

CITY OF GARDEN GROVE

CALIFORNIA

COMPREHENSIVE  
ANNUAL FINANCIAL

REPORT



JULY 1, 2001 - JUNE 30, 2002



COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

CITY OF GARDEN GROVE  
FISCAL YEAR ENDED  
JUNE 30, 2002

PREPARED BY:  
DEPARTMENT OF FINANCE

ANTHONY J. ANDRADE  
FINANCE DIRECTOR



CITY OF GARDEN GROVE  
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 FISCAL YEAR ENDED JUNE 30, 2002  
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INTRODUCTORY  
SECTION

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# CITY OF GARDEN GROVE



Bruce A. Broadwater  
*Mayor*

Van T. Tran  
*Mayor Pro Tem*

William J. Dalton  
*Councilman*

Mark Leyes  
*Councilman*

Mark Rosen  
*Councilman*

November 26, 2002

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

Transmitted through the City Manager

Your Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year ended June 30, 2002. The CAFR was prepared by the staff of the Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects; is presented in a manner which fairly represents the financial position of the various funds and account groups of the City and the results of operations of such funds; and that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Diehl, Evans and Company, LLP, independent auditors for the City of Garden Grove. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

### **Profile of the City of Garden Grove**

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles with a population of 169,212; it is the fourth largest City in Orange County and the twenty-first largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued and the efforts continued in the 1980's, 1990's, and 2,000's. There has been significant benefit from quality construction projects and an improved economic base as the results of these activities.

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

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

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various budget public work sessions as necessary and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The level of appropriations are controlled by the City Council for each fund. The City Manager is authorized to transfer appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year end unless specifically approved for carry-over to the subsequent year by resolution of the City Council.

### **Local Economy and Economic Outlook**

The City has experienced one of the longest periods of continuous economic growth in its history with seven years of economic expansion. Although this year was a "growth" year, it was characterized with the slowest growth rate in the last seven years. The recession, which was felt in various regions of the country and in parts of Northern California, has bi-passed Garden Grove as of June 2002.

The City's economy is based upon retail sales, tourism and rising property taxes from commercial and residential property development. Another important source of growth has been the rapidly rising values of existing housing, commercial and industrial buildings in response to strong market demand. This demand has been enhanced by City programs encouraging the property owner to invest in, and improve, their property. The popularity of programs such as "Garden Grove Gorgeous" has been very strong as many homeowners compete for recognition of the beautification of their homes in each of the various neighborhoods of the City. There has been major emphasis placed upon redevelopment with a goal of enhancing diversity of the economic base. There are plans for two new major hotels in the Harbor Corridor area south of Chapman Avenue. The timetable calls for the new hotels to be operational in approximately two to three years.

The long term outlook includes continued emphasis on community development and redevelopment. The primary goal is to diversify the economic base and develop the City's opportunities which are available due to its strategic location in North-Central Orange County. Another area of priority is operational efficiency and cost control. By continuing to implement the latest computer systems and developing cooperation with the private sector and other governmental entities, opportunities for additional cost control may be possible. Another long term goal is to maintain compliance with new rules, regulations and procedures which will be effecting the City in future years. Plans are under various stages of implementation for meeting new water quality, sewer and storm drain regulations which will be impacting the City in the next several years.

### **Cash Management**

The Finance Director is responsible to invest all temporarily idle cash in accordance with the City's approved investment policy. In order to maximize yield, all City funds are pooled and interest is allocated back to the funds on a proportionate basis. During the year, the City achieved a yield of 3.5 percent on its portfolio investments which resulted in an interest income of \$3,319,655. Interest revenue decreased from the previous year because of a decline in the prevailing interest rates. The portfolio rate declined from 6.2 percent in the previous year to 3.5 percent in the current year. At year end, cash, deposits and investments included the following proportions of aggregate cash invested: United States Government Securities, 98 percent; Local Agency

Investment Fund of the State of California, -0- percent; commercial paper, 2 percent. Cash Management investments continue to be managed by providing for the required level of security and liquidity while providing for the highest level of yield available within the City's Investment Policy Guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible.

### **Risk Management**

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

To protect the City's real and personal property, commercial, all risk, earthquake and flood insurance is purchased at replacement value levels. Honesty and fidelity bonds are carried on all employees in compliance with Government and Municipal Code Requirements, or City Council Direction. Tort liabilities arising from municipal operations were funded through a program which self-insured the first \$2.0 million of each loss; commercial excess liability insurance was purchased thereafter to \$12 million on a "per occurrence basis" to protect against catastrophic events. The program is funded at the 90 percent confidence level and includes incurred but not reported losses (IBNR).

A self-insured program is also maintained for workers compensation losses and carries a \$350,000 per occurrence retention level. Commercial excess workers compensation insurance is then carried to statutory (unlimited) limits. All losses, including IBNR, were funded at the 90% confidence level based upon actuarial studies completed biannually. Claims are administered by a third party administrator.

In the current year the program provided for an independent actuarial evaluation of the City's workers compensation operations. The results of the study was to confirm that the 90 percent confidence level is being maintained for all City workers compensation liability funding.

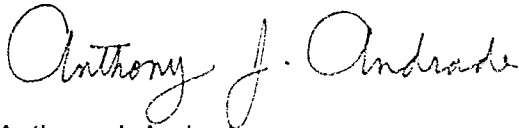
### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Garden Grove the Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. In order to receive this award, a governmental unit must publish an easy-to-read and efficiently organized Comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The City was also awarded the Certificate for Outstanding Financial Reporting, by the California Society of Municipal Finance Officers (CSMFO) for the fiscal year ended June 30, 2001.

The Honorable Mayor and City Council  
November 26, 2002  
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### **Acknowledgments**

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



Anthony J. Andrade  
Finance Director

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garden Grove,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

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.



*Thomas A. Howe*  
President

*Jeffrey L. Esser*  
Executive Director

# California Society of Municipal Finance Officers

Certificate of Award

*Outstanding Financial Reporting 2000-2001*

Presented to the

*City of Garden Grove*



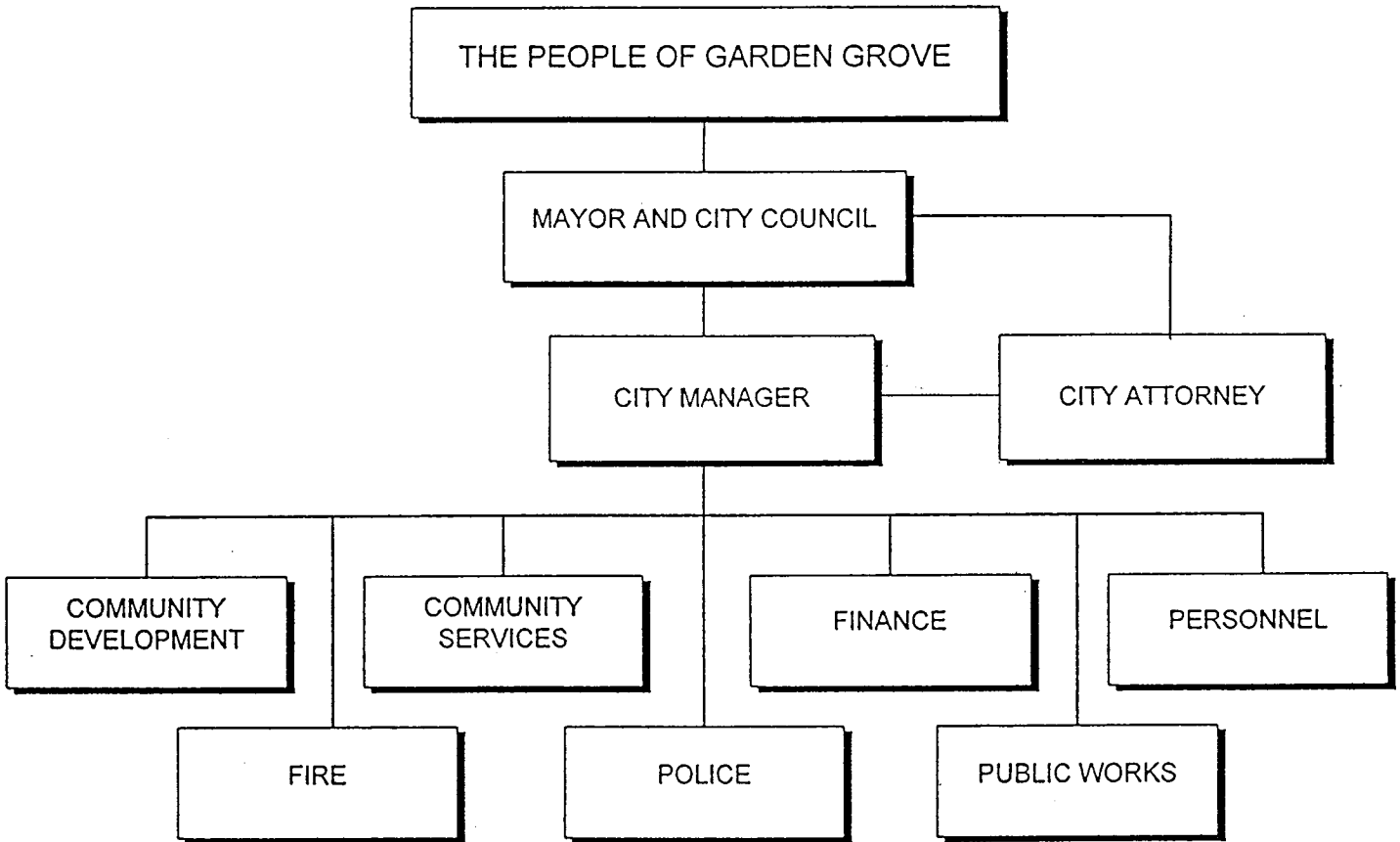
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 20, 2002*

*Lenni Roberts*  
Chair, Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

# CITY OF GARDEN GROVE ORGANIZATIONAL CHART



# CITY OF GARDEN GROVE

## CITY COUNCIL

**Bruce Broadwater**

*Mayor*

**Van Tran**

*Mayor Pro-Tem*

**William Dalton**

*Councilman*

**Mark Leyes**

*Councilman*

**Mark Rosen**

*Councilman*

## CITY OFFICIALS

**George L. Tindall**

*City Manager*

**Matthew J. Fertal**

*Assistant City Manager/  
Community Development Director*

**Les Jones**

*Assistant City Manager/  
Public Works Director*

**John Shaw**

*City Attorney*

**Joe Polisar**

*Police Chief*

**Cal Rietzel**

*Community Services Director*

**Anthony J. Andrade**

*Finance Director*

**Cameron Phillips**

*Fire Chief*

**Steven A. Larson**

*Personnel Director*

FINANCIAL  
SECTION

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MICHAEL C. FRIEDMAN, CPA  
• A PROFESSIONAL CORPORATION

October 24, 2002

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompany 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, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garden Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the accompanying financial statements reflect certain changes in the presentation of financial data required as a result of the Implementation of GASB Statement No. 34 for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2002 on our consideration of the City of Garden Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 89 through 90 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 of Garden Grove's basic financial statements. The introductory section, other supplemental information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is 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.

*Diehl, Evans and Company, LLP*



## 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, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Garden Grove exceeded its liabilities at the close of the current fiscal year by \$366.461 million. Of this amount, \$7.822 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Garden Grove's governmental funds reported combined ending fund balances of \$84.131 million, an increase of \$25.732 million in comparison with the prior year. \$7.428 million is unreserved and is available for spending at the government's discretion.
- Unreserved fund balance for the general fund was \$9.302 million.
- The City of Garden Grove's total debt increased by \$26.279 million during the current fiscal year. The key factor in this increase was the issuance of Certificates of Participation in the amount of \$22.735 million for the acquisition of land to assist certain redevelopment activity of the Agency for Community Development and for other improvement projects of the City.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include fire, police, traffic safety, public right of way, drainage, community buildings, community services, parks and greenbelts, community planning and development, and municipal support. The business-type activities of the City include a Water utility, a Sanitary District (sewage collection and solid waste disposal) utility 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 spend able resources, as well as on balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Garden Grove maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Housing Authority special revenue fund, Community Project debt service fund, 2002 Capital Improvement debt service fund, Community Project capital projects fund, and Low Income Housing capital projects fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

- **Proprietary funds.** The City of Garden Grove maintains three 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, Sanitary District (Sewage Collection and Solid Waste Disposal) utility, and Mobile Home Parks operations.

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

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

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

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

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Because this is the first year to report governmental activities on the new standard, comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant differences. A condensed version of the Statement of Net Assets at June 30, 2002 follows:

	Net Assets at Year-end (in millions)		
	Governmental Activities	Business-type Activities	Total Government
Cash and investments	\$ 115.4	\$ 18.1	\$ 133.5
Other assets	77.8	5.7	83.5
Capital assets	282.2	85.3	367.5
<b>Total Assets</b>	<b>475.4</b>	<b>109.1</b>	<b>584.5</b>
Other liabilities	69.0	17.8	86.8
Long term debt outstanding	100.3	31.0	131.3
<b>Total Liabilities</b>	<b>169.3</b>	<b>48.8</b>	<b>218.1</b>
<b>Net Assets</b>			
Investment in capital assets, net of debt	277.8	54.3	332.1
Restricted	26.4	-	26.4
Unrestricted	1.9	6.0	7.9
<b>Total net assets</b>	<b>\$ 306.1</b>	<b>\$ 60.3</b>	<b>\$ 366.4</b>

By far the largest portion of the City's net assets (90.7%) reflects its investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (8.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1.9 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.

**Governmental activities.** As with the preceding statement, this is the first year to report governmental activities on the new standard and comparison to the prior year is not possible. In subsequent years, this section will discuss and analyze significant difference. A summary version of the Statement of Activities follows:

Governmental and Proprietary Activities  
For Fiscal Year ending June 30, 2002  
(in millions)

	Governmental Activities	Business-type Activities	Total Government
<b>Revenues:</b>			
General	\$ 63.0	\$ 0.8	\$ 63.8
Charges for services	9.7	26.7	36.4
Operating grants and contributions	34.3	0.6	34.9
Capital grants and contributions	0.9	0.2	1.1
Transfers	0.4	(0.4)	-
Total revenues	108.3	27.9	136.2
<b>Expenses</b>			
Programs	105.6	26.6	132.2
	105.6	26.6	132.2
Changes in net assets	2.7	1.3	4.0
Beginning net assets	303.4	59.0	362.4
Ending net assets	\$ 306.1	\$ 60.3	\$ 366.4

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL 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 *spendable* 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's governmental funds reported combined ending fund balances of \$84.131 million, an increase of \$25.732 million in comparison with the prior year. \$7.428 million of this constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed

- to liquidate contracts and purchase orders of the prior period (\$7.682 million),
- to pay debt service (\$24.884 million),
- to reserve out an amount to cover intercity loan receivable (\$22.575 million),
- to fund continuing projects (\$10.660 million), and
- to reserve out the cost of land held for resale (\$10.902 million).

In general, the City's revenues have experienced steady growth. Total revenue for governmental funding during the year was \$111.049 million, which produced an increase of \$2.781 million or 2.6% over the previous year's total. If the nonrecurring revenue from land sales is removed from the revenue base a more precise depiction of the City's growth in operational revenues can be made. With this revenue removed the adjusted revenue for the previous year would be \$105.752 million and there would be no change to the current year revenue of \$111.049 million. The adjusted growth rate for on-going operational revenue would be 5%.

Factors that contributed to the City's increased revenues are as follows:

- An overall increase of all tax revenue of \$3.729 million. This overall increase occurred in all areas of tax revenue except sales tax, which actually decreased by \$88,554, or .5%.
- Licenses and permits revenue showed a decline of 26% which is largely due to the drop in construction activity. The number of building permits issued dropped only 8.7% but the estimated valuation of permits issued dropped 49.4% to an estimated value of \$59.231 million, the lowest level since 1999.
- Earnings from investments showed a decline of 35%, which is a direct result of the lower interest rates, which prevailed throughout the year.
- There were no sales of land this year, which reduced the revenue from sale of land.
- Other revenue showed an increase of 39%, which was largely due to program income received in the Low Income Housing (Capital Projects) fund. This program income was primarily a result of low interest rates, which enabled homeowners to refinance their homes and payoff existing mortgages.

The following table shows general governmental revenues by source during the last two years, including their relationship to total revenues:

<b>REVENUES</b>	2001-2002		2000-2001		Percent change 01/02 over (under) 00/01
	Amount in (000)	Percent of Total	Amount in (000)	Percent of Total	
Taxes	\$ 59,469	53.6%	\$ 54,814	50.6%	8.5 %
Licenses and permits	938	0.8%	1,264	1.2%	(26.0) %
Fines, forfeits and penalties	1,502	1.4%	1,360	1.3%	10.0 %
Investment earnings	3,415	3.1%	5,255	4.9%	(35.0) %
Charges for current services	10,192	9.2%	10,923	10.1%	(7.0) %
From other agencies	32,406	29.2%	29,889	27.6%	8.6 %
Sale of land	-	0.0%	2,515	2.3%	(100.0) %
Other	3,127	2.8%	2,247	2.0%	39.0 %
<b>Total Revenues</b>	<b>\$ 111,049</b>	<b>100.0%</b>	<b>\$ 108,267</b>	<b>100.0%</b>	<b>2.6 %</b>

Expenditures for governmental funds totaled \$112.117 million which is an increase of \$4.578 million from the previous year or a growth rate of 4.3%. If the debt service, sale of land and capital outlay are eliminated from the expenditure base in the current and previous years, a better understanding is possible of the true growth rate in operational expenditures. After applying this adjustment, the total expenditures in the current year are \$85.247 million for an increase of 8.3% over the previous year's amount of \$78.732 million. If the increase in the Los Angeles/Riverside/Orange County consumer price index of 1.7% is factored out of the operational expenditure growth rate of 9%, the result is a "real" expenditure increase of 6.5%.

Factors that contributed to this increase were as follows:

- The Police program experienced a 2.1% decline due to an increased vacancy factor caused by a large number of police retirements. These retirements were the result of a new public safety retirement benefit called the "3% @ 50 plan".
- In the Fire program, which has "constant manning," requiring every vacant position to be filled; the increased retirements under the new public safety retirement plan had a different effect. The vacancies resulted in higher overtime premium costs and higher training costs resulting in a growth of 5.7%.
- There was a large increase in Public Right of Way program expenditures, which is largely due to increased street maintenance projects. The increased maintenance expenditures were made possible through a State award of funds to cities and counties for street and road repairs under the Traffic Congestion Relief program.
- Community services showed a growth rate of 23.8%, which is due to the continued expansion of the City's operation of the West Orange County One Stop Center, a work incentive program funded by federal employment grants.
- The Community Planning and Development program showed an increase of 26%, which was a direct result of the increase funding and expansion of the Section 8 Federal housing program.

- During the current fiscal year there were no sales of land so there were not expenditures relating to the cost of these sales.
- Debt service expenditures increased primarily due to additional loan payments associated with real property purchases by the Community Project capital projects fund and for debt issuance costs associated with the 2002 Certificates of Participation issue.
- The State award of funds to the City for street maintenance also provided funds to be used for capital improvements to City streets which was a major reason for the increase in capital expenditures along with an increase in capital expenditures relating to the energy retrofit project for various City government buildings.

The following table shows general governmental expenditures by program for the last two years, including their relationship to total expenditures:

<b>EXPENDITURES</b>	<u>2001-2002</u>		<u>2000-2001</u>		Percent change 01/02 over (under) 00/01
	Amount in (000)	Percent of Total	Amount in (000)	Percent of Total	
Fire	\$ 12,974	11.6%	\$ 12,278	11.4%	5.7 %
Police	27,650	24.7%	28,153	26.2%	(2.1) %
Traffic safety	2,190	2.0%	2,199	2.0%	0.0 %
Public right of way	5,562	5.0%	4,712	4.4%	18.0 %
Community buildings	2,209	2.0%	2,124	2.0%	4.0 %
Community services	7,185	6.4%	5,801	5.4%	23.8 %
Parks and greenbelts	1,485	1.3%	1,405	1.3%	5.7 %
Community planning and development	21,325	19.0%	17,320	16.1%	23.1 %
Municipal support	4,666	4.2%	4,740	4.4%	(1.6) %
Cost of land sold	-	0.0%	4,719	4.4%	(100.0) %
Debt service	9,960	8.9%	8,227	7.7%	21.0 %
Capital outlay	16,911	15.4%	15,860	14.7%	6.6 %
<b>Total Expenditures</b>	<u>\$ 112,117</u>	<u>100.0%</u>	<u>\$ 107,538</u>	<u>100.0%</u>	4.2 %

### Major governmental funds

**General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9.302 million while total fund balance reached \$36.545 million. The general fund's unreserved fund balance increased by \$673,725 during the current fiscal year while the reserved fund balance increased by \$5.590 million. Key factors in this growth are as follows:

- Current year operating revenues exceeded current year operating expenditures by \$1,194,593 continuing the favorable trend of recent years
- Proceeds of a long term lease-purchase agreement approved in May 2002 provided funding for upgrades to the heating and air conditioning systems in various City facilities. The proceeds of \$2,449,937 were mostly unspent at year-end and provided an increase to the reserve for continuing projects.

