220,401</u>	<u>6,327</u>
Fund balance, July 1	<u>6,578,365</u>	<u>6,578,365</u>	<u>6,578,365</u>	<u>-</u>
Fund balance, June 30	<u>\$ 6,832,169</u>	<u>\$ 6,792,439</u>	<u>\$ 6,798,766</u>	<u>\$ 6,327</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, 2008**

	<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	\$ 6,500	\$ 6,500	\$ 904	\$ (5,596)
Other revenues	105,000	105,000	85,298	(19,702)
Total revenues	<u>111,500</u>	<u>111,500</u>	<u>86,202</u>	<u>(25,298)</u>
EXPENDITURES:				
Current:				
Community services	<u>149,765</u>	<u>129,765</u>	<u>247,916</u>	<u>(118,151)</u>
Net change in fund balance	(38,265)	(18,265)	(161,714)	(143,449)
Fund balance, July 1	<u>76,090</u>	<u>76,090</u>	<u>76,090</u>	<u>-</u>
Fund balance, June 30	<u>\$ 37,825</u>	<u>\$ 57,825</u>	<u>\$ (85,624)</u>	<u>\$ (143,449)</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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for current services	\$ 1,306,803	\$ 1,314,308	\$ 7,505
EXPENDITURES:			
Current:			
Traffic safety	1,507,809	1,441,354	66,455
Public right of way	21,987	23,546	(1,559)
Municipal support	25,337	33,681	(8,344)
Capital outlay:			
Traffic safety	312,634	322,049	(9,415)
Total expenditures	<u>1,867,767</u>	<u>1,820,630</u>	<u>47,137</u>
Net change in fund balance	(560,964)	(506,322)	54,642
Fund balance, July 1	<u>864,072</u>	<u>864,072</u>	<u>-</u>
Fund balance, June 30	<u>\$ 303,108</u>	<u>\$ 357,750</u>	<u>\$ 54,642</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, 2008**

	<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	\$ 689,341	\$ (10,659)
EXPENDITURES:			
Current:			
Parks and greenbelts	<u>700,000</u>	<u>935,290</u>	<u>(235,290)</u>
(Deficiency) of revenues under expenditures	-	(245,949)	(245,949)
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>245,949</u>	<u>245,949</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF GARDEN GROVE
PARKING DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 7,139	\$ 8,298	\$ 1,159
Charges for current services	27,726	28,867	1,141
Total revenues	<u>34,865</u>	<u>37,165</u>	<u>2,300</u>
EXPENDITURES:			
Current:			
Public right of way	<u>22,093</u>	<u>25,720</u>	<u>(3,627)</u>
Net change in fund balance	12,772	11,445	(1,327)
Fund balance, July 1	<u>174,013</u>	<u>174,013</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 186,785</u></u>	<u><u>\$ 185,458</u></u>	<u><u>\$ (1,327)</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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Investment earnings	\$ 10,000	\$ 16,131	\$ 6,131
From other agencies	200,000	206,061	6,061
Other revenues	-	3,231	3,231
Total revenues	<u>210,000</u>	<u>225,423</u>	<u>15,423</u>
EXPENDITURES:			
Current:			
Community planning and development	13,498	-	13,498
Municipal support	<u>247,912</u>	<u>391,472</u>	<u>(143,560)</u>
Total expenditures	<u>261,410</u>	<u>391,472</u>	<u>(130,062)</u>
Net change in fund balance	(51,410)	(166,049)	(114,639)
Fund balance, July 1	<u>293,714</u>	<u>293,714</u>	<u>-</u>
Fund balance, June 30	<u>\$ 242,304</u>	<u>\$ 127,665</u>	<u>\$ (114,639)</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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
Current:			
Community services	\$ -	\$ 1,286	\$ (1,286)
Net change in fund balance	-	(1,286)	(1,286)
Fund balance, July 1	<u>(110)</u>	<u>(110)</u>	<u>-</u>
Fund balance, June 30	<u>\$ (110)</u>	<u>\$ (1,396)</u>	<u>\$ (1,286)</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, 2008

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ -	\$ -	\$ 107	\$ 107
Fines, forfeits and penalties	1,025,000	1,025,000	773,874	(251,126)
Investment earnings	-	-	1,017	1,017
From other agencies	5,519,929	6,828,912	6,109,115	(719,797)
Other revenues	100,000	100,000	287,772	187,772
Total revenues	<u>6,644,929</u>	<u>7,953,912</u>	<u>7,171,885</u>	<u>(782,027)</u>
EXPENDITURES:				
Current:				
Fire	-	106,313	108,009	(1,696)
Police	1,373,370	1,491,635	573,454	918,181
Traffic safety	755,280	755,280	465,746	289,534
Public right of way	188,346	277,101	106,443	170,658
Community services	767,342	1,117,342	833,525	283,817
Community planning and development	3,860,417	4,460,417	2,129,759	2,330,658
Capital outlay:				
Traffic safety	139,791	139,791	-	139,791
Public right of way	150,000	150,000	-	150,000
Drainage	101,147	101,147	-	101,147
Parks and greenbelts	2,631,431	2,677,081	101,903	2,575,178
Debt service:				
Principal retirement	600,000	600,000	600,000	-
Interest and other charges	829,360	829,360	829,360	-
Total expenditures	<u>11,396,484</u>	<u>12,705,467</u>	<u>5,748,199</u>	<u>6,957,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,751,555)</u>	<u>(4,751,555)</u>	<u>1,423,686</u>	<u>6,175,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(209,000)	(209,000)
Proceeds of long-term debt	-	-	7,660,000	7,660,000
Refinancing of debt	-	-	(8,410,000)	(8,410,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(959,000)</u>	<u>(959,000)</u>
Net change in fund balance	<u>(4,751,555)</u>	<u>(4,751,555)</u>	<u>464,686</u>	<u>5,216,241</u>
Fund balance, July 1	<u>(168,024)</u>	<u>(168,024)</u>	<u>(168,024)</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (4,919,579)</u></u>	<u><u>\$ (4,919,579)</u></u>	<u><u>\$ 296,662</u></u>	<u><u>\$ 5,216,241</u></u>

**CITY OF GARDEN GROVE
HOME GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ -	\$ 22,737	\$ 22,737
From other agencies	1,054,942	98,139	(956,803)
Other revenues	-	90,849	90,849
Total revenues	<u>1,054,942</u>	<u>211,725</u>	<u>(843,217)</u>
EXPENDITURES:			
Current:			
Community planning and development	<u>1,921,884</u>	<u>105,494</u>	<u>1,816,390</u>
Net change in fund balance	(866,942)	106,231	973,173
Fund balance, July 1	<u>516,088</u>	<u>516,088</u>	<u>-</u>
Fund balance, June 30	<u>\$ (350,854)</u>	<u>\$ 622,319</u>	<u>\$ 973,173</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, 2008**

	<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	\$ 132,000	\$ 132,000	\$ 559,892	\$ 427,892
From other agencies	8,021,698	9,163,562	6,892,633	(2,270,929)
Other revenues	30,000	30,000	147	(29,853)
Total revenues	<u>8,183,698</u>	<u>9,325,562</u>	<u>7,452,672</u>	<u>(1,872,890)</u>
EXPENDITURES:				
Capital outlay:				
Traffic safety	4,790,319	4,790,319	860,572	3,929,747
Public right of way	<u>41,590,751</u>	<u>42,732,615</u>	<u>2,648,881</u>	<u>40,083,734</u>
Total expenditures	<u>46,381,070</u>	<u>47,522,934</u>	<u>3,509,453</u>	<u>44,013,481</u>
Net change in fund balance	(38,197,372)	(38,197,372)	3,943,219	42,140,591
Fund balance, July 1	<u>4,409,392</u>	<u>4,409,392</u>	<u>4,409,392</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ (33,787,980)</u></u>	<u><u>\$ (33,787,980)</u></u>	<u><u>\$ 8,352,611</u></u>	<u><u>\$ 42,140,591</u></u>

**CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT PROJECT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 1,726	\$ 1,726
OTHER FINANCING USES			
Transfers out	-	(4,080)	(4,080)
Net change in fund balance	-	(2,354)	(2,354)
Fund balance, July 1	14,775	14,775	-
Fund balance, June 30	\$ 14,775	\$ 12,421	\$ (2,354)

**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, 2008**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes	\$ 550,000	\$ 421,265	\$ (128,735)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	333,837	333,837
Transfers out	-	(751,384)	(751,384)
Total other financing sources (uses)	<u>-</u>	<u>(417,547)</u>	<u>(417,547)</u>
Net change in fund balance	550,000	3,718	(546,282)
Fund balance, July 1	<u>(8,090)</u>	<u>(8,090)</u>	<u>-</u>
Fund balance, June 30	<u>\$ 541,910</u>	<u>\$ (4,372)</u>	<u>\$ (546,282)</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, 2008**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Investment earnings	\$ 30,000	\$ 30,680	\$ 680
Other revenues	-	7,060	7,060
Total revenues	<u>30,000</u>	<u>37,740</u>	<u>7,740</u>
EXPENDITURES:			
Capital outlay:			
Police	142,800	170,976	(28,176)
Community services	-	362	(362)
Community planning and development	<u>52,600</u>	<u>45,600</u>	<u>7,000</u>
Total expenditures	<u>195,400</u>	<u>216,938</u>	<u>(21,538)</u>
(Deficiency) of revenues under expenditures	<u>(165,400)</u>	<u>(179,198)</u>	<u>(13,798)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	751,384	751,384
Transfers out	-	<u>(333,837)</u>	<u>(333,837)</u>
Total other financing sources	<u>-</u>	<u>417,547</u>	<u>417,547</u>
Net change in fund balance	(165,400)	238,349	403,749
Fund balance, July 1	<u>601,123</u>	<u>601,123</u>	-
Fund balance, June 30	<u>\$ 435,723</u>	<u>\$ 839,472</u>	<u>\$ 403,749</u>