- General fund loans to the Agency for Community Development were used by the City to expand the Harbor Boulevard redevelopment project. The amounts loaned for development projects were \$2,395,938 and represent the primary reason for the growth in intercity loan receivable.

**Housing Authority special revenue fund.** The Housing Authority special revenue fund reflects increased funding in the amount of \$3.7 million due to the expansion of the Section 8 federal housing program. This program shows no fund balances or reserves at year end.

**Community Project debt service fund.** The Community Project debt service fund which provides an accounting of resources used to pay principal and interest on the Agency's Tax Allocation Bonds, ended the year with a reserve equal to the amount of debt due in the next fiscal year.

**COP 2002 Capital Improvement debt service fund.** The 2002 Capital Improvement debt service fund provides an accounting for the resources provided by the issuance of the Certificates of Participation, Series A in 2002 to pay principal and interest on the debt. The fund, which was opened in April 2002, ended the year with a fund balance of \$20,345,977. This amount represents the unexpended proceeds of the debt issue at fiscal year end.

**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 \$6,248,926. The total fund balance decreased to \$1,921,196 in the current year from \$3,851,011 in the previous year.

**Low Income Housing capital projects fund.** The Low Income Housing capital projects fund accounts for the proceeds of the 20% set-aside of tax increment revenues for the City's redevelopment Agency. In this fund the unreserved fund balance increased from a deficit of \$379,855 in the previous fiscal year to zero in the current year. The reserved fund balance increased \$1,615,188. Increased reserves for land held for resale and reserves for contractual commitments absorbed the majority of the reserved fund balance increase.

#### **Major Proprietary funds.**

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

**Water Utility .** The City of Garden Grove's Water utility works closely with federal, state and local agencies to ensure excellent water quality at the lowest possible cost. To accomplish this goal requires that the City perform comprehensive testing and monitoring programs based on quality standards. Although Garden Grove obtains more than two-thirds of its water supply from wells and groundwater storage, the import water supply plays an important role in fulfilling the needs of the City's residents and businesses. A water rate increase was implemented in September 2001, which resulted in increased operating revenue of \$1,336,638. However, an increase in water production costs, increased cost of testing and monitoring programs and a decrease in interest income contributed to a net decrease in net assets in the amount of \$158,301.



**Sanitary District.** The Garden Grove Sanitary District completed its fifth year of operations subsequent to its annexation by the City in May 1997. The current year was the third year of implementation of Phase 1 of the Sanitary District Master Plan. The purpose of Phase 1 was to provide for comprehensive maintenance, operations and capital replacement plan and the means for financing them. The maintenance and capital replacement programs have been increased and continued improvement is expected in the coming years. The \$665,061 increase in net assets was the net result of higher revenues from sewer and refuse collection fee increases, which exceeded the added expenditures for maintenance. The continued excess revenues are being used to develop a reserve for contingencies in the Sanitary District operation.

**Mobile Home parks.** The City operates two mobile home parks in the community as part of the efforts to increase the supply of low and moderate-income housing. The City's plan to improve maintenance and infrastructure of these parks has resulted in making the parks more attractive and financially viable. Increase in net assets showed an increase of \$588,504. The increase was due primarily to a 2% increase in operating revenue offset by decreased revenue from interest income and decreased operating expenditures. Both of the parks are fully occupied and when a vacancy does occur it is quickly filled due to the strong demand.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Material differences between the original budget and the final amended budget were as follows:

- The City received funding for a major capital improvement project, which resulted in an increased allocation of \$2.778 million, in the community buildings capital program.
- An estimated fund transfer to cover hotel transient occupancy tax amounts to be rebated to developers by the Community Project capital projects fund were much less than anticipated resulting in a reduction in the estimated transfer of \$1.315 million.

Even with these adjustments, actual expenditures were \$6.386 million below final budget amounts.

#### **HOUSING AUTHORITY SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS**

Material differences between the original budget and the final amended budget were due to an increased funding and expansion of the City's Section 8 federal Housing program.

#### **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, 2002, amounts to \$367.455 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.

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. The following asset classes were inventoried:

- Sewer system, including sewer pipes, pumping stations, manholes, and laterals;
- Storm drain systems, including storm drain pipes, flood control channels, and catch basins;

- Streets, including pavement, curb and gutter, sidewalks, medians, greenways, block walls and traffic signals;
- Buildings, including buildings, building remodels, building lighting systems, building equipment, and building roofs; and
- Parks, including associated structures and infrastructure assets.

The Water system was not included in the above inventory because the water system, including reservoirs, wells, mains, hydrants, meters and production equipment has been capitalized on a yearly basis and is considered to be an accurate valuation.

Where original costs were not available, current reproduction costs were estimated and deflated to actual or estimated year placed in service as allowed by GASB 34. The Engineering News-Record's 20-City Construction Cost Index was used for deflation and inflation of asset values. This was used in preference to a more local index because of the longer time period available – back to 1940. Also, there was little difference between broader and narrower indices over long periods of time because prices among geographic regions in the United States tend to “even out” in the long term. The valuations as determined by this inventory were as follows:

Street System	\$304.204 million
Storm Drain System	\$ 65.035 million
Building/Structures and park assets	\$ 23.181 million

In the process of this valuation it was determined that the Garden Grove Sanitary District, which has been a subsidiary district and component unit of the city since May 30, 1997, but had originally been established in 1923, had incomplete records and no available historical sewer information. For those early acquisitions and other pre-1940 assets, the ENR CCI series was extended back using the Department of Commerce's Consumer Price Index series. To further check and refine the unit costs, per-foot quantities were developed for assumed sewer replacements and applied costs from the BNI's "Public Works 1998 Cost Book" and from R. S. Means' "Heavy Construction Cost Data". These cost estimates included trench excavation, shoring, pipe and installation, embedment around the pipe, backfill, pavement restoration, and associated costs such as traffic control, dewatering, and contractor's overhead and profit. Recent bid information was also compared to estimate costs and finally the unit costs were adjusted to reflect work in Southern California. Through this process a value of \$57.177 million was placed on the sewer system, which is substantially higher than previously recorded.

The total increase in capital assets for the current fiscal year was \$11.767 million, (\$9.073 million increase for governmental activities and a \$2.694 million increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- A major street widening and intersection improvement project where land was acquired for eventual use as right of way at a cost of \$1.544 million,
- A variety of street construction projects including storm drains at a cost of \$3.739 million,
- Sewer mains and manhole replacements at a cost of \$1.074 million, and
- Water system capitalization improvement including mains, meters and hydrants at a cost of \$1.619 million.

**Long term debt.** At the end of the current fiscal year, the City of Garden Grove had total debt outstanding of \$131.255 million. There are no general obligation bonds for the City.

The City's total debt increased by \$26.279 million during the current fiscal year. The key factor in this increase was a \$22.735 million Certificates of Participation issuance that provided 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 City. The Agency for Community Development also entered into two real property agreements totaling \$1.094 million, while the City entered into a lease purchase agreement for an energy retrofit project involving City government buildings in the amount of \$2.450 million.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The current debt limitation for the City of Garden Grove is \$232.043 million. There is no general obligation bonds for the City.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the City of Garden Grove at fiscal year end was 5.3 percent, which is a dramatic increase from a rate of 3.9 percent at the previous year end. This compares favorable, however, to the state's average unemployment rate of 6.6 percent and is closer, although still lower, than the national average rate of 5.9 percent.
- The 2002-03 budget is primarily "status quo" but does include increased service levels in a few areas. The budget includes the final phase of the Police Strategic Plan. Ongoing costs of this plan are being funded with ongoing grant funds, while equipment portions of the plan are being funded by other non-recurring grants. The State of California adopted its budget, which included a diversion of local agency property taxes for its Educational Revenue Augmentation Fund (ERAF) in the amount of \$514,060. The City has concerns that the State of California might divert additional funds to balance its budget.
- The 2002-03 budget does not include complete funding in several areas. The budget continues to leave annual deficiencies in asphalt maintenance (\$2.1 million), concrete maintenance (\$177,000) and tree maintenance (\$149,000).
- The City of Garden Grove is impacted by significant financial uncertainty. There is the potential of expensive new state and federal mandates or funding shifts from other levels of government. Its revenue is dependent on the performance of the general economy, but it continues to strive to create a less tenuous situation through improved planning, better management, and an expanded economic base through redevelopment.

### **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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GOVERNMENT-WIDE  
FINANCIAL  
STATEMENTS

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**CITY OF GARDEN GROVE  
STATEMENT OF NET ASSETS  
JUNE 30, 2002**

Schedule A-1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 87,626,721	\$ 14,745,573	\$ 102,372,294
Cash and investments with fiscal agents	27,811,267	2,519,345	30,330,612
Receivables, net	10,831,404	3,617,267	14,448,671
Internal balances	13,211,936	975,308	14,187,244
Notes receivable	41,663,233	209,419	41,872,652
Inventory	262,393	-	262,393
Land held for resale	10,901,667	-	10,901,667
Deposits	344,563	15,000	359,563
<b>Total current assets</b>	<b>192,653,184</b>	<b>22,081,912</b>	<b>214,735,096</b>
Noncurrent assets:			
Restricted cash and investments	-	911,791	911,791
Deferred issuance costs	650,756	867,204	1,517,960
Capital assets:			
Land	10,945,687	12,125,103	23,070,790
Construction in progress	692,584	-	692,584
Depreciable infrastructure, net	245,108,001	73,038,906	318,146,907
Depreciable buildings, structures, net	12,043,659	-	12,043,659
Depreciable equipment, net	13,380,855	120,625	13,501,480
<b>Total noncurrent assets</b>	<b>282,821,542</b>	<b>87,063,629</b>	<b>369,885,171</b>
<b>Total assets</b>	<b>475,474,726</b>	<b>109,145,541</b>	<b>584,620,267</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	8,298,945	3,296,834	11,595,779
Refundable deposits	1,909,185	325,547	2,234,732
Deferred revenue	33,378,339	1,018,780	34,397,119
Claims payable	19,945,204	-	19,945,204
Accrued compensated absences	4,544,316	-	4,544,316
Intercity loans payable	975,308	13,211,936	14,187,244
Noncurrent liabilities:			
Due within one year	3,964,389	780,000	4,744,389
Due in more than one year	96,301,948	30,208,821	126,510,769
<b>Total liabilities</b>	<b>169,317,634</b>	<b>48,841,918</b>	<b>218,159,552</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	277,820,849	54,295,813	332,116,662
Restricted for:			
Debt service	-	52,529	52,529
Low income housing	9,984,412	-	9,984,412
Streets and roads	8,198,139	-	8,198,139
Other purposes	8,286,878	-	8,286,878
Unrestricted	1,866,814	5,955,281	7,822,095
<b>Total net assets</b>	<b>\$ 306,157,092</b>	<b>\$ 60,303,623</b>	<b>\$ 366,460,715</b>

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

**CITY OF GARDEN GROVE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2002**

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Fire	\$ 12,497,835	\$ 678,690	\$ 23,077	\$ -
Police	27,709,082	1,996,224	1,729,926	-
Traffic Safety	3,051,324	1,323,019	888,433	219,647
Public right of way	11,816,854	185,411	4,258,637	157,096
Drainage	1,297,728	-	709,048	56,929
Community buildings	2,750,148	-	-	-
Community services	6,657,285	972,844	5,399,880	-
Parks and greenbelts	1,214,941	1,381,065	9,502	174,060
Community planning and development	28,643,464	1,394,366	20,806,431	259,156
Municipal support/general government	4,732,496	1,755,200	583,085	-
Interest on long term debt	5,231,632	-	-	-
<b>Total governmental activities</b>	<b>105,602,789</b>	<b>9,686,819</b>	<b>34,408,019</b>	<b>866,888</b>
<b>Business-type activities:</b>				
Water Utility	16,887,682	15,962,640	279,041	138,919
Sanitary District	8,399,712	8,902,615	337,594	87,545
Mobile home parks	1,340,618	1,868,623	-	-
<b>Total business-type activities</b>	<b>26,628,012</b>	<b>26,733,878</b>	<b>616,635</b>	<b>226,464</b>
<b>Total</b>	<b>\$ 132,230,801</b>	<b>\$ 36,420,697</b>	<b>\$ 35,024,654</b>	<b>\$ 1,093,352</b>

**General revenues:**

**Taxes:**

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

Earning on investments

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net assets-July 1**

**Net assets-June 30**

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (11,796,068)	\$ -	\$ (11,796,068)
(23,982,932)	-	(23,982,932)
(620,225)	-	(620,225)
(7,215,710)	-	(7,215,710)
(531,751)	-	(531,751)
(2,750,148)	-	(2,750,148)
(284,561)	-	(284,561)
349,686	-	349,686
(6,183,511)	-	(6,183,511)
(2,394,211)	-	(2,394,211)
(5,231,632)	-	(5,231,632)
<u>(60,641,063)</u>	<u>-</u>	<u>(60,641,063)</u>
-	(507,082)	(507,082)
-	928,042	928,042
-	528,005	528,005
-	948,965	948,965
<u>\$ (60,641,063)</u>	<u>\$ 948,965</u>	<u>\$ (59,692,098)</u>
17,099,202	-	17,099,202
24,367,690	-	24,367,690
1,912,931	-	1,912,931
2,164,240	-	2,164,240
4,280,764	-	4,280,764
9,353,926	-	9,353,926
2,798,827	792,607	3,591,434
973,133	-	973,133
421,000	(421,000)	-
<u>63,371,713</u>	<u>371,607</u>	<u>63,743,320</u>
2,730,650	1,320,572	4,051,222
<u>303,426,442</u>	<u>58,983,051</u>	<u>362,409,493</u>
<u>\$ 306,157,092</u>	<u>\$ 60,303,623</u>	<u>\$ 366,460,715</u>

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# FUND FINANCIAL STATEMENTS

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GOVERNMENTAL  
FUNDS FINANCIAL  
STATEMENTS

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CITY OF GARDEN GROVE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2002

	General Fund	Housing Authority Special Revenue Fund	Community Project Debt Service Fund
<b>ASSETS</b>			
Cash and investments	\$ 13,068,231	\$ 139,797	\$ -
Cash and investments with fiscal agents	2,844,712	-	4,537,550
Taxes receivable	2,771,230	-	330,665
Accounts receivable	1,183,420	1,709,232	-
Interest receivable	41,038	234	-
Due from other funds	-	-	-
Notes receivable	-	-	-
Intercity loans receivable	22,575,003	-	-
Land held for resale, net	-	-	-
Deposits	32,500	-	-
<b>Total assets</b>	<b>\$ 42,516,134</b>	<b>\$ 1,849,263</b>	<b>\$ 4,868,215</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,091,583	\$ 43,058	\$ -
Other accrued liabilities	742,573	168,453	-
Refundable deposits	1,249,782	69,511	-
Due to other funds	-	1,568,241	330,665
Intercity loans payable	-	-	-
Deferred revenue	887,071	-	-
<b>Total liabilities</b>	<b>5,971,009</b>	<b>1,849,263</b>	<b>330,665</b>
Fund balances:			
Reserved for:			
Encumbrances	311,973	-	-
Building improvements	1,000,000	-	-
Intercity loans receivable	22,575,003	-	-
Continuing projects	3,356,645	-	-
Land held for resale	-	-	-
Contractual commitments	-	-	-
Debt service	-	-	4,537,550
Unreserved, reported in:			
General fund	9,301,504	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
<b>Total fund balances</b>	<b>36,545,125</b>	<b>-</b>	<b>4,537,550</b>
<b>Total liabilities and fund balances</b>	<b>\$ 42,516,134</b>	<b>\$ 1,849,263</b>	<b>\$ 4,868,215</b>

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

2002 Capital Improvement Project Debt Service Fund	Community Project Capital Projects Fund	Low Income Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,976,761	\$ 2,410,868	\$ 18,133,034	\$ 37,728,691
20,374,497	-	54,508	-	27,811,267
-	-	82,893	349,140	3,533,928
-	258,127	2,850	2,134,223	5,287,852
-	30,444	4,710	32,524	108,950
-	331,574	-	-	331,574
-	35,598,834	3,810,257	2,254,142	41,663,233
-	-	-	-	22,575,003
-	8,006,128	2,619,649	275,890	10,901,667
-	-	-	10,314	42,814
<u>\$ 20,374,497</u>	<u>\$ 48,201,868</u>	<u>\$ 8,985,735</u>	<u>\$ 23,189,267</u>	<u>\$ 149,984,979</u>
\$ -	\$ -	\$ 1,283	\$ 1,253,632	\$ 4,389,556
-	-	5,543	601,658	1,518,227
-	568,771	-	21,121	1,909,185
28,520	-	-	3,121,594	5,049,020
-	10,113,067	-	-	10,113,067
-	35,598,834	3,810,257	2,578,662	42,874,824
<u>28,520</u>	<u>46,280,672</u>	<u>3,817,083</u>	<u>7,576,667</u>	<u>65,853,879</u>
-	106,558	-	4,732,829	5,151,360
-	-	-	-	1,000,000
-	-	-	-	22,575,003
-	57,436	27,000	6,219,202	9,660,283
-	8,006,128	2,619,649	275,890	10,901,667
-	-	2,522,003	9,100	2,531,103
20,345,977	-	-	-	24,883,527
-	-	-	-	9,301,504
-	-	-	4,375,579	4,375,579
-	(6,248,926)	-	-	(6,248,926)
<u>20,345,977</u>	<u>1,921,196</u>	<u>5,168,652</u>	<u>15,612,600</u>	<u>84,131,100</u>
<u>\$ 20,374,497</u>	<u>\$ 48,201,868</u>	<u>\$ 8,985,735</u>	<u>\$ 23,189,267</u>	<u>\$ 149,984,979</u>

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CITY OF GARDEN GROVE  
RECONCILIATION OF BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule A-4

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

Fund balances - total governmental funds (Schedule A-3)	\$ 84,131,100
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	275,969,089
Certain receivables are not available to pay for current-period expenditures and, therefore are not reported as governmental fund assets.	1,011,039
Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds	9,496,485
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 activities. Internal service funds net assets are:	36,580,172
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items	(101,030,793)
Net assets of governmental activities (Schedule A-1)	<u>\$ 306,157,092</u>

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

CITY OF GARDEN GROVE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002

	General Fund	Housing Authority Special Revenue Fund	Community Project Debt Service Fund	2002 Capital Improvement Project Debt Service Fund
<b>REVENUES</b>				
Taxes	\$ 44,376,579	\$ -	\$ 11,410,093	\$ -
Licenses and permits	912,882	-	-	-
Fines, forfeits and penalties	1,275,048	-	-	-
Investment earnings	1,798,697	5,813	-	22,165
Charges for current services	6,067,992	-	-	-
From other agencies	940,910	17,824,466	-	-
Other revenues	658,765	35,319	-	-
<b>Total revenues</b>	<b>56,030,873</b>	<b>17,865,598</b>	<b>11,410,093</b>	<b>22,165</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Fire	12,792,092	-	-	-
Police	25,944,073	-	-	-
Traffic safety	741,888	-	-	-
Public right of way	3,277,273	-	-	-
Community buildings	2,206,742	-	-	-
Community services	976,878	-	-	-
Parks and greenbelts	678,101	-	-	-
Community planning and development	2,473,917	17,846,633	-	-
Municipal support	4,445,039	18,965	-	-
<b>Capital outlay:</b>				
Police	364,290	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	500,867	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
<b>Debt service:</b>				
Principal retirement	330,000	-	1,225,000	-
Interest and other charges	105,120	-	3,231,160	-
Debt issuance charges	-	-	-	-
<b>Total expenditures</b>	<b>54,836,280</b>	<b>17,865,598</b>	<b>4,456,160</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	1,194,593	-	6,953,933	22,165
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,416,938	-	-	-
Transfers out	(797,779)	-	(6,803,440)	(2,411,188)
Proceeds of long term debt	2,449,937	-	-	22,735,000
<b>Total other financing sources (uses)</b>	<b>5,069,096</b>	<b>-</b>	<b>(6,803,440)</b>	<b>20,323,812</b>
<b>Net change in fund balances</b>	<b>6,263,689</b>	<b>-</b>	<b>150,493</b>	<b>20,345,977</b>
<b>Fund balances, July 1, as restated</b>	<b>30,281,436</b>	<b>-</b>	<b>4,387,057</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ 36,545,125</b>	<b>\$ -</b>	<b>\$ 4,537,550</b>	<b>\$ 20,345,977</b>