INTERNAL SERVICE FUNDS

Workers' Compensation Fund

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

Fleet Management Fund

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

Employee Benefits Fund

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

Information Systems Fund

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

Warehouse Operations Fund

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

Telephone System Fund

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

Risk Management Fund

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

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
ASSETS			
Current Assets:			
Cash and cash investments	\$ 22,856,953	\$ 9,375,972	\$ 19,864,978
Accounts receivable	-	47,785	1,183,351
Interest receivable	331,323	-	-
Due from other funds	4,889,786	-	-
Inventory	-	93,824	-
Deposits	-	-	40,535
Total current assets	<u>28,078,062</u>	<u>9,517,581</u>	<u>21,088,864</u>
Noncurrent Assets:			
Capital assets			
Depreciable buildings, property, and equipment, net	<u>11,134</u>	<u>7,894,864</u>	<u>-</u>
Total assets	<u>28,089,196</u>	<u>17,412,445</u>	<u>21,088,864</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	68,942	184,924	747,437
Other current liabilities	58,955	36,204	-
Refundable deposits	-	1,520	-
Current portion of long term obligations	<u>5,970,100</u>	<u>-</u>	<u>703,296</u>
Total current liabilities	<u>6,097,997</u>	<u>222,648</u>	<u>1,450,733</u>
Noncurrent liabilities:			
Lease purchase	-	-	-
Accrued compensated absences	-	-	6,329,659
Claims payable	<u>19,236,767</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	19,236,767	-	6,329,659
Total liabilities	<u>25,334,764</u>	<u>222,648</u>	<u>7,780,392</u>
NET ASSETS			
Invested in capital assets	11,134	7,894,864	-
Unrestricted	<u>2,743,298</u>	<u>9,294,933</u>	<u>13,308,472</u>
Total net assets	<u>\$ 2,754,432</u>	<u>\$ 17,189,797</u>	<u>\$ 13,308,472</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 2,188,843	\$ 188,894	\$ 1,728,264	\$ 26,159,752	\$ 82,363,656
1,569	-	2,500	-	1,235,205
25,534	-	-	308,086	664,943
-	-	-	-	4,889,786
-	454,511	-	-	548,335
-	-	-	-	40,535
<u>2,215,946</u>	<u>643,405</u>	<u>1,730,764</u>	<u>26,467,838</u>	<u>89,742,460</u>
<u>650,836</u>	<u>31,162</u>	<u>-</u>	<u>-</u>	<u>8,587,996</u>
<u>2,866,782</u>	<u>674,567</u>	<u>1,730,764</u>	<u>26,467,838</u>	<u>98,330,456</u>
202,501	100,379	40,836	40,722	1,385,741
59,221	8,694	2,858	13,380	179,312
-	-	-	-	1,520
<u>69,358</u>	<u>-</u>	<u>-</u>	<u>2,179,847</u>	<u>8,922,601</u>
<u>331,080</u>	<u>109,073</u>	<u>43,694</u>	<u>2,233,949</u>	<u>10,489,174</u>
307,416	-	-	-	307,416
-	-	-	-	6,329,659
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,978,921</u>	<u>24,215,688</u>
307,416	-	-	4,978,921	30,852,763
<u>638,496</u>	<u>109,073</u>	<u>43,694</u>	<u>7,212,870</u>	<u>41,341,937</u>
650,836	31,162	-	-	8,587,996
<u>1,577,450</u>	<u>534,332</u>	<u>1,687,070</u>	<u>19,254,968</u>	<u>48,400,523</u>
<u>\$ 2,228,286</u>	<u>\$ 565,494</u>	<u>\$ 1,687,070</u>	<u>\$ 19,254,968</u>	<u>\$ 56,988,519</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, 2008**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
Operating revenues:			
Charges for services	\$ 6,091,344	\$ 5,193,464	\$ 25,214,602
Operating expenses:			
Salaries and wages	780,203	888,065	13,563,774
Contractual services	56,895	495,737	11,500,443
Liability claims	5,688,491	-	-
Materials and supplies	1,450	1,439,675	241,518
Depreciation	10,099	1,104,042	-
Total operating expenses	<u>6,537,138</u>	<u>3,927,519</u>	<u>25,305,735</u>
Operating income (loss)	<u>(445,794)</u>	<u>1,265,945</u>	<u>(91,133)</u>
Nonoperating revenues (expenses):			
Investment income	1,186,366	-	-
Gain (loss) on disposal of assets	-	67,546	-
Total nonoperating revenues (expenses)	<u>1,186,366</u>	<u>67,546</u>	<u>-</u>
Income (loss) before transfers	740,572	1,333,491	(91,133)
Transfers in/(out)	-	-	-
Change in net assets	740,572	1,333,491	(91,133)
Total net assets, July 1	<u>2,013,860</u>	<u>15,856,306</u>	<u>13,399,605</u>
Total net assets, June 30	<u>\$ 2,754,432</u>	<u>\$ 17,189,797</u>	<u>\$ 13,308,472</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
<u>\$ 1,771,202</u>	<u>\$ 294,622</u>	<u>\$ 643,561</u>	<u>\$ 1,741,637</u>	<u>\$ 40,950,432</u>
1,288,307	172,863	28,652	262,769	16,984,633
275,458	24,017	548,310	1,033,428	13,934,288
-	-	-	1,493,665	7,182,156
314,757	(2,035)	-	3,303	1,998,668
46,633	7,791	-	-	1,168,565
<u>1,925,155</u>	<u>202,636</u>	<u>576,962</u>	<u>2,793,165</u>	<u>41,268,310</u>
<u>(153,953)</u>	<u>91,986</u>	<u>66,599</u>	<u>(1,051,528)</u>	<u>(317,878)</u>
91,477	-	-	1,184,830	2,462,673
<u>7,000</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>74,596</u>
<u>98,477</u>	<u>50</u>	<u>-</u>	<u>1,184,830</u>	<u>2,537,269</u>
(55,476)	92,036	66,599	133,302	2,219,391
<u>339,000</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>239,000</u>
283,524	92,036	66,599	33,302	2,458,391
<u>1,944,762</u>	<u>473,458</u>	<u>1,620,471</u>	<u>19,221,666</u>	<u>54,530,128</u>
<u>\$ 2,228,286</u>	<u>\$ 565,494</u>	<u>\$ 1,687,070</u>	<u>\$ 19,254,968</u>	<u>\$ 56,988,519</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,155,075	\$ 5,145,791	\$ 25,154,186
Payments to suppliers	(1,999,224)	(2,006,972)	(11,669,777)
Payments to employees	(780,203)	(888,065)	(12,744,850)
Internal activity-payments to/from other funds	(2,956,742)	-	-
Net cash provided (used) by operating activities	<u>418,906</u>	<u>2,250,754</u>	<u>739,559</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(1,902,266)	-
Proceeds from disposal of capital assets	-	67,546	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,834,720)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	1,129,310	-	-
Net cash provided by investing activities	<u>1,129,310</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,548,216	416,034	739,559
Cash and cash equivalents, July 1	<u>21,308,737</u>	<u>8,959,938</u>	<u>19,125,419</u>
Cash and cash equivalents, June 30	<u>\$ 22,856,953</u>	<u>\$ 9,375,972</u>	<u>\$ 19,864,978</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (445,794)</u>	<u>\$ 1,265,945</u>	<u>\$ (91,133)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	1,104,042	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	63,731	(47,673)	(60,416)
(Increase) decrease in due to/from other funds	(2,956,742)	-	-
(Increase) decrease in inventory	-	(12,656)	-
(Increase) decrease in prepaid expenses	-	-	-
(Increase) decrease in deposits	-	-	(6,786)
Increase (decrease) in accounts payable	6,422	(64,357)	78,970
Increase (decrease) in compensated absences	-	-	818,924
Increase (decrease) in other accrued liabilities	42,800	5,377	-
Increase (decrease) in refundable deposits	-	76	-
Increase (decrease) in claims payable	3,698,390	-	-
Total adjustments	<u>864,700</u>	<u>984,809</u>	<u>830,692</u>
Net cash provided (used) by operating activities	<u>\$ 418,906</u>	<u>\$ 2,250,754</u>	<u>\$ 739,559</u>