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

Community Project Capital Projects Fund	Low Income Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,919,092	\$ 763,744	\$ 59,469,508
-	-	25,177	938,059
-	-	226,750	1,501,798
1,029,620	58,941	499,397	3,414,633
-	-	4,123,919	10,191,911
-	-	13,640,412	32,405,788
94,646	1,687,273	650,879	3,126,882
<u>1,124,266</u>	<u>4,665,306</u>	<u>19,930,278</u>	<u>111,048,579</u>
-	-	181,740	12,973,832
-	-	1,705,807	27,649,880
-	-	1,447,884	2,189,772
-	-	2,284,360	5,561,633
-	-	3,012	2,209,754
-	-	6,208,024	7,184,902
-	-	807,034	1,485,135
-	-	1,004,890	21,325,440
-	-	202,340	4,666,344
-	-	307,654	671,944
-	-	1,249,940	1,249,940
14,354	-	3,024,993	3,039,347
-	-	790,298	790,298
24,533	-	332,458	857,858
-	-	34,824	34,824
5,717,535	2,271,811	2,019,485	10,008,831
209,700	47,555	-	257,255
2,014,275	308,521	430,000	4,307,796
890,217	42,376	725,063	4,993,936
-	-	658,068	658,068
<u>8,870,614</u>	<u>2,670,263</u>	<u>23,417,874</u>	<u>112,116,789</u>
<u>(7,746,348)</u>	<u>1,995,043</u>	<u>(3,487,596)</u>	<u>(1,068,210)</u>
7,559,259	-	2,717,057	13,693,254
(2,395,938)	-	(763,909)	(13,172,254)
1,094,158	-	-	26,279,095
<u>6,257,479</u>	<u>-</u>	<u>1,953,148</u>	<u>26,800,095</u>
<u>(1,488,869)</u>	<u>1,995,043</u>	<u>(1,534,448)</u>	<u>25,731,885</u>
<u>3,410,065</u>	<u>3,173,609</u>	<u>17,147,048</u>	<u>58,399,215</u>
<u>\$ 1,921,196</u>	<u>\$ 5,168,652</u>	<u>\$ 15,612,600</u>	<u>\$ 84,131,100</u>

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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 YEAR ENDED JUNE 30, 2002

Schedule A-6

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

Net change in fund balances - total governmental funds (Schedule A-5)	\$ 25,731,885
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.	(3,190,571)
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.	(21,550,927)
Certain revenues do not provide current financial resources and, therefore, are not reported in the governmental funds	199,037
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.	3,325,941
Collection of deferred revenues are reported as revenues in governmental funds and thus has the effect of increasing fund balances.	(1,784,715)
Change in net assets of governmental activities (Schedule A-2)	<u>\$ 2,730,650</u>

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

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## PROPRIETARY FUNDS FINANCIAL STATEMENTS

### Water Utility Fund

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

### Sanitary District Fund

The Garden Grove Sanitary District comprises of 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. 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.

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CITY OF GARDEN GROVE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2002

Business-type Activities - Enterprise Funds

	Water Utility		Sanitary District	
	Current Year	Prior Year	Current Year	Prior Year
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash investments	\$ 8,790,447	\$ 8,846,877	\$ 4,446,860	\$ 4,994,316
Investments with fiscal agents	1,376,970	1,376,822	-	-
Accrued taxes receivable	-	-	62,555	71,270
Accounts receivable	2,474,208	2,216,800	861,726	1,169,904
Interest receivable	85,594	107,776	36,481	54,626
Due from other funds	-	-	-	-
Notes receivable	-	-	-	59,839
Intercity loans receivable	750,000	1,394,793	-	-
Inventory	-	-	-	-
Deposits	15,000	15,000	-	-
<b>Total current assets</b>	<b>13,492,219</b>	<b>13,958,068</b>	<b>5,407,622</b>	<b>6,349,955</b>
<b>Noncurrent assets:</b>				
Restricted cash and investments	911,791	901,466	-	-
Deferred issuance costs	332,424	347,885	-	-
Capital assets				
Land	424,103	424,103	6,000	6,000
Depreciable infrastructure, net	47,664,018	47,633,067	25,374,888	6,434,292
Depreciable buildings, structures, net	-	2,444	-	-
Depreciable equipment, net	117,875	185,772	-	3,154
<b>Total noncurrent assets</b>	<b>49,450,211</b>	<b>49,494,737</b>	<b>25,380,888</b>	<b>6,443,446</b>
<b>Total assets</b>	<b>62,942,430</b>	<b>63,452,805</b>	<b>30,788,510</b>	<b>12,793,401</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts payable	2,207,477	2,014,634	633,405	824,761
Accrued compensated absences	-	-	-	-
Accrued interest payable	38,483	39,289	-	-
Other current liabilities	83,347	145,143	12,818	19,179
Claims payable	-	-	-	-
Refundable deposits	316,204	324,253	8,383	8,383
Due to other funds	-	-	-	533,426
Deferred revenue	-	76,305	804,484	779,967
Intercity loans payable	13,211,936	13,185,048	-	644,793
Current portion of long-term obligations	450,000	430,000	-	-
<b>Total current liabilities</b>	<b>16,307,447</b>	<b>16,214,672</b>	<b>1,459,090</b>	<b>2,810,509</b>
<b>Noncurrent liabilities:</b>				
Noncurrent portion of long-term obligations				
Revenue bonds payable	16,909,236	17,354,085	-	-
Certificates of participation payable	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>16,909,236</b>	<b>17,354,085</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>33,216,683</b>	<b>33,568,757</b>	<b>1,459,090</b>	<b>2,810,509</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	30,846,760	30,461,301	25,380,888	6,443,446
Restricted for:				
Debt service	52,529	52,529	-	-
<b>Total restricted</b>	<b>30,899,289</b>	<b>30,513,830</b>	<b>25,380,888</b>	<b>6,443,446</b>
Unrestricted	(1,173,542)	(629,782)	3,948,532	3,539,446
<b>Total net assets</b>	<b>\$ 29,725,747</b>	<b>\$ 29,884,048</b>	<b>\$ 29,329,420</b>	<b>\$ 9,982,892</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities.

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

Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Mobile home Parks		Current Year Totals	
Current Year	Prior Year		
\$ 1,508,266	\$ 1,247,731	\$ 14,745,573	\$ 49,898,030
1,142,375	1,141,845	2,519,345	-
-	-	62,555	-
33,375	12,608	3,369,309	573,650
63,328	48,392	185,403	315,985
-	-	-	4,717,446
209,419	251,035	209,419	-
-	-	750,000	-
-	-	-	262,393
-	-	15,000	301,749
<u>2,956,763</u>	<u>2,701,611</u>	<u>21,856,604</u>	<u>56,069,253</u>
-	-	911,791	-
534,780	560,045	867,204	-
11,695,000	11,695,000	12,125,103	-
-	315,162	73,038,906	-
-	302,617	-	-
2,750	5,138	120,625	6,201,697
<u>12,232,530</u>	<u>12,877,962</u>	<u>87,063,629</u>	<u>6,201,697</u>
<u>15,189,293</u>	<u>15,579,573</u>	<u>108,920,233</u>	<u>62,270,950</u>
-	-	2,840,882	790,065
-	-	-	4,544,316
321,304	327,971	359,787	-
-	-	96,165	185,885
-	-	-	19,945,204
960	311	325,547	-
-	-	-	-
214,296	252,138	1,018,780	-
-	-	13,211,936	-
<u>330,000</u>	<u>320,000</u>	<u>780,000</u>	<u>-</u>
<u>866,560</u>	<u>900,420</u>	<u>18,633,097</u>	<u>25,465,470</u>
-	-	16,909,236	-
13,299,585	13,626,731	13,299,585	-
<u>13,299,585</u>	<u>13,626,731</u>	<u>30,208,821</u>	<u>-</u>
<u>14,166,145</u>	<u>14,527,151</u>	<u>48,841,918</u>	<u>25,465,470</u>
(1,931,835)	(1,628,814)	54,295,813	6,201,697
-	-	52,529	-
(1,931,835)	(1,628,814)	54,348,342	6,201,697
<u>2,954,983</u>	<u>2,681,236</u>	<u>5,729,973</u>	<u>30,603,783</u>
<u>\$ 1,023,148</u>	<u>\$ 1,052,422</u>	<u>60,078,315</u>	<u>\$ 36,805,480</u>
		225,308	
		<u>\$ 60,303,623</u>	

CITY OF GARDEN GROVE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002

	Business-type Activities - Enterprise Funds			
	Water Utility		Sanitary District	
	Current Year	Prior Year	Current Year	Prior Year
<b>Operating revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Water sales	15,551,515	14,115,535	-	-
Mobilehome parks operation	-	-	-	-
Solid waste disposal fees	-	-	5,835,392	5,519,249
Property assessments	-	-	1,517,682	1,396,114
Sewer user fees	-	-	1,416,497	1,648,116
Other	87,695	187,037	81,655	109,524
<b>Total operating revenues</b>	<b>15,639,210</b>	<b>14,302,572</b>	<b>8,851,226</b>	<b>8,673,003</b>
<b>Operating expenses:</b>				
Salaries and wages	3,364,108	3,125,974	754,189	594,342
Contractual services	1,954,028	2,397,956	6,689,508	6,068,717
Liability claims	-	-	-	-
Materials and supplies	1,025,049	918,305	125,983	340,075
Water production expenses	7,098,769	6,462,811	-	-
Mobilehome parks on-site operations	-	-	-	-
Depreciation	1,605,534	1,594,314	815,101	219,027
Amortization	20,613	20,613	-	-
<b>Total operating expenses</b>	<b>15,068,101</b>	<b>14,519,973</b>	<b>8,384,781</b>	<b>7,222,161</b>
<b>Operating income (loss)</b>	<b>571,109</b>	<b>(217,401)</b>	<b>466,445</b>	<b>1,450,842</b>
<b>Nonoperating revenues (expenses):</b>				
Investment income	540,127	785,833	121,981	274,449
Rent	-	-	62,625	60,000
Subsidy from County grants	-	-	157,782	-
Gain/loss on disposal of assets	(53,360)	33,591	(3,154)	(2,550)
Other nonoperating revenues	-	-	18,014	32,352
Notes receivable payments	-	-	59,293	-
Interest expense	(1,762,591)	(1,781,156)	(11,777)	(39,353)
Replacement recovery	411,125	398,849	119,932	-
Fiscal charges	(3,630)	(3,726)	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(868,329)</b>	<b>(566,609)</b>	<b>524,696</b>	<b>324,898</b>
<b>Income (loss) before contributions and transfers</b>	<b>(297,220)</b>	<b>(784,010)</b>	<b>991,141</b>	<b>1,775,740</b>
Capital contributions	138,919	272,473	24,920	41,020
Transfers out	-	-	(351,000)	-
<b>Change in net assets</b>	<b>(158,301)</b>	<b>(511,537)</b>	<b>665,061</b>	<b>1,816,760</b>
<b>Total net assets, July 1, as restated</b>	<b>29,884,048</b>	<b>30,395,585</b>	<b>28,664,359</b>	<b>8,166,132</b>
<b>Total net assets, June 30</b>	<b>\$ 29,725,747</b>	<b>\$ 29,884,048</b>	<b>\$ 29,329,420</b>	<b>\$ 9,982,892</b>

Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.

Change in net assets of business-type activities.

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



Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Mobile home Parks		Current	
Current Year	Prior Year	Year Totals	
\$ -	\$ -	\$ -	\$ 23,488,008
-	-	15,551,515	-
1,827,007	1,787,673	1,827,007	-
-	-	5,835,392	-
-	-	1,517,682	-
-	-	1,416,497	-
-	-	169,350	-
<u>1,827,007</u>	<u>1,787,673</u>	<u>26,317,443</u>	<u>23,488,008</u>
-	-	4,118,297	12,180,654
-	-	8,643,536	2,738,614
-	-	-	4,315,294
-	-	1,151,032	1,177,467
-	-	7,098,769	-
526,149	589,574	526,149	-
550	84,966	2,421,185	1,034,895
28,119	28,119	48,732	-
<u>554,818</u>	<u>702,659</u>	<u>24,007,700</u>	<u>21,446,924</u>
<u>1,272,189</u>	<u>1,085,014</u>	<u>2,309,743</u>	<u>2,041,084</u>
130,499	203,672	792,607	1,108,859
-	-	62,625	-
-	-	157,782	-
(1,839)	-	(58,353)	46,149
41,616	49,740	59,630	43,837
-	-	59,293	-
(780,463)	(795,848)	(2,554,831)	-
-	-	531,057	501,455
(3,498)	(3,498)	(7,128)	-
<u>(613,685)</u>	<u>(545,934)</u>	<u>(957,318)</u>	<u>1,700,300</u>
658,504	539,080	1,352,425	3,651,249
-	-	163,839	-
(70,000)	(70,000)	(421,000)	(100,000)
<u>588,504</u>	<u>469,080</u>	<u>1,095,264</u>	<u>3,551,249</u>
<u>434,644</u>	<u>583,342</u>		<u>33,254,231</u>
<u>\$ 1,023,148</u>	<u>\$ 1,052,422</u>		<u>\$ 36,805,480</u>
		225,308	
		<u>\$ 1,320,572</u>	

CITY OF GARDEN GROVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002

Business-type Activities - Enterprise Funds

	Water Utility		Sanitary District	
	Current Year	Prior Year	Current Year	Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 16,048,777	\$ 14,944,127	\$ 9,228,794	\$ 8,641,748
Payments to suppliers	(9,431,968)	(9,974,744)	(8,131,588)	(6,249,202)
Payments to employees	(3,937,210)	(3,125,974)	(754,189)	(594,342)
Internal activity-payments to/from other funds	-	-	-	533,426
<b>Net cash provided by operating activities</b>	<b>2,679,599</b>	<b>1,843,409</b>	<b>343,017</b>	<b>2,331,630</b>
<b>CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidy from County grant	-	-	157,782	-
Operating subsidies and transfers to other funds	-	-	(351,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>(193,218)</b>	<b>-</b>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Notes receivable payments	-	-	59,293	-
Capital contributions	-	54,361	-	-
Rent	-	-	62,625	60,000
Purchases of capital assets	(1,480,587)	(1,802,445)	(1,049,309)	(533,286)
Proceeds from disposal of capital assets	-	75,000	-	-
Principal paid on capital debt	(430,000)	(415,000)	-	(815,000)
Interest paid on capital debt	(1,762,591)	(1,781,156)	(11,777)	(39,353)
Replacement recovery	411,125	-	119,932	-
Fiscal agent charges	(3,630)	(3,726)	-	-
<b>Net cash (used) by capital and related financing activities</b>	<b>(3,265,683)</b>	<b>(3,872,966)</b>	<b>(819,236)</b>	<b>(1,327,639)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	540,127	785,833	121,981	274,449
<b>Net cash provided by investing activities</b>	<b>540,127</b>	<b>785,833</b>	<b>121,981</b>	<b>274,449</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(45,957)</b>	<b>(1,243,724)</b>	<b>(547,456)</b>	<b>1,278,440</b>
Cash and cash equivalents, July 1	11,125,165	12,368,889	4,994,316	3,715,876
<b>Cash and cash equivalents, June 30</b>	<b>\$ 11,079,208</b>	<b>\$ 11,125,165</b>	<b>\$ 4,446,860</b>	<b>\$ 4,994,316</b>

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

Business-type Activities - Enterprise Funds			Governmental
Mobile home Parks		Current	Activities -
Current	Prior	Year	Internal Service
Year	Year	Totals	Funds
\$ 1,832,920	\$ 1,853,433	\$ 27,110,491	\$ 23,714,813
(570,009)	(645,391)	(18,133,565)	(10,257,411)
-	-	(4,691,399)	(7,681,061)
-	-	-	343,153
<u>1,262,911</u>	<u>1,208,042</u>	<u>4,285,527</u>	<u>6,119,494</u>
-	-	157,782	43,837
<u>(70,000)</u>	<u>(70,000)</u>	<u>(421,000)</u>	<u>(100,000)</u>
<u>(70,000)</u>	<u>(70,000)</u>	<u>(263,218)</u>	<u>(56,163)</u>
-	-	59,293	-
-	-	62,625	-
-	-	(2,529,896)	(1,268,895)
-	-	-	46,149
(320,000)	(305,000)	(750,000)	-
(780,463)	(795,848)	(2,554,831)	-
-	-	531,057	501,455
<u>38,118</u>	<u>46,242</u>	<u>34,488</u>	<u>-</u>
<u>(1,062,345)</u>	<u>(1,054,606)</u>	<u>(5,147,264)</u>	<u>(721,291)</u>
<u>130,499</u>	<u>203,672</u>	<u>792,607</u>	<u>1,108,859</u>
<u>130,499</u>	<u>203,672</u>	<u>792,607</u>	<u>1,108,859</u>
<u>261,065</u>	<u>287,108</u>	<u>(332,348)</u>	<u>6,450,899</u>
<u>2,389,576</u>	<u>2,102,468</u>	<u>18,509,057</u>	<u>43,447,131</u>
<u>\$ 2,650,641</u>	<u>\$ 2,389,576</u>	<u>\$ 18,176,709</u>	<u>\$ 49,898,030</u>

Continued

CITY OF GARDEN GROVE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2002

	Business-type Activities - Enterprise Funds			
	Water Utility		Sanitary District	
	Current Year	Prior Year	Current Year	Prior Year
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 571,109	\$ 181,448	\$ 466,445	\$ 1,450,842
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,605,534	1,594,314	815,101	219,027
Amortization expense	20,613	20,613	-	-
Uncollectable accounts	-	26,918	-	-
Other nonoperating revenue	-	-	18,014	32,352
Decrease in taxes receivable	-	-	8,715	(3,295)
(Increase) decrease in accounts receivable	(257,408)	289,102	308,177	(56,120)
Decrease (increase) in accrued interest receivable	22,182	90,552	18,145	(1,481)
Decrease (increase) in intercity loans receivable	644,793	(39,354)	-	-
Decrease (increase) in notes receivable	-	2,653	59,839	(2,710)
(Increase) decrease in due to/from other funds	-	-	(533,426)	533,426
(Increase) in inventory	-	-	-	-
(Increase) in deposits	-	-	-	-
Increase (decrease) increase in accounts payable	192,844	(367,096)	(191,356)	114,026
(Decrease) in accrued compensated absences	-	-	-	-
(Decrease) in accrued interest payable	(806)	(735)	-	-
Increase (decrease) in intercity loan payable	26,888	-	(644,793)	39,354
(Decrease) increase in other accrued liabilities	(61,796)	(6,288)	(6,361)	2,767
(Decrease) in refundable deposits	(8,049)	(22,370)	-	-
Increase in claims payable	-	-	-	-
(Decrease) increase in deferred revenue	(76,305)	73,652	24,517	3,442
Total adjustments	2,108,490	1,661,961	(123,428)	880,788
Net cash provided by operating activities	\$ 2,679,599	\$ 1,843,409	\$ 343,017	\$ 2,331,630

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

Business-type Activities - Enterprise Funds			Governmental Activities- Internal Service Funds
Mobile home parks			
Current Year	Prior Year	Totals Current Year	
\$ 1,272,189	\$ 1,085,014	\$ 2,309,743	\$ 2,041,084
550	84,966	2,421,185	1,034,895
28,119	28,119	48,732	-
-	-	-	-
-	-	8,715	-
(20,767)	28,280	30,002	324,289
(14,936)	(12,260)	25,391	32,019
-	-	644,793	-
41,616	49,740	101,455	-
-	-	(533,426)	343,153
-	-	-	(38,603)
-	-	-	(129,502)
-	-	1,488	(4,749)
-	-	-	(83,836)
(6,667)	(6,227)	(7,473)	-
-	-	(617,905)	-
-	-	(68,157)	(47,613)
649	150	(7,400)	-
-	-	-	2,648,357
(37,842)	(49,740)	(89,630)	-
(9,278)	123,028	1,975,784	4,078,410
\$ 1,262,911	\$ 1,208,042	\$ 4,285,527	\$ 6,119,494

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# NOTES TO FINANCIAL STATEMENT

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**CITY OF GARDEN GROVE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2002**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting entity**

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

Individual component unit disclosures:

Blended component units:

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

system which serves the City for non-programming, educational and informational purposes. The Cable Corporation is reported as a special revenue fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board.

- d. The Garden Grove Sanitary District (the "Sanitary District) began its operations in 1924 as a special district operating under the authority of the State of California. The Health and Safety Code of California (the Sanitary District Act of 1923) is the governing law. The Sanitary District provides portions of the cities of Garden Grove, Fountain Valley, Westminster and County of Orange unincorporated areas with sewage collection services, maintenance and cleaning 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 an Enterprise Fund as if it were part of the primary City government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Sanitary District budget and the City provides staffing.

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

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

## **2. Government-wide and fund financial statements**

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

***General fund***

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

***Housing Authority special revenue fund***

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

***Community Project debt service fund***

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

***2002 Capital Improvement Project debt service fund***

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

***Community Project capital projects fund***

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

***Low Income Housing capital projects fund***

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

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.

***Sanitary District fund***

The Sanitary District comprises of 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. 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 various services provided to City departments on a cost reimbursement basis.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) fines, forfeits and penalties, 3) grants and

contributions that are restricted to meeting the operational or capital requirement of a particular function and 4) other miscellaneous revenues that directly benefit a particular function and do not fit into any other category. General revenues include all taxes.

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

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

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

#### **4. Assets, liabilities, and net assets or equity**

##### ***a. Deposits and investments***

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

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

##### ***b. Receivables and payables***

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

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

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

**c. Taxes receivable**

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

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

The property tax calendar is as follows:

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

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

November 29	7%-10%
December 14	14%-18%
December 21	20%-24%
January 26	3%-6%
March 23	5%-7%
April 20	25%-30%
May 18	3%-5%
July 20	Collections through June 30

**d. Inventories, prepaid Items and land held for resale**

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

Land held for resale is valued at lower of cost or estimated net realizable value at June 30, 2002 and is located in the City's redevelopment project area.

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

**e. Capital assets**

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

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

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

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 and sick leave) in an internal service (Employee Benefit) fund. A calculated fringe benefit

rate, which includes accrued compensated absences is applied to all labor charges. The resulting funds are deposited into the appropriate 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.

***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.

***j. Comparative data/reclassification***

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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



Notes to General Purpose Financial Statements (Continued)

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	\$10,945,687
Construction in progress	692,584
Depreciable infrastructure, net	245,108,001
Depreciable buildings, park assets, net	12,043,659
Depreciable equipment, net	<u>7,179,158</u>
	<u>\$275,969,089</u>

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

Accrued taxes	\$637,021
Accrued interest	<u>374,018</u>
	\$1,011,039

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, telephones, and warehouse operations to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the *Statement of Net Assets*.

Internal service funds net assets – beginning of year	\$33,254,231
Change in net assets	3,551,249
Internal service funds consolidation adjustment related to enterprise funds	<u>(225,308)</u>
	<u>\$36,580,172</u>

One element of that reconciliation explains that “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$101,030,793 adjustment are follows:

Tax allocation refunding bonds	(\$53,610,000)
Revenue bonds	(1,900,000)
Certificates of participation	(22,735,000)
Agreements payable	(19,571,400)
Lease purchase	(2,449,937)
Accrued interest payable	( 1,415,212)
Deferred charge for issuance costs (to be amortized over life of debt)	<u>650,756</u>
	<u>(\$101,030,793)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of

those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay capitalized for year	\$7,597,657
Current year depreciation	<u>(10,788,228)</u>
	<u>(\$3,190,571)</u>

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

Debt issued or incurred:	
Certificates of Participation	(\$22,735,000)
Issuance of notes relating to real property purchases	(1,094,158)
Capital lease financing	<u>(2,449,937)</u>
Subtotal	<u>(\$26,279,095)</u>
Debt issuance costs	<u>658,068</u>
Debt principal repayments:	
Tax allocation bonds	1,225,000
Revenue bonds	330,000
Agreements payable	<u>2,752,796</u>
	<u>4,307,796</u>
Amortization of issuance costs	(7,312)
Change in accrued interest	<u>(230,384)</u>
Total long term debt adjustment	<u>(\$21,550,927)</u>

Certain revenues do not provide current financial resources and, therefore, are not reported in governmental funds.

Change in accrued taxes	\$64,004
Change in accrued interest	<u>135,033</u>
	<u>\$199,037</u>

### 1. Budgetary information

The City budget report is prepared under the direction of the city manager in accordance with generally accepted accounting principles 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 on program. Proprietary funds are treated as “non-budgeted” financial activities.

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.

Supplemental budget appropriations during the year amounted to \$6,212,291. These supplemental appropriations are primarily for additional grant funding received during the year.

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.

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. For the fiscal year ended June 30, 2002, proceeds of taxes did not exceed allowable appropriations:

Gann Limit	\$78,066,640
Expenditures subject to Gann Limit	\$50,603,116
Proceeds of taxes subject to Gann Limit	\$41,107,573

**2. Excess of expenditures over appropriations**

For the current fiscal year, expenditures exceeded appropriations in the Housing Authority special revenue fund in the amount of \$148,512. The available fund balance funded the over expenditure.

**3. 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.

**4. 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.

**5. 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 those estimates.

**D. DETAILED NOTES ON ALL FUNDS**

**1. Classifications of deposits and investments by credit risk**

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

Deposits:

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

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

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

Investments:

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

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

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

*Authorized Investments:*

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

- Repurchase agreements
- Securities of United States government and its agencies
- Bankers acceptances
- Certificates of deposit

Commercial paper  
 California Local Agency Investment Fund (LAIF)  
 Passbook savings accounts  
 Negotiable certificates of deposit

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

*Local Agency Investment Fund (LAIF):* The City is a voluntary participant in the California Local Agency Investment fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each City may invest up to \$40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, and deposits may be converted to cash within twenty-four hours without loss of interest. At June 30, 2002 the City had no funds invested in LAIF.

*Repurchase Agreements:* Throughout the year, the City utilizes overnight repurchase agreements for temporary investment of City funds. Such repurchase agreements are used daily, but generally do not exceed two percent of the City's investment portfolio.

Deposits and Investments were categorized as follows at June 30, 2002.

	Category			Bank Balances	Fair (Carrying) Value
	1	2	3		
<b>Deposits:</b>					
<b>Banks:</b>					
Demand Accounts	\$ 275,538	\$ 7,090,817	\$ -	\$ 7,366,355	\$ 3,537,185
Fiscal Agent Deposits	102,850	-	69,748	172,598	172,599
<b>Total Deposits</b>	<b>\$ 378,388</b>	<b>\$ 7,090,817</b>	<b>\$ 69,748</b>	<b>\$ 7,538,953</b>	<b>\$ 3,709,784</b>
<b>Investments:</b>					
	1	2	3	Not Categorized	
FNMA	\$ 57,287,432	\$ -	\$ -	\$ -	57,287,432
FHLB	40,212,055	-	-	-	40,212,055
GNMA	74,815	-	-	-	74,815
Commercial Paper	2,000,000	-	-	-	2,000,000
<b>Fiscal Agent Investments:</b>					
Money Market Funds	-	-	-	14,832,288	14,832,288
FNMA	-	-	2,988,000	-	2,988,000
FHLMC	-	-	2,978,183	-	2,978,183
FHLB	-	-	7,022,540	-	7,022,540
US Treasury Notes	-	-	2,509,600	-	2,509,600
<b>Total Investments</b>	<b>\$ 99,574,302</b>	<b>\$ -</b>	<b>\$ 15,498,323</b>	<b>\$ 14,832,288</b>	<b>129,904,913</b>
<b>Total Deposits and Investments</b>					<b>\$ 133,614,697</b>

Cash and Investments as reported in the accompanying combined balance sheet

Cash and investments - unrestricted	\$ 102,372,294
Cash and Investments with fiscal agent	30,330,612
Restricted cash and investments	911,791
	<u>\$ 133,614,697</u>

**2. Receivables**

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

	General Fund	Housing Authority	Community Project Debt Service	Community Project Capital Project	Low Income Housing Capital Project
Receivables:					
Taxes	\$ 2,771,230	\$ -	\$ 330,665	\$ -	\$ 82,893
Accounts	1,183,420	1,709,232	-	258,127	2,850
Interest	41,038	234	4,710	30,444	-
Total receivables	<u>\$ 3,995,688</u>	<u>\$ 1,709,466</u>	<u>\$ 335,375</u>	<u>\$ 288,571</u>	<u>\$ 85,743</u>

	Water Utility	Sanitary District	Mobile home Parks	Nonmajor and Other Funds	Total
Receivables:					
Taxes	\$ -	\$ 62,555	\$ -	\$ 349,140	\$ 3,596,483
Accounts	2,474,208	861,726	33,375	2,707,873	9,230,811
Interest	85,594	36,481	63,328	348,509	610,338
Total receivables	<u>\$ 2,559,802</u>	<u>\$ 960,762</u>	<u>\$ 96,703</u>	<u>\$ 3,405,522</u>	<u>\$ 13,437,632</u>

**3. Intercity loans receivable/payable**

*a. Loan from General fund to Water Utility fund*

The City, through a comprehensive review and analysis, concluded that the General Fund has, over the past 40 years, financed street damage repairs throughout the City that have been a benefit to the Water Utility fund. An intercity loan has been established between the General fund and the Water Utility fund in the amount of \$14,145,092 with interest accruing at 6.5% per annum. The balance will be repaid at amounts to be determined through the annual budget process. The balance of this loan at June 30, 2002 is \$13,211,936.

*b. Loans from General fund to Community Project capital project fund:*

The General Fund has loaned to the Community Project capital projects fund a total of \$3,035,145 to assist in funding the Agency's operating budget for the past three 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 \$577,806 has accrued bringing the total due at June 30, 2002 to \$3,612,951.

*c. Loan from the General fund to the Community Project capital project 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. Accrued unpaid interest has been added to this balance for a June 30, 2002 balance of \$3,354,178.

*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 Agency agreed to reimburse the City for 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 10%. In order to provide the funding for these advances, the City issued \$22,735,000 Certificates of Participation Series A of 2002. The Agency has also reimbursed the City for the \$658,068 in issuance costs related to the Certificates of Participation. The balance of this loan at June 30, 2002 is \$2,395,938.

*e.. Loan from the Water Utility fund to the Community Project capital project 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. The balance of this loan at June 30, 2002 is \$750,000.

**4. Notes receivable**

*a. Commercial rehabilitation:*

The Garden Grove Agency for Community Development Community Project capital projects fund holds five 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. The balance at June 30, 2002 is \$610,837.

*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. The balance as of June 30, 2002 is \$30,754,647.

*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 (\$3,949,611) and Low Income Housing capital projects fund (\$146,200). The balance at June 30, 2002 is \$4,095,811.

*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 (\$59,112) and Low Income Housing capital projects fund (\$40,886). Revenue will be recognized when payments are received. The balance of these notes at June 30, 2002 is \$99,998.

*e. Rental rehabilitation:*

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and Community Project capital projects fund hold eight notes related to property rehabilitation loans which have been used to assist developers in the rehabilitation of multifamily residential buildings located with 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 (\$3,769,371) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received. The balance of these notes at June 30, 2002 is \$3,993,998.

f. *Rental rehabilitation –Other governmental funds*

The City has entered into seven Housing Rehabilitation Agreements utilizing CDBG HOME Funds which are reflected in other governmental funds. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing adequate low-income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in other governmental funds. Revenue will be recognized when received. The balance of these notes at June 30, 2002 is \$2,107,942.

g. *Reimbursement agreements:*

The City of Garden Grove Mobile Home parks enterprise fund entered into an agreement with one of the City's mobile home park management services provider for space rent due based on a revenue guarantee contract agreement for the fiscal years 1993-1994 to 1997-1998 for a total amount of \$342,355, with interest accruing at 7% per annum. Monthly payment amounts are calculated based on the value of the free and discounted management services until February 27, 2007. Any principal and interest owing pursuant to this Note on February 28, 2007 will be forgiven in full. Since the note repayment is not available for current expenditures, this note receivable is offset by deferred revenue in the Mobile Home Parks enterprise fund. Revenue will be recognized when received. The balance of this note at June 30, 2002 is \$209,419.

**5. Inventories**

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

Cost of land held for resale	\$10,946,518
Less: allowance for decline in value	<u>(44,851)</u>
Net value	<u>\$10,901,667</u>

## 6. Restricted cash and investments

The restricted cash and investments in the Water Enterprise fund includes that amount required by the bond covenant to be reserved for future payment of principal and interest on revenue bonds. There are no current liabilities which will be paid from restricted cash and investments.

## 7. Capital assets

Capital asset activity for the year ended June 30, 2002 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Change in Threshold (1)	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 9,141,024	\$ 1,804,663	\$ -	\$ -	\$ 10,945,687
Construction in progress	-	692,584	-	-	692,584
Total capital assets, not being depreciated	<u>9,141,024</u>	<u>2,497,247</u>	<u>-</u>	<u>-</u>	<u>11,638,271</u>
Capital assets, being depreciated:					
Infrastructure:					
Street System	304,203,610	2,943,369	-	-	307,146,979
Storm Drain System	65,035,253	796,136	-	-	65,831,389
Buildings/Park Assets	23,180,940	216,003	-	-	23,396,943
Furniture/Equipment	21,399,721	2,366,438	(454,672)	(1,268,286)	22,043,201
Total capital assets, being depreciated	<u>413,819,524</u>	<u>6,321,946</u>	<u>(454,672)</u>	<u>(1,268,286)</u>	<u>418,418,512</u>
Less accumulated depreciation for:					
Infrastructure:					
Street System	(93,885,496)	(8,115,491)	-	-	(102,000,987)
Storm Drain System	(24,568,675)	(1,300,705)	-	-	(25,869,380)
Buildings/Park Structures	(10,733,798)	(619,486)	-	-	(11,353,284)
Furniture/Equipment	(7,370,095)	(1,794,353)	286,197	215,905	(8,662,346)
Total accumulated depreciation	<u>(136,558,064)</u>	<u>(11,830,035)</u>	<u>286,197</u>	<u>215,905</u>	<u>(147,885,997)</u>
Total capital assets, being depreciated, net	<u>277,261,460</u>	<u>(5,508,089)</u>	<u>(168,475)</u>	<u>(1,052,381)</u>	<u>270,532,515</u>
Governmental activities capital assets, net	<u>\$ 286,402,484</u>	<u>\$ (3,010,842)</u>	<u>\$ (168,475)</u>	<u>\$ (1,052,381)</u>	<u>\$ 282,170,786</u>

Notes to General Purpose Financial Statements (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Change in Threshold (1)	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 12,125,103	\$ -	\$ -	\$ -	\$ 12,125,103
Total capital assets, not being depreciated	12,125,103	-	-	-	12,125,103
Capital assets, being depreciated:					
Buildings and structures	99,096	-	-	-	99,096
Water system	72,276,541	1,619,504	-	-	73,896,045
Sewer system	57,177,350	1,074,229	-	-	58,251,579
Machinery and equipment	326,142	-	-	(137,929)	188,213
Total capital assets, being depreciated	129,879,129	2,693,733	-	(137,929)	132,434,933
Less accumulated depreciation for:					
Buildings and structures	(99,096)	-	-	-	(99,096)
Water system	(24,643,474)	(1,588,553)	-	-	(26,232,027)
Sewer system	(32,061,590)	(815,101)	-	-	(32,876,691)
Machinery and equipment	(132,079)	(17,531)	-	82,022	(67,588)
Total accumulated depreciation	(56,936,239)	(2,421,185)	-	82,022	(59,275,402)
Total capital assets, being depreciated, net	72,942,890	272,548	-	(55,907)	73,159,531
Business-type activities capital assets, net	\$ 85,067,993	\$ 272,548	\$ -	\$ (55,907)	\$ 85,284,634

The City changed its capitalization threshold which resulted in the elimination of certain furniture, machinery and equipment with unit costs less than \$5,000.

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

	Buildings, Machinery/Eq	General Infrastructure	Total
<b>Governmental activities:</b>			
Fire	\$ 105,660	\$ -	\$ 105,660
Police	586,768	-	586,768
Traffic Safety	-	327,030	327,030
Right of Way	-	7,893,330	7,893,330
Drainage	-	1,300,705	1,300,705
Community Buildings	230,078	-	230,078
Community Services	156,816	-	156,816
Parks/Greenbelts	146,943	-	146,943
Community Development	1,988	-	1,988
General Government	38,910	-	38,910
Internal Service Funds	1,041,807	-	1,041,807
Total depreciation expense - governmental activities	\$ 2,308,970	\$ 9,521,065	\$ 11,830,035
<b>Business-type activities:</b>			
Water	\$ 1,605,534	\$ -	\$ 1,605,534
Sewer	815,101	-	815,101
Mobile home parks	550	-	550
Total depreciation expense - business-type activities	\$ 2,421,185	\$ -	\$ 2,421,185

**8. Interfund receivables, payables, and transfers**

The composition of governmental interfund payable balances as of June 30, 2002 is as follows:

FUND	Due from other funds	Due to other funds
<b>Special Revenue Funds:</b>		
State Gas Tax Fund	\$ -	\$ 77,944
Housing Authority Fund	-	1,568,241
Other Federal, State, County Grants Fund	-	3,042,741
<b>Debt Service Funds:</b>		
Community Project Fund	-	330,665
Buena-Clinton Project Fund	-	909
2002 Capital Improvement Project Fund	-	28,520
<b>Capital Projects Funds:</b>		
Community Project Fund	331,574	-
<b>Internal Service Funds:</b>		
Worker's Compensation Fund	4,717,446	-
<b>Total</b>	<u>\$ 5,049,020</u>	<u>\$ 5,049,020</u>

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

The composition of City interfund transfer balances as of June 30, 2002 is as follows

	Transfers in	Transfers out
<b>Governmental activities:</b>		
General fund	\$ 3,416,938	\$ 797,779
<b>Special Revenue funds:</b>		
Self Supporting special revenue fund	41,960	-
Gold course special revenue fund	-	500,000
<b>Debt service funds:</b>		
Community Project fund	-	6,803,440
Buena-Clinton Project fund	-	263,909
2002 Capital Improvement fund	-	2,411,188
<b>Capital Projects Funds:</b>		
Community Project fund	7,559,259	2,395,938
Buena-Clinton Project fund	263,909	-
2002 Capital Improvement Project fund	2,411,188	-
<b>Internal Service Funds</b>		
Risk management fund	-	100,000
<b>Business-type activities</b>		
<b>Enterprise Funds</b>		
Sanitary District enterprise fund	-	421,000
<b>Total</b>	<u>\$ 13,693,254</u>	<u>\$ 13,693,254</u>

Transfers between the general, capital projects and debt service funds provide financing based on a reimbursement agreement between the Agency for Community Development and the City. (See Note 4). Additional transfers provided funding between the 2002 Capital Improvements Project capital projects fund and the 2002 Capital Improvement debt service fund. The general fund also provided funding to the Self Supporting special revenue fund and received funding from the Golf Course special revenue fund.

#### **9. Compensated Absences**

The City accounts for compensated absences (unpaid vacation, annual leave and sick leave) in the Employee Benefit internal service fund.

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

Annual leave accrues for all fireman at 17 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 25 hours per month after 9 years, and 28 hours per month after 14 years. The maximum a fireman may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours.

Accumulated vacation and annual leave benefits, payable in future years when used by City employees, totaled \$2,930,465 at June 30, 2002. Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than fire. The City has adopted a policy for payment of unused sick leave benefits at time of retirement. Miscellaneous and league employees can be paid 35% for all unused hours up to 850, police employees 25% of up to 1,000 unused hours, and management employees 35% of all unused hours. A police public safety employee who is eligible for disability retirement may use all of his accumulated sick leave before going on a disability retirement. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. The estimated sick leave liability totaled \$1,613,851 at June 30, 2002.

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.

#### **10. Deferred revenue**

The deferred revenue in the General fund in the amount of \$887,071 represents \$309,265 due from the State of California for mandated cost reimbursements and \$577,806 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund. (See Note.3.b.) Deferred revenue in the Community Project, Buena-Clinton and Low Income Housing capital project funds, and other governmental funds are associated with the notes receivable discussed in Note 4.

The deferred revenue of \$804,484 in the Sanitary District enterprise fund represents user fees for refuse collection for the months of July & August 2002.