Information Systems	Warehouse Operations	Telephone System	Risk Management	Total
\$ 1,771,202	\$ 294,622	\$ 643,561	\$ 1,741,637	\$ 40,906,074
(489,702)	(54,169)	(548,010)	(1,080,122)	(17,847,976)
(1,288,307)	(172,863)	(28,652)	(262,769)	(16,165,709)
-	-	-	-	(2,956,742)
(6,807)	67,590	66,899	398,746	3,935,647
339,000	-	-	(100,000)	239,000
339,000	-	-	(100,000)	239,000
-	-	-	-	(1,902,266)
-	50	-	-	67,596
-	50	-	-	(1,834,670)
87,309	-	-	1,174,748	2,391,367
87,309	-	-	1,174,748	2,391,367
419,502	67,640	66,899	1,473,494	4,731,344
1,769,341	121,254	1,661,365	24,686,258	77,632,312
\$ 2,188,843	\$ 188,894	\$ 1,728,264	\$ 26,159,752	\$ 82,363,656
\$ (153,953)	\$ 91,986	\$ 66,599	\$ (1,051,528)	\$ (317,878)
46,633	7,791	-	-	1,168,565
-	-	-	-	(44,358)
-	-	-	-	(2,956,742)
-	(30,431)	-	-	(43,087)
-	-	-	263,144	263,144
-	-	-	-	(6,786)
89,869	(2,022)	(557)	(49,357)	58,968
-	-	-	-	818,924
10,644	266	857	5,354	65,298
-	-	-	-	76
-	-	-	1,231,133	4,929,523
147,146	(24,396)	300	1,450,274	4,253,525
\$ (6,807)	\$ 67,590	\$ 66,899	\$ 398,746	\$ 3,935,647

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Statistical Section

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Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operation Information

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

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

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

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

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

Source: Finance Office, City of Garden Grove

Fiscal Year		
2006	2007	2008
\$ 667,547	\$ 666,751	\$ 662,476
48,109	52,214	79,980
<u>23,592</u>	<u>35,623</u>	<u>13,004</u>
<u>\$ 739,248</u>	<u>\$ 754,588</u>	<u>\$ 755,460</u>
\$ 66,085	\$ 64,996	\$ 65,581
-	-	-
<u>4,256</u>	<u>14,855</u>	<u>26,444</u>
<u>\$ 70,341</u>	<u>\$ 79,851</u>	<u>\$ 92,025</u>
\$ 733,632	\$ 731,747	\$ 728,057
48,109	52,214	79,980
<u>27,848</u>	<u>50,478</u>	<u>39,448</u>
<u>\$ 809,589</u>	<u>\$ 834,439</u>	<u>\$ 847,485</u>

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

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

Fiscal Year		
2006	2007	2008
\$ 7,700	\$ 6,678	\$ 8,405
18,152	17,465	19,778
36,207	38,013	45,333
2,956	3,264	3,273
14,677	15,073	13,989
1,479	1,538	1,372
(288)	97	4,442
3,132	3,629	4,383
3,648	1,787	2,016
47,611	42,847	46,061
6,730	6,854	7,768
<u>142,004</u>	<u>137,245</u>	<u>156,820</u>
19,673	20,398	20,557
11,482	11,188	13,295
1,965	2,079	2,339
<u>33,120</u>	<u>33,665</u>	<u>36,191</u>
<u>175,124</u>	<u>170,910</u>	<u>193,011</u>
2,375	2,464	2,223
712	705	884
3,509	3,100	3,564
1,318	1,306	1,314
314	350	291
-	-	90
841	855	849
1,424	1,457	1,394
3,324	2,449	1,403
41,590	43,709	42,980
10,931	2,534	4,890
<u>66,338</u>	<u>58,929</u>	<u>59,882</u>
18,413	20,786	25,573
12,563	16,941	16,445
2,761	2,699	3,033
732	538	804
5,317	754	-
<u>39,786</u>	<u>41,718</u>	<u>45,855</u>
<u>106,124</u>	<u>100,647</u>	<u>105,737</u>
(75,666)	(78,316)	(96,938)
6,666	8,053	9,664
<u>(69,000)</u>	<u>(70,263)</u>	<u>(87,274)</u>

(Continued)