11. Changes in long term debt

a. Following is a summary of long term debt transactions for the City for the year ended June 30, 2002:

GOVERNMENTAL ACTIVITIES						
	Beginning Balance	Additions	Reductions	Discount Amortization	Ending Balance	Amount Due within One Year
Tax allocation bonds	\$ 54,835,000	\$ -	\$ (1,225,000)	\$ -	\$ 53,610,000	\$ 1,285,000
Revenue bonds	2,230,000	-	(330,000)	-	1,900,000	345,000
Certificates of Participation	-	22,735,000	-	-	22,735,000	-
Agreements payable	21,230,038	1,094,159	(2,752,797)	-	19,571,400	2,245,808
Lease purchase	-	2,449,937	-	-	2,449,937	88,581
	<u>\$ 78,295,038</u>	<u>\$ 26,279,096</u>	<u>\$ (4,307,797)</u>	<u>\$ -</u>	<u>\$ 100,266,337</u>	<u>\$ 3,964,389</u>
BUSINESS-TYPE ACTIVITIES						
Water Revenue Bonds	\$ 17,900,000	\$ -	\$ (430,000)	\$ (110,763)	\$ 17,359,237	\$ 450,000
Certificates of Participation	14,010,000	-	(320,000)	(60,416)	13,629,584	330,000
	<u>\$ 31,910,000</u>	<u>\$ -</u>	<u>\$ (750,000)</u>	<u>\$ (171,179)</u>	<u>\$ 30,988,821</u>	<u>\$ 780,000</u>
CITY TOTAL						
	<u>\$ 110,205,038</u>	<u>\$ 26,279,096</u>	<u>\$ (5,057,797)</u>	<u>\$ (171,179)</u>	<u>\$ 131,255,158</u>	<u>\$ 4,744,389</u>

b. Governmental long term debt at June 30, 2002 consisted of the following:

Tax allocation refunding bonds issue of 1993:

\$62,000,000 Tax allocation refunding bonds were issued on July 7, 1993. The bonds were issued for the purpose of refunding the Agency's previously issued \$30,000,000 community project tax allocation bonds, Series 1986, refunding the Agency's previously issued \$10,800,000 Community Center Project 1979 tax allocation bonds; to fund a reserve account, pay costs of issuance and to finance redevelopment projects benefiting the project areas. Principal payments ranging from \$1,285,000 to \$4,140,000 are due annually on October 1 through the year 2023. Interest is due semi-annually on October 1 and April 1 at rates ranging from 4.25% to 5.875%. All defeased debt has been retired as of June 30, 1996.

\$53,610,000

Revenue Bonds:

\$3,410,000 Countywide Public Financing Authority 1996 Revenue Bonds for the purpose of purchasing an 800 MHZ county wide communications system in a joint operating agreement with 8 participating county entities. The City of Garden Grove's share is financed over a 10

year period through a public leaseback of the Police building. Principal payments ranging from \$345,000 to \$420,000 are due annually on August 1 through the year 2006. Interest is due annually on February 1 at rates ranging from 4.1% to 5.3%.

1,900,000

**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. Lease payments are to be made by the City as rental for certain existing land and facilities leased property pursuant to a lease/purchase agreement between the City and a Public Authority. The lease payments are structured to be sufficient to pay, when due, the principal and interest on the Certificates. Principal payments ranging from \$410,000 to \$1,150,000 are due annually on March 1 beginning March 1, 2005 and continuing until March 1, 2027. Interest is payable semiannually beginning on September 1, 2002 with an interest rate varying between 3.500% and 5.125%.

22,735,000

**Agreements payable:**

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

5,000,000

\$3,200,000 Agency for Community Development real property purchase agreement with the Orange County Transit Authority payable in future annual installments of \$400,000 deferred to April 1st of the years 2002, 2003 and 2004. The agreement will bear interest at an actual average interest rate equivalent to the earnings rate of the OCTA short-term investment pool.

800,000

\$13,580,000 Federal Housing and Community Development Section 108 Loan for the purpose of acquisition and development of property located in the

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

11,680,000

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

377,701

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

624,018

\$265,000 real property purchase. On July 3, 2001 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$265,000, bearing interest at an annual rate of 7 ¼%. Equal payments are due annually until paid off on July 3, 2006.

265,000

\$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.

824,681

***Total agreements payable***

19,571,400

**Lease purchase:**

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

2,449,937

**TOTAL GOVERNMENTAL LONG TERM DEBT**

**\$100,266,337**



c. Proprietary long term debt at June 30, 2002 consisted of the following items:

**Revenue bonds payable - Water enterprise fund:**

\$20,495,000 Water Revenue Bonds, Series 1993 issued on December 15, 1993. The bonds were issued for the purpose of financing construction and acquisition of water storage and transmission facilities and certain other improvements to the municipal water system of the City, to establish a reserve fund and to pay certain costs of issuance. Annual installment payments range from \$1,335,750 to \$1,363,458 through December, 2023. The interest rate ranges from 2.50% to 5.50%.

17,470,000

Less: Unamortized bond discount fees

(110,763)

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	\$ 15,639,210
Non-operating revenues	951,252
Gross revenues	<u>16,590,462</u>
Less: Expenses (excluding depreciation, interest, amortization and fiscal charges)	<u>13,495,314</u>
Net revenues	<u>\$ 3,095,148</u>
Debt service requirement for next bond year	
\$ 1,363,458 X 125%	<u>\$ 1,704,323</u>

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

**Total revenue bonds payable**

17,359,237

**Certificates of Participation:**

Mobile Home enterprise fund:

\$15,645,000 1993 Certificates of Participation (Bahia Village/Emerald Isle Project) were issued on August 26, 1993. Proceeds from the sale of the certificates were used to finance the acquisition by the Garden Grove Housing

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

	13,690,000
Less: Unamortized COP discount fee	<u>(60,416)</u>
<b><i>Total certificates of participation</i></b>	<b><u>13,629,584</u></b>
<b>TOTAL PROPRIETARY LONG TERM DEBT</b>	<b><u>30,988,821</u></b>

d. The scheduled annual requirements to amortize all governmental and proprietary long term debt outstanding as of June 30, 2002, including interest payments are as follows.

Year Ended 6/30	Tax Allocation Refunding Bonds		
	Principal	Interest	Total
2003	\$ 1,285,000	\$ 3,064,713	\$ 4,349,713
2004	1,355,000	2,994,244	4,349,244
2005	1,425,000	2,919,354	4,344,354
2006	1,505,000	2,837,986	4,342,986
2007	1,590,000	2,749,779	4,339,779
2008-2012	9,420,000	12,239,819	21,659,819
2013-2017	12,445,000	9,123,267	21,568,267
2018-2022	16,535,000	4,904,009	21,439,009
2023-2024	8,050,000	479,694	8,529,694
	<b>\$ 53,610,000</b>	<b>\$ 41,312,865</b>	<b>\$ 94,922,865</b>

Notes to General Purpose Financial Statements (Continued)

Year Ended 6/30	Revenue Bonds (General and Proprietary)		
	Principal	Interest	Total
2003	\$ 795,000	\$ 1,002,287	\$ 1,797,287
2004	830,000	963,841	1,793,841
2005	870,000	922,645	1,792,645
2006	910,000	878,589	1,788,589
2007	960,000	831,230	1,791,230
2008-2012	3,145,000	3,648,375	6,793,375
2013-2017	4,055,000	2,710,188	6,765,188
2018-2022	5,270,000	1,452,825	6,722,825
2023-2024	2,535,000	141,212	2,676,212
	<u>\$ 19,370,000</u>	<u>\$ 12,551,192</u>	<u>\$ 31,921,192</u>

Year Ended 6/30	Certificates of Participation		
	Principal	Interest	Total
2003	\$ 330,000	\$ 1,786,487	\$ 2,116,487
2004	350,000	1,889,790	2,239,790
2005	780,000	1,870,515	2,650,515
2006	820,000	1,835,265	2,655,265
2007	850,000	1,798,215	2,648,215
2008-2012	4,905,000	8,341,220	13,246,220
2013-2017	6,265,000	6,957,284	13,222,284
2018-2022	8,180,000	5,012,743	13,192,743
2023-2027	7,225,000	2,704,875	9,929,875
2028-2032	6,720,000	1,067,281	7,787,281
	<u>\$ 36,425,000</u>	<u>\$ 33,263,675</u>	<u>\$ 69,688,675</u>

Year Ended 6/30	Agreements Payable		
	Principal	Interest	Total
2003	\$ 2,245,808	\$ 1,015,198	\$ 3,261,006
2004	2,319,969	958,170	3,278,139
2005	1,939,599	739,800	2,679,399
2006	1,647,347	684,823	2,332,170
2007	1,689,499	645,131	2,334,630
2008-2012	3,922,053	2,556,648	6,478,701
2013-2017	5,807,125	1,042,177	6,849,302
	<u>\$ 19,571,400</u>	<u>\$ 7,641,947</u>	<u>\$ 27,213,347</u>

Year Ended 6/30	Lease Purchase		
	Principal	Interest	Total
2003	\$ 88,581	\$ 129,897	\$ 218,478
2004	139,646	123,667	263,313
2005	154,511	115,808	270,319
2006	165,393	107,326	272,719
2007	176,915	98,248	275,163
2008-2012	1,082,357	331,715	1,414,072
2013-2017	642,534	44,835	687,369
	<u>\$ 2,449,937</u>	<u>\$ 951,496</u>	<u>\$ 3,401,433</u>

Year Ended 6/30	TOTAL		
	Principal	Interest	Total
2003	\$ 4,744,389	\$ 6,998,582	\$ 11,742,971
2004	4,994,615	6,929,712	11,924,327
2005	5,169,110	6,568,122	11,737,232
2006	5,047,740	6,343,989	11,391,729
2007	5,266,414	6,122,603	11,389,017
2008-2012	22,474,410	27,117,777	49,592,187
2013-2017	29,214,659	19,877,751	49,092,410
2018-2022	29,985,000	11,369,577	41,354,577
2023-2027	17,810,000	3,325,781	21,135,781
2028-2032	6,720,000	1,067,281	7,787,281
Less:			
Unamortized discounts	(171,179)	-	(171,179)
	<u>\$ 131,255,158</u>	<u>\$ 95,721,175</u>	<u>\$ 226,976,333</u>

## 12. Reserves of fund equity

- a. Amounts reserved for encumbrances are commitments for materials and services on purchase orders.
- b. Amounts reserved for intercity loans indicate that repayments are not available as a resource to meet expenditures of the current year
- c. Amounts reserved for continuing projects in governmental funds are unexpended appropriations on incomplete capital improvement projects which have been carried forward into the new fiscal year. In the Water Utility fund, this represents commitments of fiscal year 2001-02 funds for specific projects which will not commence until fiscal year 2002-03.
- d. 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.
- e. Amounts reserved for contractual commitments represent commitments for future year expenditures against the current balance available.
- f. Amount reserved for building improvements represents an amount reserved for anticipated building upgrades to city hall.

## 13. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$350,000, per occurrence, for injury or occupational illness to City employees pursuant to Workers Compensation Laws of the State of California. The City contracts with a service agent who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a commercial insurer for losses from \$350,000 up to the statutory limit per occurrences. This self-insurance program is accounted for in the Workers Compensation internal service fund. There is an estimated liability of \$11,849,861 for claims outstanding including claims incurred but not reported on June 30, 2002, which has been included under other accrued liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-funded for the first \$2.0 million of each occurrence. Excess liability insurance is carried thereafter to \$10 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with an outside service company 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, 2002, in the amount of \$8,095,343 which has been included under other accrued liabilities in the Risk Management internal service fund.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2002. Changes in the aggregate liability for claims for fiscal year ended June 30, 2002 and June 30, 2001 are as follows:

	<u>2002</u>	<u>2001</u>
	<u>Worker's Compensation</u>	
Liability, July 1	\$ 10,161,512	\$ 8,885,714
Changes in estimates	2,967,373	2,644,516
Claim payments	(1,279,024)	(1,368,718)
Liability, June 30	<u>\$ 11,849,861</u>	<u>\$ 10,161,512</u>
	<u>Risk Management</u>	
Liability, July 1	\$ 7,135,335	\$ 10,296,417
Changes in estimates	1,361,216	(3,018,564)
Claim payments	(401,208)	(142,518)
Liability, June 30	<u>\$ 8,095,343</u>	<u>\$ 7,135,335</u>

**14. Public Employees' Retirement System**

*a. Plan description*

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

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

*b. Funding policy*

Active plan members in the miscellaneous plan of the City are required to contribute 8% of their annual covered salary for a 2% at 55 retirement plan. Active plan members in the safety plan of the City are required to contribute 9% of their annual covered salary for a 3% at 50 retirement plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administrations. The required employer contribution rate for fiscal year ended June 30, 2002 was 0.00% for miscellaneous employees and 0.00% for public safety employees until 10/05/01, and 9.180% thereafter. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

*c. Annual pension cost*

For the fiscal year ended June 30, 2002 the City of Garden Grove's annual pension cost of \$4,450,125 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2002 was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and from 4.27% to 11.59% for safety members. Both (a) and (b) include an inflation component of 3.5%.

Fiscal Year Ended	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Net Pension Obligation
6/30/00	\$ 3,905,097	100%	0
6/30/01	\$ 3,367,492	100%	0
6/30/02	\$ 4,450,125	100%	0

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

Listed below is a schedule of funding trend information for the last three available years.

<u>FUNDED STATUS OF PLANS</u>						
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Accrued Liability % of Payroll
<u>Miscellaneous Plan</u>						
6/30/98	\$ 71,717,487	\$ 90,328,589	\$ (18,611,102)	126.00%	\$ 14,639,095	-127.133%
6/30/99	\$ 78,256,342	\$ 105,857,966	\$ (27,601,624)	135.30%	\$ 15,457,514	-178.564%
6/30/00	\$ 85,936,954	\$ 115,803,364	\$ (29,866,410)	134.80%	\$ 16,461,349	-181.434%
<u>Safety Plan</u>						
6/30/98	\$ 136,485,239	\$ 150,564,852	\$ (14,079,613)	110.30%	\$ 15,607,298	-90.212%
6/30/99	\$ 147,577,770	\$ 175,113,026	\$ (27,535,256)	118.70%	\$ 15,981,592	-172.294%
6/30/00	\$ 183,568,755	\$ 191,093,380	\$ (7,524,625)	104.10%	\$ 17,279,776	-43.546%

#### 15. Postemployment benefits

In addition to the pension benefit described in Note 14, the City provides post retirement health care benefits to all retired employees of \$16 per retiree per month. This benefit is available only to employees who retire from the City, but it may continue with the annuitant. This benefit is mandated with the City's participation in PERS. It is provided on a "pay-as-you-go" basis. Of the eligible retirees, only 174 have selected this option. The total yearly cost to the City for this benefit was \$33,076 which represents only 4.5 percent of the total yearly premium cost of \$730,355. The difference of \$697,279 was paid by the participating retirees.

#### 16. Non-committal debt:

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.

Garden Grove Housing Authority GNMA Collateralized Multifamily Housing Revenue Bonds, Series 1989, for \$10,000,000 were issued as an obligation of the Housing Authority. The bonds are not reflected in the City's financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. These bonds were issued to provide funds for the cost of purchasing and rehabilitating 19 buildings in the Buena-Clinton area of the City. The balance at June 30, 2002 is \$8,473,036.

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.

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, 2002, the City has made payments totaling \$729,999 towards the guarantee.

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

Issue Date – September 15, 1990  
Interest Rates – 7.60 – 8.15%  
Maturity Date – September 2, 2010  
Authorized and issued - \$656,608  
Outstanding balance June 30, 2002 - \$420,000

#### **17. Pass through agreements**

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



Orange County Community College District, Coast Community College District, Orange County Superintendent of Schools, and the County of Orange.

The agreement with the greatest impact on the Agency is the agreement with the Garden Grove Unified School District. The school district has determined that the plan amendment would have an impact on its capital facilities needs and has signed a Capital Facilities Agreement in accordance with Section 33445 of the CRL which authorizes the Agency to expend tax increment to fund capital improvements and facilities which are inside or including funding the capital improvements and facilities of other public agencies. This Capital Facilities Agreement is reported as long term debt.

#### **18. Maintenance of effort**

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

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

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

The minimum level of street and road expenditures required as the maintenance of effort has been met for the fiscal year ended June 30, 2002.

#### **19. Commitments and contingencies**

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

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

#### **20. Joint venture**

The City participates in the Anaheim-Garden Grove-Orange Fire Training Facility Authority (the "Authority"), a joint powers authority created to finance fire training and dispatching facilities. The City Council of each city appoints one representative to the three-member Board of Directors. The City's proportionate share in the authority is 26.67 %. Because the

City is not financially accountable, the Authority is not considered part of the City's reporting entity.

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

**21. Deferred compensation**

The City has established the City of Garden Grove Deferred Compensation Plan and Trust as provided in Section 457 of the Internal Revenue Code of 1986, as amended. The City, acting as trustee of this plan, has agreed to perform their services as trustee in accordance with, and as necessary limited to comply with, applicable law. All amounts of compensation deferred pursuant to the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of participants and beneficiaries under the plan.

**22. Prior period adjustments**

The implementation of GASB Statement 34 required the City to perform an inventory of certain capital assets of the City. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital asset reporting requirements. The inventory included the sewer system, storm drain, street system, park and building assets. In the process of this valuation it was determined that the Garden Grove Sanitary District, which has been a subsidiary district and component unit of the city since May 30, 1997, had incomplete records and no available historical sewer information. The capital asset records for the sewer system were identified through analysis of sewer maps and interviews with City personnel. Through this process a value was placed on the system which is substantially higher than previously recorded. A prior period adjustment in the amount of \$18,681,467 has been made in the Sanitary District enterprise fund, which has increased the July 1 fund balance from \$9,982,892 to \$28,664,359.

It was also determined during this valuation process that buildings reported in the Mobile Home Parks enterprise fund were overvalued. A prior period adjustment in the amount of \$617,778 was made reducing the July 1 balance from \$1,052,422 to \$434,644.

On July 12, 1992, the Garden Grove Agency for Community Development amended the existing Redevelopment Plan for the Garden Grove Community Project. As a part of this process, the Agency was required to provide to various affected taxing entities financial assistance to alleviate any financial burden caused by the Plan amendment. During the year ended June 30, 2002 it was established that assistance was due to one of the taxing entities in the amount of \$1,006,832. Of this amount it was determined that a portion of the assistance was for prior years. A prior period adjustment in the amount of \$440,946 has been made in the Community Project capital projects fund which has decreased the July 1 fund balance from \$3,851,011 to \$3,410,065.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

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BUDGETARY  
COMPARISON  
SCHEDULES

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CITY OF GARDEN GROVE  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule B-1

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Budgetary fund balance, July 1	\$ 28,964,684	\$ 28,964,684	\$ 30,281,436	\$ 1,316,752
<b>Resources (inflows):</b>				
Taxes	44,136,000	44,136,000	44,376,579	240,579
Licenses and permits	920,300	920,300	912,882	(7,418)
Fines, forfeits and penalties	1,150,000	1,150,000	1,275,048	125,048
Investment earnings	1,171,000	1,171,000	1,798,697	627,697
Charges for current services	6,472,921	6,472,921	6,067,992	(404,929)
From other agencies	738,000	738,000	940,910	202,910
Other revenues	683,500	683,500	658,765	(24,735)
Transfers from other funds	905,008	3,486,938	3,416,938	(70,000)
Proceeds of long term debt	-	2,449,937	2,449,937	-
Amounts available for appropriation	<u>85,141,413</u>	<u>90,173,280</u>	<u>92,179,184</u>	<u>2,005,904</u>
<b>Charges to appropriations (outflows):</b>				
<b>Current:</b>				
Fire	12,991,383	12,991,383	12,792,092	199,291
Police	26,352,554	26,333,909	25,944,073	389,836
Traffic safety	756,391	756,391	741,888	14,503
Public right of way	3,390,137	3,390,137	3,277,273	112,864
Community buildings	3,383,994	3,383,994	2,206,742	1,177,252
Community services	1,335,316	1,123,038	976,878	146,160
Parks and greenbelts	716,632	716,632	678,101	38,531
Community planning and development	2,765,189	2,765,189	2,473,917	291,272
Municipal support	5,766,366	5,766,366	4,445,039	1,321,327
<b>Capital outlay:</b>				
Police	432,187	432,187	364,290	67,897
Community buildings	-	2,778,424	500,867	2,277,557
Parks and greenbelts	350,000	350,000	-	350,000
<b>Debt service:</b>				
Principal retirement	330,000	330,000	330,000	-
Interest and other charges	105,120	105,120	105,120	-
Transfers to other funds	2,186,992	797,779	797,779	-
Total charges to appropriations	<u>60,862,261</u>	<u>62,020,549</u>	<u>55,634,059</u>	<u>6,386,490</u>
Budgetary fund balance, June 30	<u>\$ 24,279,152</u>	<u>\$ 28,152,731</u>	<u>\$ 36,545,125</u>	<u>\$ 8,392,394</u>

CITY OF GARDEN GROVE  
 BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule B-2

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts	Variance with Final Budget- Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Investment earnings	-	-	5,813	5,813
From other agencies	15,701,874	17,717,086	17,824,466	107,380
Other revenues	-	-	35,319	35,319
Amounts available for appropriation	<u>15,701,874</u>	<u>17,717,086</u>	<u>17,865,598</u>	<u>148,512</u>
Charges to appropriations (outflows):				
Current:				
Community planning and development	15,682,885	17,699,005	17,846,633	(147,628)
Municipal support	18,989	18,081	18,965	(884)
Total charges to appropriations	<u>15,701,874</u>	<u>17,717,086</u>	<u>17,865,598</u>	<u>(148,512)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



OTHER SUPPLEMENTAL  
INFORMATION

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SCHEDULES OF REVENUES,  
EXPENDITURES AND  
CHANGES IN FUND  
BALANCES BUDGET AND  
ACTUAL MAJOR  
GOVERNMENTAL FUND

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CITY OF GARDEN GROVE  
COMMUNITY PROJECT DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule C-1

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 10,700,000	\$ 11,410,093	\$ 710,093
<b>Expenditures:</b>			
Debt service:			
Principal retirement	1,225,000	1,225,000	-
Interest and fiscal charges	3,175,000	3,231,160	(56,160)
Total expenditures	4,400,000	4,456,160	(56,160)
Excess of revenues over expenditures	6,300,000	6,953,933	653,933
<b>Other financing uses::</b>			
Transfer out	(6,803,440)	(6,803,440)	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(503,440)	150,493	653,933
<b>Fund balances, July 1</b>	4,387,057	4,387,057	-
<b>Fund balances, June 30</b>	<u>\$ 3,883,617</u>	<u>\$ 4,537,550</u>	<u>\$ 653,933</u>

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

Schedule C-2

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 22,165	\$ 22,165
<b>Other financing sources:</b>				
Transfers out			(2,411,188)	\$ (2,411,188)
Proceeds of long term debt	-	22,735,000	22,735,000	-
<b>Total other financing sources</b>	<b>-</b>	<b>22,735,000</b>	<b>20,323,812</b>	<b>\$ (2,411,188)</b>
<b>Excess of revenues and other financing sources over expenditures</b>	<b>-</b>	<b>22,735,000</b>	<b>20,345,977</b>	<b>(2,411,188)</b>
<b>Fund balances, July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ -</b>	<b>\$ 22,735,000</b>	<b>\$ 20,345,977</b>	<b>\$ (2,411,188)</b>

CITY OF GARDEN GROVE  
COMMUNITY PROJECT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule C-3

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 1,310,000	\$ 1,029,620	\$ (280,380)
Other revenues	-	94,646	94,646
<b>Total revenues</b>	<b>1,310,000</b>	<b>1,124,266</b>	<b>(185,734)</b>
<b>Expenditures:</b>			
Capital outlay:			
Public right of way	13,762	14,354	(592)
Community buildings	44,504	24,533	19,971
Community planning and development	10,159,821	5,717,535	4,442,286
Municipal support	282,139	209,700	72,439
Debt service:			
Principal retirement	2,014,275	2,014,275	-
Interest and fiscal charges	890,217	890,217	-
<b>Total expenditures</b>	<b>13,404,718</b>	<b>8,870,614</b>	<b>4,534,104</b>
Excess (deficiency) of revenues over (under) expenditures	(12,094,718)	(7,746,348)	4,348,370
<b>Other financing sources (uses):</b>			
Transfer in	7,559,259	7,559,259	-
Transfer out	(2,395,938)	(2,395,938)	-
Proceeds of long term debt	690,000	1,094,158	404,158
<b>Total other financing sources (uses)</b>	<b>5,853,321</b>	<b>6,257,479</b>	<b>404,158</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,241,397)	(1,488,869)	3,944,212
<b>Fund balances, July 1</b>	<b>3,410,065</b>	<b>3,410,065</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ (2,831,332)</b>	<b>\$ 1,921,196</b>	<b>\$ 3,944,212</b>

CITY OF GARDEN GROVE  
 LOW INCOME HOUSING CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule C-4

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 2,762,500	\$ 2,919,092	\$ 156,592
Investment earnings	50,000	58,941	8,941
Other revenues	400,000	1,687,273	1,287,273
<b>Total revenues</b>	<b>3,212,500</b>	<b>4,665,306</b>	<b>1,452,806</b>
<b>Expenditures:</b>			
Capital outlay:			
Community planning and development	3,189,373	2,271,811	917,562
Municipal support	57,762	47,555	10,207
Debt service:			
Principal retirement	308,522	308,521	-
Interest and fiscal charges	42,375	42,376	-
<b>Total expenditures</b>	<b>3,598,032</b>	<b>2,670,263</b>	<b>927,769</b>
Excess (deficiency) of revenues over (under) expenditures	(385,532)	1,995,043	2,380,575
<b>Fund balances, July 1</b>	<b>3,173,609</b>	<b>3,173,609</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ 2,788,077</b>	<b>\$ 5,168,652</b>	<b>\$ 2,380,575</b>



## Nonmajor Governmental Funds

### 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 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.

#### Main Library Fund

City revenues from the main library lease payments pursuant to a contract between the City and the County of Orange are accounted for in this fund. These revenues are used for main library purposes.

#### 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.

#### Main Street/Vehicle 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.

## **Nonmajor Governmental Funds (Continued)**

### **Special Revenue Funds (Continued)**

#### *Air Quality Improvement Fund*

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

#### *Federal Employment Grants Fund*

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

#### *Other Grants and Contributions*

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

### **Debt Service Funds**

#### *Buena-Clinton Debt Service Fund*

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

### **Capital Projects Funds**

#### *Buena-Clinton Project Capital Projects Fund*

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

#### *2002 Capital Improvement Capital Projects Fund*

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

CITY OF GARDEN GROVE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-1  
 Continued

Special Revenue Funds

	Public Safety	State Gas Tax	Golf Course	Self Supporting	Developer Fees
<b>ASSETS</b>					
Cash and investments	\$ 2,724,396	\$ 3,038,817	\$ 775,362	\$ 32,729	\$ 5,006,329
Taxes receivable	39,401	-	-	-	-
Accounts receivable	-	-	-	7,558	-
Interest receivable	5,711	6,178	-	-	10,360
Notes receivable	-	-	-	-	-
Land held for resale	-	-	-	-	-
Deposits	2,600	-	-	-	-
<b>Total assets</b>	<b>\$ 2,772,108</b>	<b>\$ 3,044,995</b>	<b>\$ 775,362</b>	<b>\$ 40,287</b>	<b>\$ 5,016,689</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 87,925	\$ 348,625	\$ -	\$ 19,238	\$ 196,498
Other accrued liabilities	957	32,071	-	17,926	440
Refundable deposits	8,838	-	-	3,123	400
Due to other funds	-	77,944	-	-	-
Deferred revenue	-	-	965	-	-
<b>Total liabilities</b>	<b>97,720</b>	<b>458,640</b>	<b>965</b>	<b>40,287</b>	<b>197,338</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	336,273	878,222	-	-	106,266
Continuing projects	1,708,725	1,707,872	-	-	2,573,204
Land held for resale	-	-	-	-	-
Contractual commitments	-	-	-	-	-
<b>Unreserved</b>	<b>629,390</b>	<b>261</b>	<b>774,397</b>	<b>-</b>	<b>2,139,881</b>
<b>Total fund balances</b>	<b>2,674,388</b>	<b>2,586,355</b>	<b>774,397</b>	<b>-</b>	<b>4,819,351</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,772,108</b>	<b>\$ 3,044,995</b>	<b>\$ 775,362</b>	<b>\$ 40,287</b>	<b>\$ 5,016,689</b>

Continued

CITY OF GARDEN GROVE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-1  
 Continued

Special Revenue Funds

	Main Library	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street Vehicle Parking District
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 66,599	\$ 864,858	\$ 2,622	\$ 231,168
Taxes receivable	-	-	21,641	10,916	23
Accounts receivable	-	57,718	-	-	-
Interest receivable	-	170	-	-	488
Notes receivable	-	-	-	-	-
Land held for resale	-	-	-	-	-
Deposits	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 124,487</b>	<b>\$ 886,499</b>	<b>\$ 13,538</b>	<b>\$ 231,679</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1,342	\$ 91,275	\$ 4,411	\$ 2,876
Other accrued liabilities	-	587	2,791	8,094	-
Refundable deposits	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,929</b>	<b>94,066</b>	<b>12,505</b>	<b>2,876</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Encumbrances	-	1,054	-	1,033	-
Continuing projects	-	5,000	154,613	-	2,445
Land held for resale	-	-	-	-	-
Contractual commitments	-	-	-	-	-
<b>Unreserved</b>	<b>-</b>	<b>116,504</b>	<b>637,820</b>	<b>-</b>	<b>226,358</b>
<b>Total fund balances</b>	<b>-</b>	<b>122,558</b>	<b>792,433</b>	<b>1,033</b>	<b>228,803</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 124,487</b>	<b>\$ 886,499</b>	<b>\$ 13,538</b>	<b>\$ 231,679</b>

Continued

CITY OF GARDEN GROVE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-1  
 Continued

	Special Revenue Funds			Debt Service Fund
	Air Quality Improvement	Federal Employment Grants	Other Grants and Contributions	Buena-Clinton Project
<b>ASSETS</b>				
Cash and investments	\$ 107,959	\$ -	\$ 5,261,498	\$ -
Taxes receivable	-	-	276,250	909
Accounts receivable	46,750	1,327,106	695,091	-
Accrued interest receivable	148	-	9,214	-
Notes receivable	-	-	2,107,942	-
Land held for resale	-	-	-	-
Deposits	-	7,714	-	-
<b>Total assets</b>	<b>\$ 154,857</b>	<b>\$ 1,334,820</b>	<b>\$ 8,349,995</b>	<b>\$ 909</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 193,026	\$ 308,201	\$ -
Other accrued liabilities	514	29,738	508,540	-
Refundable deposits	-	731	8,029	-
Due to other funds	-	1,109,514	1,933,227	909
Deferred revenue	-	1,811	2,429,686	-
<b>Total liabilities</b>	<b>514</b>	<b>1,334,820</b>	<b>5,187,683</b>	<b>909</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Encumbrances	-	-	3,409,981	-
Continuing projects	55,706	-	-	-
Land held for resale	-	-	-	-
Contractual commitments	-	-	-	-
<b>Unreserved</b>	<b>98,637</b>	<b>-</b>	<b>(247,669)</b>	<b>-</b>
<b>Total fund balances</b>	<b>154,343</b>	<b>-</b>	<b>3,162,312</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 154,857</b>	<b>\$ 1,334,820</b>	<b>\$ 8,349,995</b>	<b>\$ 909</b>

Continued

CITY OF GARDEN GROVE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-1  
 Continued

	Capital Project Funds		Total Nonmajor Governmental Funds
	Buena-Clinton Project	2002 Capital Improvement Project	
<b>ASSETS</b>			
Cash and investments	\$ 11,597	\$ 9,100	\$ 18,133,034
Taxes receivable	-	-	349,140
Accounts receivable	-	-	2,134,223
Accrued interest receivable	255	-	32,524
Notes receivable	146,200	-	2,254,142
Land held for resale	275,890	-	275,890
Deposits	-	-	10,314
<b>Total assets</b>	<b>\$ 433,942</b>	<b>\$ 9,100</b>	<b>\$ 23,189,267</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 215	\$ -	\$ 1,253,632
Other accrued liabilities	-	-	601,658
Refundable deposits	-	-	21,121
Due to other funds	-	-	3,121,594
Deferred revenue	146,200	-	2,578,662
<b>Total liabilities</b>	<b>146,415</b>	<b>-</b>	<b>7,576,667</b>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Encumbrances	-	-	4,732,829
Continuing projects	11,637	-	6,219,202
Land held for resale	275,890	-	275,890
Contractual commitments	-	9,100	9,100
<b>Unreserved</b>	<b>-</b>	<b>-</b>	<b>4,375,579</b>
<b>Total fund balances</b>	<b>287,527</b>	<b>9,100</b>	<b>15,612,600</b>
<b>Total liabilities and fund balances</b>	<b>\$ 433,942</b>	<b>\$ 9,100</b>	<b>\$ 23,189,267</b>

CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-2  
 Continued

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting
<b>REVENUES</b>				
Taxes	\$ 497,468	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	130,487	-	-	-
Investment earnings	83,451	83,080	-	-
Charges for current services	104,760	-	627,074	594,837
From other agencies	338,695	2,844,770	-	-
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>1,154,861</b>	<b>2,927,850</b>	<b>627,074</b>	<b>594,837</b>
<b>EXPENDITURES</b>				
Current:				
Fire	46,100	-	-	-
Police	970,425	-	-	-
Traffic safety	-	177,873	-	-
Public right of way	-	1,654,411	-	-
Community buildings	3,012	-	-	-
Community services	-	-	-	641,356
Parks and greenbelts	-	-	35,117	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Police	167,654	-	-	-
Traffic safety	-	9,382	-	-
Public right of way	-	191,957	-	-
Drainage	-	647,313	-	-
Community buildings	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Debt issuance charges	-	-	-	-
<b>Total expenditures</b>	<b>1,187,191</b>	<b>2,680,936</b>	<b>35,117</b>	<b>641,356</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(32,330)</b>	<b>246,914</b>	<b>591,957</b>	<b>(46,519)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	41,960
Transfers out	-	-	(500,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(500,000)</b>	<b>41,960</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<b>(32,330)</b>	<b>246,914</b>	<b>91,957</b>	<b>(4,559)</b>
Fund balances, July 1	2,706,718	2,339,441	682,440	4,559
<b>Fund balances, June 30</b>	<b>\$ 2,674,388</b>	<b>\$ 2,586,355</b>	<b>\$ 774,397</b>	<b>\$ -</b>

Continued

CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-2  
 Continued

	Special Revenue Funds			
	Developer Fees	Main Library	Garden Grove Cable	Street Lighting
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	24,934	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	154,957	-	4,010	-
Charges for current services	564,338	-	-	1,323,019
From other agencies	-	-	-	-
Other revenues	-	-	237,917	-
<b>Total revenues</b>	<b>744,229</b>	<b>-</b>	<b>241,927</b>	<b>1,323,019</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	1,183,257
Public right of way	-	-	-	33,654
Community buildings	-	-	-	-
Community services	-	-	267,847	-
Parks and greenbelts	80,914	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	13,900	-	9,449
<b>Capital outlay:</b>				
Police	-	-	-	-
Traffic safety	339,652	-	-	100,889
Public right of way	43,324	-	-	-
Drainage	81,250	-	-	-
Community buildings	-	-	-	-
Parks and greenbelts	14,596	-	-	-
Community planning and development	-	-	-	-
<b>Debt service:</b>				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Debt issuance charges	-	-	-	-
<b>Total expenditures</b>	<b>559,736</b>	<b>13,900</b>	<b>267,847</b>	<b>1,327,249</b>
Excess (deficiency) of revenues over (under) expenditures	184,493	(13,900)	(25,920)	(4,230)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	184,493	(13,900)	(25,920)	(4,230)
<b>Fund balances, July 1</b>	<b>4,634,858</b>	<b>13,900</b>	<b>148,478</b>	<b>796,663</b>
<b>Fund balances, June 30</b>	<b>\$ 4,819,351</b>	<b>\$ -</b>	<b>\$ 122,558</b>	<b>\$ 792,433</b>

Continued



CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-2  
 Continued

	Special Revenue Funds				
	Park Maint- enance	Main Street Vehicle Parking District	Air Quality Improvement	Federal Employment Grants	Other Grants and Contributions
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	243
Fines, forfeits and penalties	-	-	-	-	96,263
Investment earnings	-	7,396	2,268	-	157,685
Charges for current services	692,036	27,493	190,362	-	-
From other agencies	-	-	-	4,600,737	5,856,210
Other revenues	-	-	1,000	-	411,962
<b>Total revenues</b>	<b>692,036</b>	<b>34,889</b>	<b>193,630</b>	<b>4,600,737</b>	<b>6,522,363</b>
<b>EXPENDITURES</b>					
Current:					
Fire	-	-	-	-	135,640
Police	-	-	-	-	735,382
Traffic safety	-	-	-	-	86,754
Public right of way	-	38,595	-	-	557,700
Community buildings	-	-	-	-	-
Community services	-	-	-	4,600,737	698,084
Parks and greenbelts	691,003	-	-	-	-
Community planning and development	-	-	-	-	1,004,890
Municipal support	-	-	129,241	-	49,750
Capital outlay:					
Police	-	-	-	-	-
Traffic safety	-	-	-	-	800,017
Public right of way	-	-	-	-	2,789,712
Drainage	-	-	-	-	61,735
Community buildings	-	-	-	-	332,458
Parks and greenbelts	-	-	-	-	20,228
Community planning and development	-	-	-	-	-
Debt service:	-	-	-	-	237,010
Principal retirement	-	-	-	-	430,000
Interest and other charges	-	-	-	-	722,696
Debt issuance charges	-	-	-	-	-
<b>Total expenditures</b>	<b>691,003</b>	<b>38,595</b>	<b>129,241</b>	<b>4,600,737</b>	<b>8,662,056</b>
Excess (deficiency) of revenues over (under) expenditures	1,033	(3,706)	64,389	-	(2,139,693)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,033	(3,706)	64,389	-	(2,139,693)
<b>Fund balances, July 1</b>	<b>-</b>	<b>232,509</b>	<b>89,954</b>	<b>-</b>	<b>5,302,005</b>
<b>Fund balances, June 30</b>	<b>\$ 1,033</b>	<b>\$ 228,803</b>	<b>\$ 154,343</b>	<b>\$ -</b>	<b>\$ 3,162,312</b>

Continued

CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2002

Schedule D-2  
 Continued

	Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
	Buena-Clinton Project	Buena-Clinton Project	2002 Capital Improvement Project	
<b>REVENUES</b>				
Taxes	\$ 266,276	\$ -	\$ -	\$ 763,744
Licenses and permits	-	-	-	25,177
Fines, forfeits and penalties	-	-	-	226,750
Investment earnings	-	6,550	-	499,397
Charges for current services	-	-	-	4,123,919
From other agencies	-	-	-	13,640,412
Other revenues	-	-	-	650,879
<b>Total revenues</b>	<b>266,276</b>	<b>6,550</b>	<b>-</b>	<b>19,930,278</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Fire	-	-	-	181,740
Police	-	-	-	1,705,807
Traffic safety	-	-	-	1,447,884
Public right of way	-	-	-	2,284,360
Community buildings	-	-	-	3,012
Community services	-	-	-	6,208,024
Parks and greenbelts	-	-	-	807,034
Community planning and development	-	-	-	1,004,890
Municipal support	-	-	-	202,340
<b>Capital outlay:</b>				
Police	-	140,000	-	307,654
Traffic safety	-	-	-	1,249,940
Public right of way	-	-	-	3,024,993
Drainage	-	-	-	790,298
Community buildings	-	-	-	332,458
Parks and greenbelts	-	-	-	34,824
Community planning and development	-	38,455	1,744,020	2,019,485
<b>Debt service:</b>				
Principal retirement	-	-	-	430,000
Interest and other charges	2,367	-	-	725,063
Debt issuance charges	-	-	658,068	658,068
<b>Total expenditures</b>	<b>2,367</b>	<b>178,455</b>	<b>2,402,088</b>	<b>23,417,874</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>263,909</b>	<b>(171,905)</b>	<b>(2,402,088)</b>	<b>(3,487,596)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	263,909	2,411,188	2,717,057
Transfers out	(263,909)	-	-	(763,909)
<b>Total other financing sources (uses)</b>	<b>(263,909)</b>	<b>263,909</b>	<b>2,411,188</b>	<b>1,953,148</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>-</b>	<b>92,004</b>	<b>9,100</b>	<b>(1,534,448)</b>
<b>Fund balances, July 1</b>	<b>-</b>	<b>195,523</b>	<b>-</b>	<b>17,147,048</b>
<b>Fund balances, June 30</b>	<b>\$ -</b>	<b>\$ 287,527</b>	<b>\$ 9,100</b>	<b>\$ 15,612,600</b>