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

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

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

Source: Finance Office, City of Garden Grove

Fiscal Year		
2006	2007	2008
\$ 34,439	\$ 36,251	\$ 39,144
19,453	19,696	19,780
11,411	12,180	12,673
4,729	4,952	4,934
13,129	13,603	14,011
3,248	4,747	5,687
1,642	3,095	1,511
70	70	70
<u>88,121</u>	<u>94,594</u>	<u>97,810</u>
637	1,527	2,579
(70)	(70)	(70)
<u>567</u>	<u>1,457</u>	<u>2,509</u>
<u>88,688</u>	<u>96,051</u>	<u>100,319</u>
88,121	94,594	97,810
567	1,457	2,509
<u>\$ 88,688</u>	<u>\$ 96,051</u>	<u>\$ 100,319</u>

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General fund:							
Reserved	\$ 27,244	\$ 34,909	\$ 42,290	\$ 41,624	\$ 43,299	\$ 46,878	\$ 50,999
Unreserved	9,301	10,307	6,693	19,122	27,006	25,482	14,721
Total general fund	<u>\$ 36,545</u>	<u>\$ 45,216</u>	<u>\$ 48,983</u>	<u>\$ 60,746</u>	<u>\$ 70,305</u>	<u>\$ 72,360</u>	<u>\$ 65,720</u>
All other governmental funds:							
Reserved	\$ 49,459	\$ 53,589	\$ 55,528	\$ 58,881	\$ 49,018	\$ 57,165	\$ 141,053
Unreserved, reported in:							
Special revenue funds	4,376	5,649	5,685	720	10,071	10,724	(27,845)
Debt service funds	-	-	2	5	2	(8)	(1,423)
Capital projects funds	<u>(6,249)</u>	<u>(16,051)</u>	<u>(16,031)</u>	<u>(18,025)</u>	<u>(21,607)</u>	<u>(26,409)</u>	<u>(30,645)</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>	<u>\$ 41,472</u>	<u>\$ 81,140</u>

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

Source: Finance Office, City of Garden Grove

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues:							
Taxes	\$ 59,470	\$ 64,392	\$ 67,876	\$ 79,808	\$ 83,684	\$ 87,437	\$ 91,292
Licenses and permits	938	1,119	1,303	1,380	1,672	1,859	1,068
Fines and forfeitures	1,501	1,515	2,094	2,323	2,939	2,567	2,870
Investment earnings	3,414	3,565	3,223	4,409	3,803	5,148	6,576
Charges for services	10,192	10,724	11,027	10,839	12,614	11,401	10,083
From other agencies	32,406	39,152	36,574	39,016	40,825	42,230	42,295
Other	3,127	2,864	2,760	2,788	3,477	3,597	2,516
Total revenues	<u>111,048</u>	<u>123,331</u>	<u>124,857</u>	<u>140,563</u>	<u>149,014</u>	<u>154,239</u>	<u>156,700</u>
Expenditures							
Current:							
Municipal support	4,666	5,213	5,321	6,628	7,198	6,367	7,163
Fire	12,974	14,054	14,551	15,874	17,189	17,946	19,724
Police	27,650	28,593	30,297	32,537	34,803	38,600	43,048
Traffic safety	2,190	2,121	2,295	2,680	2,818	3,274	3,026
Public right of way	5,562	5,476	4,368	4,233	5,380	6,881	5,973
Community buildings	2,210	2,575	2,033	2,088	2,738	3,529	3,581
Community services	7,185	5,583	3,574	3,347	3,409	3,846	4,208
Parks and greenbelts	1,485	1,307	1,285	1,460	5,558	1,653	1,925
Community planning and development	21,325	26,957	28,227	28,929	31,057	29,537	30,076
Capital outlay	16,910	21,039	19,756	28,040	28,138	19,233	26,290
Debt service:							
Principal retirement	4,308	3,981	5,609	4,850	4,909	4,621	3,971
Interest and other charges	5,652	6,342	9,058	5,907	6,738	6,873	7,783
Total expenditures	<u>112,117</u>	<u>123,241</u>	<u>126,374</u>	<u>136,573</u>	<u>149,935</u>	<u>142,360</u>	<u>156,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,069)</u>	<u>90</u>	<u>(1,517)</u>	<u>3,990</u>	<u>(921)</u>	<u>11,879</u>	<u>(68)</u>
Other financing sources (uses):							
Transfers in	13,693	17,579	28,766	22,836	29,549	26,474	48,225
Transfers out	(13,172)	(17,409)	(27,517)	(22,666)	(29,379)	(26,251)	(48,394)
Issuance of debt	26,279	6,833	58,356	4,001	1,500	-	41,675
Gain(Loss) on sale of capital assets	-	-	-	-	612	(1,322)	-
Contribution to Housing Authority	-	-	-	-	-	(3,796)	-
Payment to bond escrow agent	-	-	(52,325)	-	-	-	(8,410)
Total other financing sources (uses)	<u>26,800</u>	<u>7,003</u>	<u>7,280</u>	<u>4,171</u>	<u>2,282</u>	<u>(4,895)</u>	<u>33,096</u>
Net change in fund balances	<u>\$ 25,731</u>	<u>\$ 7,093</u>	<u>\$ 5,763</u>	<u>\$ 8,161</u>	<u>\$ 1,361</u>	<u>\$ 6,984</u>	<u>\$ 33,028</u>
Debt service as a percentage of noncapital expenditures	11.7%	11.2%	16.0%	11.0%	10.6%	10.3%	7.8%

The City of Garden Grove has elected to show only seven years of data for this schedule to be consistent with the GASB 34 Schedules.