CITY OF GARDEN GROVE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-3

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 530,000	\$ 497,468	\$ (32,532)
Fines, forfeits and penalties	27,000	130,487	103,487
Investment earnings	73,000	83,451	10,451
Charges for current services	140,000	104,760	(35,240)
From other agencies	455,192	338,695	(116,497)
<b>Total revenues</b>	<u>1,225,192</u>	<u>1,154,861</u>	<u>(70,331)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Fire	351,921	46,100	305,821
Police	1,605,329	970,425	634,904
Community buildings	27,737	3,012	24,725
Municipal support	48,579	-	48,579
<b>Capital outlay:</b>			
Police	1,218,308	167,654	1,050,654
<b>Total expenditures</b>	<u>3,251,874</u>	<u>1,187,191</u>	<u>2,064,683</u>
Excess (deficiency) of revenues over (under) expenditures	(2,026,682)	(32,330)	1,994,352
Fund balances, July 1	<u>2,706,718</u>	<u>2,706,718</u>	<u>-</u>
Fund balances, June 30	<u>\$ 680,036</u>	<u>\$ 2,674,388</u>	<u>\$ 1,994,352</u>

CITY OF GARDEN GROVE  
STATE GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-4

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 67,300	\$ 83,080	\$ 15,780
From other agencies	2,957,700	2,844,770	(112,930)
Total revenues	3,025,000	2,927,850	(97,150)
<b>Expenditures:</b>			
Current:			
Traffic safety	184,940	177,873	7,067
Public right of way	1,750,744	1,654,411	96,333
Capital outlay:			
Traffic safety	100,000	9,382	90,618
Public right of way	1,688,772	191,957	1,496,815
Drainage	1,600,786	647,313	953,473
Total expenditures	5,325,242	2,680,936	2,644,306
Excess (deficiency) of revenues over (under) expenditures	(2,300,242)	246,914	2,547,156
 <b>Fund balances, July 1</b>	 2,339,441	 2,339,441	 -
<b>Fund balances, June 30</b>	\$ 39,199	\$ 2,586,355	\$ 2,547,156

CITY OF GARDEN GROVE  
 GOLF COURSE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-5

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for current services	\$ 600,000	\$ 627,074	\$ 27,074
<b>Expenditures:</b>			
Current:			
Parks and greenbelts	64,977	35,117	29,860
Excess (deficiency) of revenues over (under) expenditures	535,023	591,957	56,934
<b>Other financing uses:</b>			
Transfer out	(500,000)	(500,000)	-
Excess of revenues over expenditures and other financing uses	35,023	91,957	56,934
Fund balances, July 1	682,440	682,440	-
Fund balances, June 30	\$ 717,463	\$ 774,397	\$ 56,934

CITY OF GARDEN GROVE  
 SELF-SUPPORTING REVENUE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-6

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for current services	\$ 588,950	\$ 594,837	\$ 5,887
Other	2,250	-	(2,250)
Total revenues	<u>591,200</u>	<u>594,837</u>	<u>3,637</u>
<b>Expenditures:</b>			
Current:			
Community services	711,751	641,356	70,395
Excess (deficiency) of revenues over expenditures	<u>(120,551)</u>	<u>(46,519)</u>	<u>74,032</u>
<b>Other financing sources:</b>			
Transfer in	115,992	41,960	(74,032)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(4,559)	(4,559)	-
Fund balances, July 1	<u>4,559</u>	<u>4,559</u>	<u>-</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARDEN GROVE  
 DEVELOPER FEES SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-7

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Licenses and permits	\$ 37,000	\$ 24,934	\$ (12,066)
Investment earnings	172,000	154,957	(17,043)
Charges for current services	574,000	564,338	(9,662)
Other	2,000	-	(2,000)
<b>Total revenues</b>	<u>785,000</u>	<u>744,229</u>	<u>(40,771)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Community services	6,000	-	6,000
Parks and greenbelts	46,000	80,914	(34,914)
Traffic safety	491,031	339,652	151,379
Public right of way	1,631,819	43,324	1,588,495
Drainage	450,463	81,250	369,213
Parks and greenbelts	608,910	14,596	594,314
<b>Total expenditures</b>	<u>3,234,223</u>	<u>559,736</u>	<u>2,674,487</u>
Excess (deficiency) of revenues over (under) expenditures	(2,449,223)	184,493	2,633,716
<b>Fund balances, July 1</b>	<u>4,634,858</u>	<u>4,634,858</u>	<u>-</u>
<b>Fund balances, June 30</b>	<u>\$ 2,185,635</u>	<u>\$ 4,819,351</u>	<u>\$ 2,633,716</u>

CITY OF GARDEN GROVE  
 MAIN LIBRARY SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-8

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures:			
Current:			
Municipal support	\$ -	\$ 13,900	\$ (13,900)
Excess (deficiency) of revenues over (under) expenditures	-	(13,900)	13,900
Fund balances, July 1	-	13,900	-
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF GARDEN GROVE  
 GARDEN GROVE CABLE CORPORATION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-9

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 5,000	\$ 4,010	\$ (990)
Other	700,000	250,000	237,917	(12,083)
<b>Total revenues</b>	<b>700,000</b>	<b>255,000</b>	<b>241,927</b>	<b>(13,073)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Community buildings	-	5,000	-	5,000
Community services	430,813	343,291	267,847	75,444
<b>Total expenditures</b>	<b>430,813</b>	<b>348,291</b>	<b>267,847</b>	<b>80,444</b>
Excess (deficiency) of revenues over (under) expenditures	269,187	(93,291)	(25,920)	67,371
<b>Fund balances, July 1</b>	<b>148,478</b>	<b>148,478</b>	<b>148,478</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ 417,665</b>	<b>\$ 55,187</b>	<b>\$ 122,558</b>	<b>\$ 67,371</b>

CITY OF GARDEN GROVE  
STREET LIGHTING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-10

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Charges for current services	\$ 1,308,300	\$ 1,323,019	\$ 14,719
<b>Expenditures:</b>			
Current:			
Traffic safety	1,402,635	1,183,257	219,378
Public right of way	10,765	33,654	(22,889)
Municipal support	16,486	9,449	7,037
Capital outlay:			
Traffic safety	255,501	100,889	154,612
Total expenditures	<u>1,685,387</u>	<u>1,327,249</u>	<u>358,138</u>
Excess (deficiency) of revenues over (under) expenditures	(377,087)	(4,230)	372,857
Fund balances, July 1	<u>796,663</u>	<u>796,663</u>	-
Fund balances, June 30	<u>\$ 419,576</u>	<u>\$ 792,433</u>	<u>\$ 372,857</u>

CITY OF GARDEN GROVE  
 PARK MAINTENANCE SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-11

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for current services	\$ 700,000	\$ 692,036	\$ (7,964)
<b>Expenditures:</b>			
Current:			
Parks and greenbelts	700,000	691,003	8,997
Excess of revenues over expenditures	-	1,033	1,033
Fund balances, July 1	-	-	-
Fund balances, June 30	\$ -	\$ 1,033	\$ 1,033

CITY OF GARDEN GROVE  
 MAIN STREET/VEHICLE PARKING SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-12

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 8,900	\$ 7,396	\$ (1,504)
Charges for current services	28,500	27,493	(1,007)
<b>Total revenues</b>	<u>37,400</u>	<u>34,889</u>	<u>(2,511)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Public right of way	47,201	38,595	8,606
Excess (deficiency) of revenues over (under) expenditures	(9,801)	(3,706)	6,095
<b>Fund balances, July 1</b>	<u>232,509</u>	<u>232,509</u>	<u>-</u>
<b>Fund balances, June 30</b>	<u>\$ 222,708</u>	<u>\$ 228,803</u>	<u>\$ 6,095</u>

CITY OF GARDEN GROVE  
 AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-13

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 1,000	\$ 2,268	\$ 1,268
Charges for current services	173,000	190,362	17,362
Other	-	1,000	1,000
<b>Total revenues</b>	<b>174,000</b>	<b>193,630</b>	<b>19,630</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Municipal support	184,946	129,241	55,705
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(10,946)</b>	<b>64,389</b>	<b>75,335</b>
<b>Fund balances, July 1</b>	<b>89,954</b>	<b>89,954</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ 79,008</b>	<b>\$ 154,343</b>	<b>\$ 75,335</b>

CITY OF GARDEN GROVE  
 FEDERAL EMPLOYMENT GRANTS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-14

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
From other agencies	\$ 7,226,242	\$ 4,894,063	\$ 4,600,737	\$ (293,326)
Expenditures:				
Current:				
Community services	7,226,242	4,894,063	4,600,737	293,326
Excess of revenues over expenditures	-	-	-	-
Fund balances, July 1	-	-	-	-
Fund balances, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF GARDEN GROVE  
 OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-15

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ 243	\$ 243
Fines, forfeits and penalties	488,437	488,437	96,263	(392,174)
Investment earnings	-	-	157,685	157,685
From other agencies	18,644,148	20,272,919	5,856,210	(14,416,709)
Other	350,000	350,000	411,962	61,962
<b>Total revenues</b>	<b>19,482,585</b>	<b>21,111,356</b>	<b>6,522,363</b>	<b>(14,588,993)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Fire	129,724	152,801	135,640	17,161
Police	981,412	923,558	735,382	188,176
Traffic safety	453,017	452,017	86,754	365,263
Public right of way	606,928	719,105	557,700	161,405
Community buildings	35,752	35,752	-	35,752
Community services	665,726	1,015,726	698,084	317,642
Community planning and development	3,453,657	3,453,657	1,004,890	2,448,767
Municipal support	127,950	127,950	49,750	78,200
<b>Capital outlay:</b>				
Traffic safety	2,479,332	2,479,332	800,017	1,679,315
Public right of way	11,817,542	13,019,913	2,789,712	10,230,201
Drainage	99,339	99,339	61,735	37,604
Community buildings	615,000	615,000	332,458	282,542
Parks and greenbelts	2,945,901	2,945,901	20,228	2,925,673
Community planning and development	1,034,995	1,034,995	237,010	797,985
<b>Debt service:</b>				
Principal retirement	430,000	430,000	430,000	-
Interest and fiscal charges	722,696	722,696	722,696	-
<b>Total expenditures</b>	<b>26,598,971</b>	<b>28,227,742</b>	<b>8,662,056</b>	<b>19,565,686</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,116,386)</b>	<b>(7,116,386)</b>	<b>(2,139,693)</b>	<b>4,976,693</b>
<b>Fund balances, July 1</b>	<b>5,302,005</b>	<b>5,302,005</b>	<b>5,302,005</b>	<b>-</b>
<b>Fund balances, June 30</b>	<b>\$ (1,814,381)</b>	<b>\$ (1,814,381)</b>	<b>\$ 3,162,312</b>	<b>\$ 4,976,693</b>

CITY OF GARDEN GROVE  
 BUENA-CLINTON PROJECT DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-16

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 350,000	\$ 266,276	\$ (83,724)
<b>Expenditures:</b>			
Debt service:			
Interest and fiscal charges	-	2,367	(2,367)
Excess of revenues over expenditures	350,000	263,909	(86,091)
<b>Other financing sources (uses):</b>			
Transfer out	(263,909)	(263,909)	-
Excess of revenues over expenditures and other financing uses	86,091	-	(86,091)
<b>Fund balances, July 1</b>	-	-	-
<b>Fund balances, June 30</b>	\$ 86,091	\$ -	\$ (86,091)



CITY OF GARDEN GROVE  
 BUENA-CLINTON PROJECT CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2002

Schedule D-17

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment earnings	\$ 20,000	\$ 6,550	\$ (13,450)
<b>Expenditures:</b>			
Capital outlay:			
Police	140,000	140,000	-
Community planning and development	396,524	38,455	358,069
Total expenditures	536,524	178,455	358,069
Excess (deficiency) of revenues over (under) expenditures	(516,524)	(171,905)	344,619
<b>Other financing sources:</b>			
Transfers in	263,909	263,909	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(252,615)	92,004	344,619
<b>Fund balances, July 1</b>	195,523	195,523	-
<b>Fund balances, June 30</b>	\$ (57,092)	\$ 287,527	\$ 344,619

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Expenditures:</b>			
Capital outlay:			
Community planning and development	\$ 2,402,088	\$ 1,744,020	\$ 658,068
Debt Service:			
Debt issuance costs	\$ -	658,068	(658,068)
Total expenditures	<u>2,402,088</u>	<u>2,402,088</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(2,402,088)	(2,402,088)	-
<b>Other financing sources:</b>			
Transfers in	<u>2,411,188</u>	<u>2,411,188</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	9,100	9,100	-
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u>\$ -</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 department 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.

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CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2002

	<u>Worker's Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Information Systems</u>
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 7,602,171	\$ 4,482,735	\$ 15,729,356	\$ 1,568,772
Accounts receivable	46,875	70,731	456,044	-
Interest receivable	116,894	-	-	14,800
Due from other funds	4,717,446	-	-	-
Inventory	-	33,248	-	-
Deposits	-	-	33,270	-
Total current assets	<u>12,483,386</u>	<u>4,586,714</u>	<u>16,218,670</u>	<u>1,583,572</u>
Noncurrent assets:				
Capital assets				
Depreciable buildings, property, and equipment, net	71,727	5,840,849	-	237,920
Total noncurrent assets	<u>71,727</u>	<u>5,840,849</u>	<u>-</u>	<u>237,920</u>
Total assets	<u>\$ 12,555,113</u>	<u>\$ 10,427,563</u>	<u>\$ 16,218,670</u>	<u>\$ 1,821,492</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 32,152	\$ 131,053	\$ 438,346	\$ 8,435
Accrued compensated absences	-	-	4,544,316	-
Other accrued liabilities	7,360	12,972	150,655	9,764
Claims payable	11,849,861	-	-	-
Total liabilities	<u>11,889,373</u>	<u>144,025</u>	<u>5,133,317</u>	<u>18,199</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	71,727	5,840,849	-	237,920
Unrestricted	<u>594,013</u>	<u>4,442,689</u>	<u>11,085,353</u>	<u>1,565,373</u>
Total net assets	<u>\$ 665,740</u>	<u>\$ 10,283,538</u>	<u>\$ 11,085,353</u>	<u>\$ 1,803,293</u>

<u>Warehouse Operations</u>	<u>Telephone System</u>	<u>Risk Management</u>	<u>Totals</u>
\$ 314,767	\$ 1,119,906	\$ 19,080,323	\$ 49,898,030
-	-	-	573,650
-	-	184,291	315,985
-	-	-	4,717,446
229,145	-	-	262,393
-	-	268,479	301,749
<u>543,912</u>	<u>1,119,906</u>	<u>19,533,093</u>	<u>56,069,253</u>
-	51,201	-	6,201,697
-	51,201	-	6,201,697
<u>\$ 543,912</u>	<u>\$ 1,171,107</u>	<u>\$ 19,533,093</u>	<u>\$ 62,270,950</u>
\$ 65,817	\$ 84,456	\$ 29,806	\$ 790,065
-	-	-	4,544,316
1,924	778	2,432	185,885
-	-	8,095,343	19,945,204
<u>67,741</u>	<u>85,234</u>	<u>8,127,581</u>	<u>25,465,470</u>
-	51,201	-	6,201,697
<u>476,171</u>	<u>1,034,672</u>	<u>11,405,512</u>	<u>30,603,783</u>
<u>\$ 476,171</u>	<u>\$ 1,085,873</u>	<u>\$ 11,405,512</u>	<u>\$ 36,805,480</u>

**CITY OF GARDEN GROVE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Worker's Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Information Systems</u>
<b>Operating revenues:</b>				
Charges for services	\$ 2,839,435	\$ 3,154,985	\$ 13,449,326	\$ 1,111,914
<b>Operating expenses:</b>				
Salaries and wages	451,725	686,946	10,174,675	615,425
Contractual services	256,437	776,711	515,108	115,865
Liability claims	2,967,372	-	-	-
Materials and supplies	869	927,740	157,582	89,074
Depreciation	10,099	921,114	-	59,755
Total operating expenses	3,686,502	3,312,511	10,847,365	880,119
Operating income (loss)	(847,067)	(157,526)	2,601,961	231,795
<b>Nonoperating revenues (expenses):</b>				
Investment income	410,684	-	-	49,962
Proceeds from disposal of assets	-	45,917	-	-
Loss on disposal of assets	(6,460)	(20,020)	-	(63,655)
Other nonoperating revenues	-	43,837	-	-
Replacement contributions	-	501,455	-	-
Total nonoperating revenues (expenses)	404,224	571,189	-	(13,693)
Income (loss) before contributions and transfers	(442,843)	413,663	2,601,961	218,102
Operating transfer out	-	-	-	-
Changes in net assets	(442,843)	413,663	2,601,961	218,102
Total net assets, July 1	1,108,583	9,869,875	8,483,392	1,585,191
Total net assets, June 30	\$ 665,740	\$ 10,283,538	\$ 11,085,353	\$ 1,803,293



Warehouse Operations	Telephone System	Risk Management	Totals
\$ 144,793	\$ 844,426	\$ 1,943,129	\$ 23,488,008
78,304	44,821	128,758	12,180,654
14,075	442,128	618,290	2,738,614
-	-	1,347,922	4,315,294
1,717	-	485	1,177,467
-	43,927	-	1,034,895
94,096	530,876	2,095,455	21,446,924
50,697	313,550	(152,326)	2,041,084
-	-	648,213	1,108,859
232	-	-	46,149
-	-	-	(90,135)
-	-	-	43,837
-	-	-	501,455
232	-	648,213	1,610,165
50,929	313,550	495,887	3,651,249
-	-	(100,000)	(100,000)
50,929	313,550	395,887	3,551,249
425,242	772,323	11,009,625	33,254,231
\$ 476,171	\$ 1,085,873	\$ 11,405,512	\$ 36,805,480

CITY OF GARDEN GROVE  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2002

	Worker's Compensation	Fleet Management	Employee Benefits	Information Systems
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,801,791	\$ 3,175,634	\$ 13,799,840	\$ 1,112,932
Payments to suppliers	(1,556,981)	(1,726,529)	(5,331,632)	(241,268)
Payments to employees	(451,725)	(686,946)	(5,675,082)	(615,425)
Internal activity-payments to/from other funds	343,153	-	-	-
Net cash provided (used) by operating activities	<u>1,136,238</u>	<u>762,159</u>	<u>2,793,126</u>	<u>256,239</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Other receipts/payments	-	43,837	-	-
Operating subsidies and transfers to/from other funds	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>43,837</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	-	501,455	-	-
Purchases of capital assets	-	(1,200,428)	-	(68,467)
Proceeds from disposal of capital assets	-	45,917	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(653,056)</u>	<u>-</u>	<u>(68,467)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	410,684	-	-	49,962
Net cash provided by investing activities	<u>410,684</u>	<u>-</u>	<u>-</u>	<u>49,962</u>
Net increase (decrease) in cash and cash equivalents	1,546,922	152,940	2,793,126	237,734
Cash and cash equivalents, July 1	6,055,249	4,329,795	12,936,230	1,331,038
Cash and cash equivalents, June 30	<u>\$ 7,602,171</u>	<u>\$ 4,482,735</u>	<u>\$ 15,729,356</u>	<u>\$ 1,568,772</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (847,067)	\$ (157,526)	\$ 2,601,961	\$ 231,795
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	10,099	921,114	-	59,755
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(46,875)	20,650	350,514	-
Decrease in accrued interest receivable	9,231	-	-	1,018
Decrease in due to/from other funds	343,153	-	-	-
Decrease (increase) in inventory	-	7,125	-	-
(Increase) in deposits	-	-	-	-
(Decrease) increase in accounts payable	(17,189)	(17,119)	(61,580)	(23,036)
(Decrease) in accrued compensated absences	-	-	(83,836)	-
(Decrease) in other accrued liabilities	(3,463)	(12,085)	(13,933)	(13,293)
Increase in claims payable	1,688,349	-	-	-
Total adjustments	<u>1,983,305</u>	<u>919,685</u>	<u>191,165</u>	<u>24,444</u>
Net cash provided by operating activities	<u>\$ 1,136,238</u>	<u>\$ 762,159</u>	<u>\$ 2,793,126</u>	<u>\$ 256,239</u>