Source: Finance Office, City of Garden Grove

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

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
1999	\$ 14,386,085	\$7,532,937	\$1,563,861	\$1,600,891	\$1,453,801	\$ 6,810,491	\$ 33,348,066
2000	15,623,656	8,154,089	1,593,190	1,758,435	1,907,023	7,572,377	36,608,770
2001	17,187,756	8,697,891	1,711,813	1,934,418	3,221,941	8,428,185	41,182,004
2002	17,099,202	9,278,777	1,912,931	2,164,240	4,280,764	9,353,926	44,089,840
2003	17,913,119	9,633,188	1,909,152	2,298,509	5,861,586	9,982,677	47,598,231
2004	18,555,795	10,275,238	2,045,711	2,315,429	8,628,343	7,598,457	49,418,973
2005	19,492,358	11,421,673	2,088,276	2,349,706	9,820,457	14,494,383	59,666,853
2006	19,452,971	13,262,684	2,234,667	2,494,139	11,410,684	13,128,604	61,983,749
2007	19,695,520	14,177,626	2,413,279	2,538,442	12,179,453	13,603,437	64,607,757
2008	19,780,085	14,892,274	2,337,053	2,596,833	12,672,985	14,011,002	66,290,232

Source: Finance Office, City of Garden Grove

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

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
1999	\$ 4,784,032	\$ 253,573	\$ 5,037,605	\$ 1,245,998	\$ 201,865	\$ 1,447,863	1.034%
2000	5,066,585	275,398	5,341,983	1,339,007	194,516	1,533,523	1.034%
2001	5,485,695	286,423	5,772,118	1,400,145	215,011	1,615,157	1.034%
2002	5,858,899	328,907	6,187,806	1,566,566	216,556	1,783,123	1.034%
2003	6,237,993	302,093	6,540,085	1,714,551	216,939	1,931,489	1.034%
2004	6,690,749	299,913	6,990,662	1,864,236	238,481	2,102,717	1.031%
2005	7,256,567	300,045	7,556,612	1,958,661	242,817	2,201,478	1.031%
2006	8,044,199	282,324	8,326,523	2,154,902	258,917	2,413,820	1.030%
2007	8,876,151	321,203	9,197,354	2,312,965	277,545	2,590,510	1.030%
2008	9,569,537	324,404	9,893,941	2,513,876	275,427	2,789,302	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
1999	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2000	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2001	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2002	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2003	1.0000	0.02500	0.00890	-	-	-	-	1.03390
2004	1.0000	0.02500	0.00610	-	-	-	-	1.03110
2005	1.0000	0.02500	0.00580	-	-	-	-	1.03080
2006	1.0000	0.02500	0.00470	-	-	-	-	1.02970
2007	1.0000	0.02500	0.00470	-	-	-	-	1.02970
2008	1.0000	0.02500	0.00450	-	-	-	-	1.02950

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

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

Source: Orange County Tax Rates Book

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

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Landmark Hotels	\$ 93,320,843	0.74%	\$ -	0.00%
Ashford Anaheim LP	78,161,721	0.62%	-	0.00%
KPA Rigg LLC	50,480,000	0.40%	-	0.00%
Ohi Resort Hotels LLC	38,026,340	0.30%	-	0.00%
American Medical International Inc.	33,847,787	0.27%	26,899,077	0.41%
Kilroy Realty LP	29,601,489	0.23%	-	0.00%
Swedlow Inc.	27,096,832	0.21%	35,391,376	0.55%
BB Promenade LLC	24,403,504	0.19%	-	0.00%
Western Pacific Housing, Inc.	24,120,206	0.19%	-	0.00%
Car Noa GGN LLC	24,172,439	0.19%	-	0.00%
Gateway Properties	-	-	31,840,543	0.49%
Hughes Lyon	-	-	27,457,156	0.42%
Air Industries Corp.	-	-	21,483,699	0.33%
Fujita Corp.	-	-	12,650,391	0.20%
Mead Corp.	-	-	12,388,921	0.19%
Lifinity Microelectronics	-	-	11,695,560	0.18%
Choe, Kyong Sun	-	-	11,403,600	0.18%
Sanyo Foods	-	-	10,849,022	0.17%
	<u>\$ 423,231,161</u>	<u>3.34%</u>	<u>\$ 202,059,345</u>	<u>3.12%</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
1999	0.0025	\$7,624,720	\$7,320,554	96.0	\$ 168,499	\$7,489,053	98.2	\$ 151,995	2.0%
2000	0.0025	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.0025	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.0025	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%
2003	0.0025	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%
2004	0.0025	10,585,265	10,090,195	95.3	185,043	10,275,238	97.1	26,158	0.2%
2005	0.0025	11,751,160	11,303,045	96.2	118,628	11,421,673	97.2	46,308	0.4%
2006	0.0025	12,913,558	12,338,230	95.5	156,891	12,495,121	96.8	114,095	0.9%
2007	0.0025	13,989,410	13,080,248	93.5	197,376	13,277,624	94.9	286,295	2.0%
2008	0.003	14,804,471	13,934,785	94.1	366,321	14,301,107	96.6	196,069	1.3%

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

Source: Orange County Property Tax Ledger
Finance Office, City of Garden Grove

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

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	Certificates of Participation	Revenue Bonds	RDA 2008 Bonds	Tax Allocation Bonds ¹	Loans ^{2 3}	Capital Leases ⁴	
1999	\$ -	\$2,845,000	\$ -	\$57,110,000	\$22,930,000	\$ 535,000	\$83,420,000
2000	-	2,545,000	-	56,000,000	21,220,000	66,000	79,831,000
2001	-	2,230,000	-	54,835,000	21,230,000	-	78,295,000
2002	22,735,000	1,900,000	-	53,610,000	19,571,400	2,449,937	100,266,337
2003	22,735,000	-	-	52,325,000	24,142,198	3,916,355	103,118,553
2004	22,735,000	-	-	57,025,000	19,032,833	3,416,890	102,209,723
2005	22,325,000	-	-	57,025,000	17,371,380	4,639,399	101,360,779
2006	21,895,000	-	-	57,025,000	15,159,293	3,872,578	97,951,871
2007	21,455,000	-	-	55,400,000	13,414,185	3,061,446	93,330,631
2008	20,995,000	-	2,015,000	53,740,000	43,225,054	2,993,427	122,968,481

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

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

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

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

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

Source: Finance Office, City of Garden Grove

Business-type Activities						
Water Revenue Bonds	Sewer Revenue COP⁵	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income⁶	Debt Per Capita⁶
\$18,584,000	\$ -	\$ 16,106,000	\$ 34,690,000	\$ 118,110,000	0.55%	755
18,194,000	-	15,063,000	33,257,000	113,088,000	0.49%	714
17,784,000	-	13,947,000	31,731,000	110,026,000	0.43%	650
17,470,000	-	13,690,000	31,160,000	131,426,337	0.47%	777
17,020,000	-	13,360,000	30,380,000	133,498,553	0.46%	786
16,845,000	-	13,010,000	29,855,000	132,064,723	0.43%	777
16,410,000	-	12,640,000	29,050,000	130,410,779	0.40%	758
15,775,000	21,845,000	12,250,000	49,870,000	147,821,871	0.42%	861
15,130,000	21,845,000	11,840,000	48,815,000	142,145,631	0.40%	823
14,465,000	21,845,000	11,405,000	47,715,000	170,683,481	0.46%	986

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Total		
1999	-	57,110	57,110	0.88%	365
2000	-	56,000	56,000	0.81%	354
2001	-	54,835	54,835	0.74%	324
2002	22,735	53,610	76,345	0.96%	451
2003	22,735	52,325	75,060	0.89%	442
2004	22,735	57,025	79,760	0.88%	469
2005	22,325	57,025	79,350	0.81%	461
2006	21,895	57,025	78,920	0.73%	459
2007	21,455	55,400	76,855	0.65%	445
2008	20,995	53,740	74,735	0.59%	432

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

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

Source: Finance Office, City of Garden Grove

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2008**

2007-08 Assessed Valuation: \$ 12,194,332,205
 Redevelopment Incremental Valuation: 2,300,391,864
 Adjusted Assessed Valuation: \$ 9,893,940,341

	%	Total Debt	City's Share of
	Applicable	6/30/08	Debt 6/30/08
	(1)		
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Orange County Teeter Plan Obligations	2.691 %	\$ 123,725,000	\$ 3,329,440
Metropolitan Water District	0.559	327,215,000	1,829,132
Coast Community College District	6.139	347,758,867	21,348,917
North Orange County Joint Community College District	2.693	233,349,001	6,284,089
Rancho Santiago Community College District	5.303	321,779,339	17,063,958
Anaheim Union High School District	0.095	123,483,955	117,310
Huntington Beach Union High School District	1.609	232,274,998	3,737,305
Anaheim School District	0.110	108,732,216	119,605
Magnolia School District	0.316	9,105,000	28,772
City of Garden Grove 1915 Act Bonds	100.000	180,000	180,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 1,827,603,376	\$ 54,038,528
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	2.691 %	\$ 532,326,000	\$ 14,324,893
Orange County Pension Obligations	2.691	72,729,867	1,957,161
Orange County Board of Education Certificates of Participation	2.691	19,590,000	527,167
Municipal Water District of Orange County Water Facilities Corporation	3.192	19,295,000	615,896
North Orange Regional Occupation Program Certificates of Participation	0.036	11,810,000	4,252
Orange Unified School District Certificates of Participation	1.323	50,870,000	673,010
Anaheim Union High School District Certificates of Participation	0.095	42,975,000	40,826
Huntington Beach Union High School District Certificates of Participation	1.609	52,051,090	837,502
Westminster School District Certificates of Participation	11.935	17,790,000	2,123,237
City of Garden Grove General Fund Obligations	100.000	32,400,000	32,400,000
Orange County Sanitation District Certificates of Participation	3.835	104,240,000	3,997,604
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 956,076,957	\$ 57,501,548
Less: MWDOC Water Facilities Corporation (100% self-supporting)			615,896
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 56,885,652
GROSS COMBINED TOTAL DEBT (2)			\$ 111,540,076
NET COMBINED TOTAL DEBT			\$ 110,924,180

- (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 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.44%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$32,400,000) 0.33%
 Gross Combined Total Debt 1.13%
 Net Combined Total Debt 1.12%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$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			
	1999	2000	2001	2002
Assessed valuation	\$5,037,605,029	\$5,341,983,245	\$5,772,118,122	\$6,187,806,030
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,259,401,257	1,335,495,811	1,443,029,531	1,546,951,508
Debt limit percentage	15%	15%	15%	15%
Debt limit	188,910,189	200,324,372	216,454,430	232,042,726
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 188,910,189</u>	<u>\$ 200,324,372</u>	<u>\$ 216,454,430</u>	<u>\$ 232,042,726</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