Warehouse Operations	Telephone System	Risk Management	Totals
\$ 144,793	\$ 844,426	\$ 1,835,397	\$ 23,714,813
(21,076)	(393,745)	(986,180)	(10,257,411)
(78,304)	(44,821)	(128,758)	(7,681,061)
-	-	-	343,153
<u>45,413</u>	<u>405,860</u>	<u>720,459</u>	<u>6,119,494</u>
-	-	-	43,837
-	-	(100,000)	(100,000)
-	-	(100,000)	(56,163)
-	-	-	501,455
-	-	-	(1,268,895)
232	-	-	46,149
<u>232</u>	<u>-</u>	<u>-</u>	<u>(721,291)</u>
-	-	648,213	1,108,859
-	-	648,213	1,108,859
45,645	405,860	1,268,672	6,450,899
269,122	714,046	17,811,651	43,447,131
<u>\$ 314,767</u>	<u>\$ 1,119,906</u>	<u>\$ 19,080,323</u>	<u>\$ 49,898,030</u>
<u>\$ 50,697</u>	<u>\$ 313,550</u>	<u>\$ (152,326)</u>	<u>2,041,084</u>
-	43,927	-	1,034,895
-	-	-	324,289
-	-	21,770	32,019
-	-	-	343,153
(45,728)	-	-	(38,603)
-	-	(129,502)	(129,502)
41,846	49,306	23,023	(4,749)
-	-	-	(83,836)
(1,402)	(923)	(2,514)	(47,613)
-	-	960,008	2,648,357
<u>(5,284)</u>	<u>92,310</u>	<u>872,785</u>	<u>4,078,410</u>
<u>\$ 45,413</u>	<u>\$ 405,860</u>	<u>\$ 720,459</u>	<u>\$ 6,119,494</u>

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STATISTICAL  
SECTION

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**CITY OF GARDEN GROVE  
GOVERNMENT-WIDE EXPENSES BY PROGRAM  
CURRENT FISCAL YEAR**

Fiscal Year	Fire	Police	Traffic Safety	Public Right of Way	Drainage	Community Buildings
2002	\$ 12,497,835	\$ 27,709,082	\$ 3,051,324	\$ 11,816,854	\$ 1,297,730	\$ 2,750,148

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

Source: City Finance Department

<b>Community Services</b>	<b>Parks and Greenbelts</b>	<b>Community Planning and Development</b>	<b>Municipal Support</b>	<b>Debt Service</b>	<b>Total</b>
\$ 6,657,285	\$ 1,214,941	\$ 28,643,464	\$ 4,732,496	\$ 5,231,632	\$105,602,789



CITY OF GARDEN GROVE  
 GOVERNMENT-WIDE REVENUE BY SOURCE  
 CURRENT YEAR

Exhibit B

Fiscal Year	Program Revenue			General Revenue			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Misc.	
2002	\$ 9,686,819	\$ 34,307,464	\$ 866,888	\$ 59,178,753	\$ 2,798,827	\$973,133	\$ 107,811,884

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

Source: City Finance Department

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

Exhibit C

Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeits and Penalties	Investment Earnings	Charges for Current Services	From Other Agencies	Other	Total
1993	\$ 39,471,578	\$ 495,320	\$ 1,210,145	\$ 2,731,176	\$ 8,512,910	\$ 18,150,481	\$ 1,624,513	\$ 72,196,123
1994	38,924,211	541,624	978,646	3,906,016	8,862,616	19,910,005	1,110,919	74,234,037
1995	38,663,096	513,759	940,834	4,314,946	8,517,319	21,752,085	1,641,387	76,343,426
1996	40,048,758	559,885	713,406	3,817,567	8,968,904	23,047,823	8,454,947	85,611,290
1997	40,883,962	631,604	708,349	4,158,539	9,935,681	27,241,397	6,166,290	89,725,822
1998	41,638,248	845,235	778,585	4,696,853	10,086,122	22,886,767	9,075,753	90,007,563
1999	45,498,928	1,246,309	1,485,615	3,680,285	10,521,186	22,628,126	5,485,539	90,545,988
2000	50,638,702	1,529,432	1,475,528	4,034,092	11,433,428	27,714,561	5,059,530	101,885,273
2001	54,814,471	1,264,250	1,359,830	5,254,884	10,922,997	29,889,400	4,761,674	108,267,506
2002	59,469,508	938,059	1,501,798	3,414,633	10,191,911	32,405,788	3,126,882	111,048,579

*NOTE: Includes general, special revenue, debt service, and capital projects funds*  
*SOURCE: City Finance Department*

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

<b>Fiscal Year</b>	<b>Fire</b>	<b>Police</b>	<b>Traffic Safety</b>	<b>Public Right of Way</b>	<b>Drainage</b>	<b>Community Buildings</b>
1993	\$ 9,119,139	\$ 19,700,984	\$ 1,999,927	\$ 7,561,582	\$ 487,098	\$ 1,760,908
1994	9,155,042	18,995,741	1,930,744	7,140,811	479,447	1,669,211
1995	9,178,778	19,847,742	1,984,856	13,090,184	1,655,460	4,200,049
1996	9,656,627	20,664,243	2,645,307	9,410,289	1,770,657	4,704,578
1997	9,539,889	22,148,062	2,707,193	8,527,186	608,719	1,921,470
1998	10,090,274	21,997,802	2,175,666	7,083,555	663,018	2,279,786
1999	10,045,706	23,536,643	2,776,520	5,924,733	2,157,947	1,979,080
2000	10,972,200	25,417,845	4,130,579	6,662,996	487,205	2,256,119
2001	12,277,714	29,123,723	4,336,705	6,580,799	1,494,302	2,164,620
2002	12,973,832	28,154,170	3,607,366	8,600,980	790,298	3,067,612

*Note: Includes General, Special Revenue, Debt Service, and Capital Projects Funds*

*Source: City Finance Department*

Community Services	Parks and Greenbelts	Community Planning and Development	Municipal Support	Debt Service	Total
\$ 2,230,675	\$ 1,227,253	\$ 20,655,782	\$ 3,898,207	\$ 4,169,089	\$ 72,810,644
2,470,709	1,305,719	23,164,416	3,987,295	4,212,120	74,511,255
2,595,091	1,601,864	19,930,562	4,374,825	5,122,050	83,581,461
2,841,598	1,298,804	30,313,735	4,176,149	5,481,426	92,963,413
2,690,035	1,217,777	40,811,965	4,299,529	8,440,628	102,912,453
3,161,986	1,232,938	44,184,873	4,578,430	8,181,416	105,629,744
3,515,957	1,586,564	38,732,103	4,672,808	9,578,191	104,506,252
4,078,624	1,400,354	38,020,506	5,000,081	8,219,956	106,646,465
6,070,907	1,592,357	30,929,858	4,740,089	8,227,285	107,538,359
7,184,902	1,519,959	32,099,102	4,918,667	9,199,900	112,116,788

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

Exhibit E

<b>Fiscal Year</b>	<b>Sales Tax</b>	<b>Property Tax</b>	<b>Franchise Tax</b>	<b>Business Operation Tax</b>	<b>Transient Occupancy Tax</b>	<b>Motor Vehicle Tax</b>	<b>Total</b>
1993	\$ 11,409,904	\$ 8,273,801	\$ 1,471,058	\$ 1,429,062	\$ 1,341,351	\$ 5,198,229	\$ 31,893,816
1994	11,164,171	7,422,772	1,432,729	1,465,360	1,360,045	5,268,695	28,113,772
1995	11,151,942	7,193,444	1,457,733	1,536,740	1,295,716	5,306,062	27,941,637
1996	13,405,748	7,155,395	1,478,198	1,586,350	1,481,183	5,688,838	30,795,712
1997	13,082,199	7,195,919	1,569,983	1,581,671	1,586,113	5,961,120	30,977,005
1998	13,841,148	7,283,232	1,561,920	1,583,041	1,687,513	6,435,651	32,392,505
1999	14,386,085	7,532,937	1,563,861	1,600,891	1,453,801	6,810,491	33,348,066
2000	15,623,656	8,154,089	1,593,190	1,758,435	1,907,023	7,572,377	36,608,770
2001	17,187,756	8,697,891	1,711,813	1,934,418	3,221,941	8,428,185	41,182,004
2002	17,099,202	9,278,777	1,912,931	2,164,240	4,280,764	9,353,926	44,089,840

*SOURCE: City Finance Department*

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

Exhibit F

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
1993	0.025	\$ 8,562,861	\$ 7,841,371	91.6%	\$ 360,191	\$ 8,201,562	95.8%	\$ 435,642	5.1%
1994	0.025	7,422,786	6,955,760	93.7	390,350	7,346,110	98.9	272,199	3.7%
1995	0.025	7,482,224	6,900,068	92.3	293,376	7,193,444	96.1	265,742	3.6%
1996	0.025	7,330,476	6,751,782	92.1	369,698	7,121,480	97.1	173,309	2.4%
1997	0.025	7,097,406	6,698,543	94.3	317,589	7,016,132	98.9	145,099	2.0%
1998	0.0025	7,347,609	7,084,765	96.4	235,421	7,320,186	99.6	150,644	2.0%
1999	0.0025	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0%
2000	0.0025	8,160,303	7,848,774	96.1	161,248	8,010,022	98.1	152,600	1.8%
2001	0.0025	8,763,177	8,347,008	95.2	141,683	8,488,691	96.9	23,438	0.2%
2002	0.0025	9,417,226	9,117,315	96.8	161,462	9,278,777	98.5	38,584	0.4%

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

Source: Orange County Property Tax Ledger  
City Finance Department

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

Exhibit G

Fiscal Year	Secured Property	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase (Decrease)
1993	\$ 4,635,566,466	\$ 318,661,996	\$ 4,954,228,462	\$ 4,954,228,462	6.4%
1994	4,647,032,626	241,198,303	4,888,230,929	4,888,230,929	(1.4)
1995	4,650,058,496	247,975,774	4,898,034,270	4,898,034,270	-
1996	4,596,713,371	237,419,608	4,834,132,979	4,834,132,979	(1.3)
1997	4,569,482,092	234,999,187	4,804,481,279	4,804,481,279	(0.6)
1998	4,626,552,656	246,003,468	4,872,556,124	4,872,556,124	0.4
1999	4,784,032,451	253,572,578	5,037,605,029	5,037,605,029	0.9
2000	5,066,585,221	275,398,024	5,341,983,245	5,341,983,245	6.2
2001	5,485,695,051	286,423,071	5,772,118,122	5,772,118,122	8.1
2002	5,858,899,378	328,906,652	6,187,806,030	6,187,806,030	7.2

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

*Excludes Redevelopment Increment Valuations*

*Source: Orange County Assessor's Office*

CITY OF GARDEN GROVE  
 PRINCIPAL TAXPAYERS  
 JUNE 30, 2002

Exhibit H

Taxpayer	Type of Business	2002 Total Assessed Valuation	Percent of Total Assessed Valuation
Atrium Plaza	Property Management/Hotel	\$ 48,273,737	.64%
Landmark Hospitality, LLC	Property Management/Hotel	37,098,087	.50%
OHI Resort Hotels	Property Management/Hotel	30,025,621	.40%
American Medical	Medical Center/Hospital	28,584,679	.38%
Air Industries	Manufacturing/Air Craft Fasteners	19,658,774	.27%
Kaiser Foundation	Medical Center/Hospital	19,144,602	.26%
Linfinit Microelectronics	Mfg. Linear Integrated Circuits	18,131,314	.24%
Graphic Packaging Corp	Mfg. Packaging Materials	15,988,960	.21%
Choe Winston	General Merchandise/Retail	14,599,308	.19%
Sunbelt Stores	Retail Stores	<u>12,436,307</u>	.17%
Total		<u><u>\$ 243,941,389</u></u>	3.26%

Source: Orange County Assessor's File  
 City Business Tax File



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

Exhibit I

<b>Fiscal Year</b>	<b>City General</b>	<b>City Paramedic</b>	<b>Metropolitan Water District</b>	<b>Orange County</b>	<b>Sanitation and Water</b>	<b>School Services</b>	<b>Other</b>	<b>Total</b>
1993	N/A	0.02500	0.00890	0.00010	0.00070	0.00100	1.00010	1.03580
1994	N/A	0.02500	0.00890	-	0.00070	-	1.00010	1.03470
1995	N/A	0.02500	0.00890	-	0.00040	-	1.00010	1.03440
1996	N/A	0.02500	0.00890	0.00012	-	-	1.00000	1.03402
1997	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
1998	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
1999	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
2000	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
2001	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
2002	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390

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

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

Source: Orange County Tax Rates Book

**CITY OF GARDEN GROVE  
DIRECT AND OVERLAPPING BONDS AND DEBT  
JUNE 30, 2002**

Exhibit J

2001-02 Assessed Valuation: \$7,481,490,376  
 Redevelopment Incremental Valuation: 1,293,684,346  
 Adjusted Assessed Valuation: \$6,187,806,030

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/02</u>
Orange County Teeter Plan Obligations	2.762%	\$ 3,436,619
Metropolitan Water District	0.584	2,937,958
North Orange County Joint Community College District	2.772	3,853,080
Anaheim Union High School District	0.075	69,000
Magnolia School District	0.251	24,322
City of Garden Grove 1915 Act Bonds	100.	<u>420,000</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$10,740,979</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Orange County General Fund Obligations	2.762%	\$28,058,854
Orange County Pension Obligations	2.762	3,717,997
Orange County Board of Education Certificates of Participation	2.762	552,400
Orange County Transit Authority	2.762	218,336
Orange County Water District Certificates of Participation	4.740	10,153,080
Municipal Water District of Orange County Water Facilities Corporation	4.144	2,225,121
Coast Community College District Certificates of Participation	5.979	915,385
Orange Unified School District Certificates of Participation	1.239	137,715
Anaheim Union High School District Certificates of Participation	0.075	20,250
Huntington Beach Union High School District Certificates of Participation	1.410	2,679
<b>City of Garden Grove General Fund Obligations</b>	<b>100.</b>	<b>38,236,992 (1)</b>
Orange County Sanitation District No. 2 Certificates of Participation	5.749	3,525,115
Orange County Sanitation District No. 3 Certificates of Participation	10.541	<u>5,477,292</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$93,241,216</b>
Less: Orange County Transit Authority (80% self-supporting)		174,669
Orange County Water District Certificates of Participation (100% self-supporting)		10,153,080
MWDOC Water Facilities Corporation (100% self-supporting)		<u>2,225,121</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$80,688,346</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$103,982,195 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$91,429,325</b>

- (1) Excludes certificates of participation to be sold.  
 (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2001-02 Assessed Valuation:  
 Total Overlapping Tax and Assessment Debt.....0.14%

Ratios to Adjusted Assessed Valuation:  
**Combined Direct Debt (\$38,236,992).....0.62%**  
 Gross Combined Total Debt .....1.68%  
 Net Combined Total Debt.....1.48%

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

CITY OF GARDEN  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2002

Exhibit K

Assessed Valuation		\$ 6,187,806,030
Debt Limit: 3.75% os Assessed Value		\$ 232,042,726
Amount of debt applicable to debt limit:		
Total bonded debt	\$ -	
Other Debt	\$ -	
	<hr/>	
Less: Net assets in Debt Service Fund	\$ -	
	<hr/>	
Total amount of debt applicable to debt limit		\$ -
		<hr/>
LEGAL DEBT MARGIN		<u>\$ 232,042,726</u>

Source: City Finance Department

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

Exhibit L

Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1993	\$ 11,524,104	\$ 9,351,662	\$ 2,172,442	\$ 205,000	\$ 64,032	\$ 269,032	8.08%
1994	13,139,429	9,955,801	3,183,628	75,000	516,336	591,336	5.38%
1995	14,959,267	10,988,077	3,971,190	335,000	1,033,722	1,368,722	2.90%
1996	15,670,573	10,907,207	4,763,366	355,000	1,012,633	1,367,633	3.48%
1997	15,908,822	11,436,272	4,472,550	370,000	999,390	1,369,390	3.27%
1998	14,719,830	10,951,209	3,768,621	380,000	984,760	1,364,760	2.76%
1999	16,308,273	12,038,484	4,269,789	395,000	968,865	1,363,865	3.13%
2000	16,179,483	10,841,624	5,337,859	415,000	951,751	1,366,751	3.90%
2001	15,562,254	12,946,455	2,615,799	430,000	1,038,377	1,468,377	1.78%
2002	16,590,462	13,495,314	3,095,148	450,000	913,458	1,363,458	2.27%

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

Source: City Finance Department

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

Exhibit M

Fiscal Year	Property Value (Secured)	Construction				Bank Deposits (in thousands)
		Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change	
1993	\$ 4,635,566,466	2,817	4.0%	\$27,533,020	-6.0%	\$ 1,359,674
1994	4,647,032,626	2,860	2.0%	32,715,644	19.0%	1,461,622
1995	4,650,058,496	2,495	-13.0%	23,466,959	-28.0%	1,406,779
1996	4,596,713,371	3,753	50.0%	33,475,078	41.0%	1,482,368
1997	4,569,482,092	2,311	-38.0%	31,400,077	-6.0%	1,295,235
1998	4,626,552,656	2,391	3.0%	47,388,975	51.0%	1,304,042
1999	4,784,032,451	2,411	0.4%	94,475,067	99.4%	1,323,390
2000	5,066,585,221	2,374	-2.0%	186,860,874	97.8%	1,353,756
2001	5,485,695,051	2,674	12.6%	117,084,284	-37.3%	1,433,664
2002	5,713,806,762	2,439	-8.7%	59,230,589	-49.4%	N/A

*Sources: Orange County Assessor's Office  
City Community Development Department  
Market Profile Analysis, Donnelley Marketing Information Services*

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

**Exhibit N**

<b>Fiscal Year</b>	<b>Population</b>	<b>Median Age of Population</b>	<b>Median Family Income</b>	<b>Unemployment Rate</b>	<b>School Enrollment</b>
1993	149,700	30.5	43,504	6.6	41,664
1994	151,800	30.5	43,530	5.9	42,423
1995	153,824	30.5	44,406	5.5	43,413
1996	151,376	30.5	44,406	4.9	44,661
1997	152,041	30.5	45,685	4.4	45,776
1998	154,398	30.5	47,703	3.8	46,916
1999	156,534	30.5	50,782	3.7	48,031
2000	158,332	30.5	52,733	2.9	48,742
2001	169,212	32.3	56,960	3.9	49,411
2002	169,212	32.3	N/A	5.3	50,066

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

**CITY OF GARDEN GROVE  
INSURANCE IN FORCE  
JUNE 30, 2002**

Exhibit O

TYPE COVERAGE	INSURANCE COMPANY	POLICY TERM	ANNUAL PREMIUM	POLICY LIMITS
Property	Public Entity Property Insurance Program (PEPIP) Various Companies	5/15/02-5/15/03	\$294,744	\$500,000,000 per occurrence \$13,500,000 per occurrence and annual aggregate as respects to earthquake and flood  Deductibles: 10% Earthquake Class "C" Bldgs 5% All Other Bldgs \$100,000 minimum \$5,000 AOP \$25,000 Flood
Boiler and Machinery	Public Entity Boiler and Machinery Program (PEPIP) CNA Insurance Company BM1098569140	5/15/02-5/15/03	\$7,322	\$50,000,000 Various deductibles
California Municipal Excess Workers Compensation Program (CAMEX)	Employers Reinsurance Corporation NXCO15533400	7/1/01-7/1/02	\$56,676	Statutory Workers Compensation \$5,000,000 Employers Liability \$350,000 SIR per occurrence
Employee Dishonesty Bond including Faithful Performance and Computer Fraud	Hartford Insurance Company 72BPEBQ8642 (Deductible buy-down)  National Union Fire Insurance Company of Pittsburgh, PA. 214-31-48 (\$1,000,000 blanket)  Great American Insurance Company GVT357-06-03-01 (Excess of \$1, 00,000)	4/1/02-4/1/03	\$5,970	\$5,000,000 \$2,500 deductible
Calif Municipal Excess Liability (CAMEL) Program	Speciality National Insurance Company 3XZ12077101	7/1/01-7/1/02	\$ 71,165	\$10,000,000 per occurrence \$2,000,000 SIR per occurrence

Source: City Finance Department

CITY OF GARDEN GROVE  
MISCELLANEOUS STATISTICAL INFORMATION

Exhibit P

Incorporation	.....	June 18, 1956
Population	.....	169,212
Land Area	.....	17.9 square miles
Type of City	.....	General Law
Form of Government	.....	Council-Manager
Streets	.....	288 miles
Parks	.....	185 acres: over 22 sites
Water Systems	.....	10.3 billion gallons used per year

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

*Source: City Finance Department*



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