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

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$6,540,085,405	\$6,990,662,115	\$7,556,611,904	\$8,326,522,578	\$9,197,354,465	\$9,893,940,341
25%	25%	25%	25%	25%	25%
1,635,021,351	1,747,665,529	1,889,152,976	2,081,630,645	2,299,338,616	2,473,485,085
15%	15%	15%	15%	15%	15%
245,253,203	262,149,829	283,372,946	312,244,597	344,900,792	371,022,763
-	-	-	-	-	-
<u>\$ 245,253,203</u>	<u>\$ 262,149,829</u>	<u>\$ 283,372,946</u>	<u>\$ 312,244,597</u>	<u>\$ 344,900,792</u>	<u>\$ 371,022,763</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Water Revenue Bonds							
Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1999	\$ 16,308,273	\$ 12,038,484	\$ 4,269,789	\$ 395,000	\$ 968,865	\$ 1,363,865	3.13
2000	16,179,483	10,841,624	5,337,859	415,000	951,751	1,366,751	3.91
2001	15,562,254	12,946,455	2,615,799	430,000	1,038,377	1,468,377	1.78
2002	16,590,462	13,495,314	3,095,148	450,000	913,458	1,363,458	2.27
2003	16,609,786	14,252,431	2,357,355	470,000	892,464	1,362,464	1.73
2004	18,484,674	15,604,390	2,880,284	435,000	727,982	1,162,982	2.48
2005	18,145,714	16,809,774	1,335,940	635,000	657,500	1,292,500	1.03
2006	18,651,805	17,225,625	1,426,180	645,000	644,700	1,289,700	1.11
2007	20,516,447	17,921,191	2,595,256	665,000	629,938	1,294,938	2.00
2008	26,049,669	18,065,826	7,983,843	675,000	612,344	1,287,344	6.20

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

Source: Finance Office, City of Garden Grove

Tax Allocation Bonds				
Debt Service Requirement				
Tax Increment	Principal	Interest	total	Coverage
\$ -	\$ -	\$ -	\$ -	N/A
-	-	-	-	N/A
-	-	-	-	N/A
-	-	-	-	N/A
-	-	-	-	N/A
13,403,657	-	3,004,843	3,004,843	4.46
14,607,268	-	2,759,550	2,759,550	5.29
16,339,702	1,625,000	2,741,269	4,366,269	3.74
17,250,293	1,660,000	2,698,088	4,358,088	3.96
18,915,215	1,710,000	2,647,537	4,357,537	4.34

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1999	156,534	\$ 2,138,494	\$ 13,851	3.7
2000	158,332	2,304,707	14,723	2.9
2001	169,212	2,566,403	16,209	3.9
2002	169,212	2,820,545	16,669	5.3
2003	169,911	2,891,439	17,088	4.8
2004	169,911	3,039,717	17,890	4.2
2005	172,042	3,243,822	19,091	5.2
2006	171,765	3,479,894	20,227	4.8
2007	172,781	3,595,557	20,933	4.3
2008	173,067	3,735,525	21,620	5.0

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

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

Employer	2008	
	Number of Employees	Percent of Total Employment
Crystal Cathedral	600	0.74%
Garden Grove Hospital/Medical Center	541	0.66%
Air Industries Corp.	538	0.66%
Leiner Halth Products LLC	411	0.50%
Hyatt Regency	400	0.49%
Driessen Aircraft Interior Sys.	370	0.45%
Saint Gobain Performance	363	0.45%
OfficeMax Inc.	360	0.44%
GKN Aerospace	357	0.44%
C & D Zodiac	300	0.37%

1999 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**

Department	Full-Time and Part-time Employees as of June 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administrative Services	-	-	-	-	-	-	31	34	-	-
City Manager	31	32	39	43	43	39	13	14	9	13
Community Development	48	49	50	50	50	48	45	44	56	58
Community Services	172	153	157	157	148	143	149	155	146	149
Economic Development	-	-	-	-	-	-	-	-	12	13
Finance	41	38	32	32	33	32	32	32	34	35
Fire	103	103	109	109	113	111	109	110	112	112
Information Technology	-	-	-	-	-	-	-	-	20	20
Personnel	24	32	40	57	57	13	13	13	9	10
Police	305	299	318	322	321	316	316	314	328	334
Public Works	<u>170</u>	<u>190</u>	<u>189</u>	<u>184</u>	<u>185</u>	<u>177</u>	<u>179</u>	<u>192</u>	<u>192</u>	<u>197</u>
Total	<u>894</u>	<u>896</u>	<u>934</u>	<u>954</u>	<u>950</u>	<u>879</u>	<u>887</u>	<u>908</u>	<u>918</u>	<u>941</u>
Full Time employees	615	622	648	678	687	633	637	647	661	676
Part time employees	279	274	286	276	263	246	250	261	257	265

Source: City Budget Book/Department Budgets

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:			
Arrests	4,044	7,767	6,951
Traffic citations issued	8,718	11,574	13,627
Fire:			
Number of emergency calls	16,215	15,534	16,279
Public Right-of-Way:			
Parking citations issued	29,261	30,052	32,718
Permits issued	5,951	3,175	1,525
Community Services:			
Number of recreation classes	1,475	1,525	1,534
Housing vouchers	2,337	2,337	2,337
Community Planning and Development			
Building permits issued	2,626	2,213	2,879
Water:			
Number of accounts	34,052	34,090	34,152
Average daily consumption (thousands of gallons)	31,229	49,864	24,851
Solid Waste Disposal:			
Number of accounts	31,028	30,928	30,938
Drainage:			
Channels cleaned (miles)	5	5	5
Municipal Support:			
Passports issued	412	723	569
Source: City of Garden Grove			

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:			
Stations	1	1	1
Fire:			
Fire stations	7	7	7
Public Right-of-Way:			
Streets (miles)	288	305	305
Community Services:			
Parks	16	16	16
Park acreage	142	142	142
Community centers	1	1	1
Water:			
Water mains (miles)	418	360	360
Number of connections	34,052	34,090	34152
Sewage Collection:			
Sanitary sewers (miles)	330	312	312
Drainage:			
Storm drains (miles)	35	35	35

Source: City of Garden Grove

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GARDEN GROVE