

**CITY OF GARDEN GROVE
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**



JULY 1, 2002 – JUNE 30, 2003

**CITY OF GARDEN GROVE
COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

**For the fiscal year ended
June 30, 2003**

Prepared by:

DEPARTMENT OF FINANCE

**Anthony J. Andrade
Finance Director**



CITY OF GARDEN GROVE
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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, 2003

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, 2003. 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 169,911; it is the fourth largest City in Orange County and the twenty-first largest in the State of California. Despite the City's comparatively large size, it is a relatively young community, having been incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as suburban development moved from Los Angeles County to Orange County. In the 1970's, the initial construction boom was completed and redevelopment was actively pursued and the efforts continued in the 1980's, 1990's, and 2000's. There has been significant benefit from quality construction projects and an improved economic base as the results of these activities.

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

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

A key element of the City's financial management process is the development and approval of the annual budget. Section 2.08.150 of the Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed annual budget and salary plan to the City Council for approval. The City Council conducts various budget public work sessions as necessary and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting procedures (GAAP) and is balanced by fund. The level of appropriations 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 was fortunate to continue its economic expansion into its eighth consecutive year. While parts of the state were still being impacted by the effects of the recession, Garden Grove was able to achieve moderate growth. The economic gains, however, were modest overall, with certain factors relating to real estate performing very well, while others, such as unemployment performing more unfavorably and partially offsetting the strong areas. In general, the growth appeared to be at its strongest in the latter part of the year.

One of the primary reasons for the City's economic growth has been the result of community redevelopment activities and a strong regional market for all types of community development. This has had a profound effect on the City's economic base which is focused on retail sales and tourism. These effects have been augmented by strong growth in property taxes from rising property values and a strong residential resale market. The City is stimulating this market with improvements to infrastructure, code enforcement, pro-active public safety services and community promotion programs.

In the next several years, one of the major challenges is going to be addressing the potential impact of revenue reductions and transfers away from the local governments to the benefit of the State of California. While the future impact of these reductions is not known at this time, its potential could be significant. The City's motor vehicle license fee revenue, which is approximately \$10,000,000 per year, is one of the key revenues which could be effected. If the State of California reduces the vehicle tax rate by 67% and does not provide a revenue backfill, the City could lose \$6,700,000 per year. Another area of concern is the transfer of municipal property taxes from the cities in California to the Educational Revenue Augmentation Fund (ERAF). This fund is used by the State to provide additional resources to the schools and reduce the State's burden for school financing. In addition, each City in California has concerns about the State's inability to fund its "State Mandated Cost Reimbursement". At present, the City is owed more than \$200,000 for unfunded mandates and it is expected to increase another \$200,000 in the current year.

Except for the uncertainty relating to the State's budget process for the next several years, the outlook for the City's revenues looks favorable with steady growth in sales tax, property tax and transient occupancy taxes. In the longer term economic growth will be provided from community development and redevelopment activities. Garden Grove will continue to take advantage of its strategic location in North-Central Orange County near major tourist attractions, convention facilities and its close proximity to major employment opportunities. The trend toward improving efficiency in operations by using the latest computer hardware and software will continue. New systems, such as the new geographical information system, will provide much greater availability of location information for the City's law enforcement, public works, water and sewer utilities and

community development activities. The City will intensify its efforts to develop cooperative ventures with other public agencies and the private sector in its efforts to control and reduce the costs of services. Compliance with new rules, regulations and procedures has always been the highest priority in the past and will continue to be in the future. At the present time, the City is working on implementation of new water quality, sewer and storm drain regulations which are going into effect.

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 2.3 percent on its portfolio investments which resulted in an interest income of \$2,701,194. Interest revenue decreased from the previous year because of a decline in the prevailing interest rates. The portfolio rate declined from 3.5 percent in the previous year to 2.3 percent in the current year. At year end, cash, deposits and investments included the following proportions of aggregate cash invested: United States Government Securities, 62 percent; Local Agency Investment Fund of the State of California, 32 percent; commercial paper, 6 percent. Cash Management investments continue to be managed by providing for the required level of security and liquidity while providing for the highest level of yield available within the City's Investment Policy Guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible.

Risk Management

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

To protect the City's real and personal property, commercial, all risk, earthquake and flood insurance is purchased at replacement value levels. A Commercial Crime policy is purchased to satisfy the honesty and fidelity bond requirements by the Municipal Code, 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 \$500,000 per occurrence retention level. Commercial excess workers compensation insurance is then carried to \$25,000,000 limits. All losses, including IBNR, were funded at the 90% confidence

level based upon actuarial studies completed biannually. Claims are administered by a third party administrator.

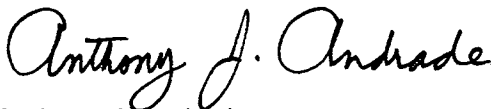
In the current year the program provided for an independent actuarial evaluation of the City's liability operations. The result of the study was to confirm that the 90 percent confidence level is being maintained for all City workers compensation liability funding.

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, 2002. 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, 2002.

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

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, 2002

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



President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Garden Grove



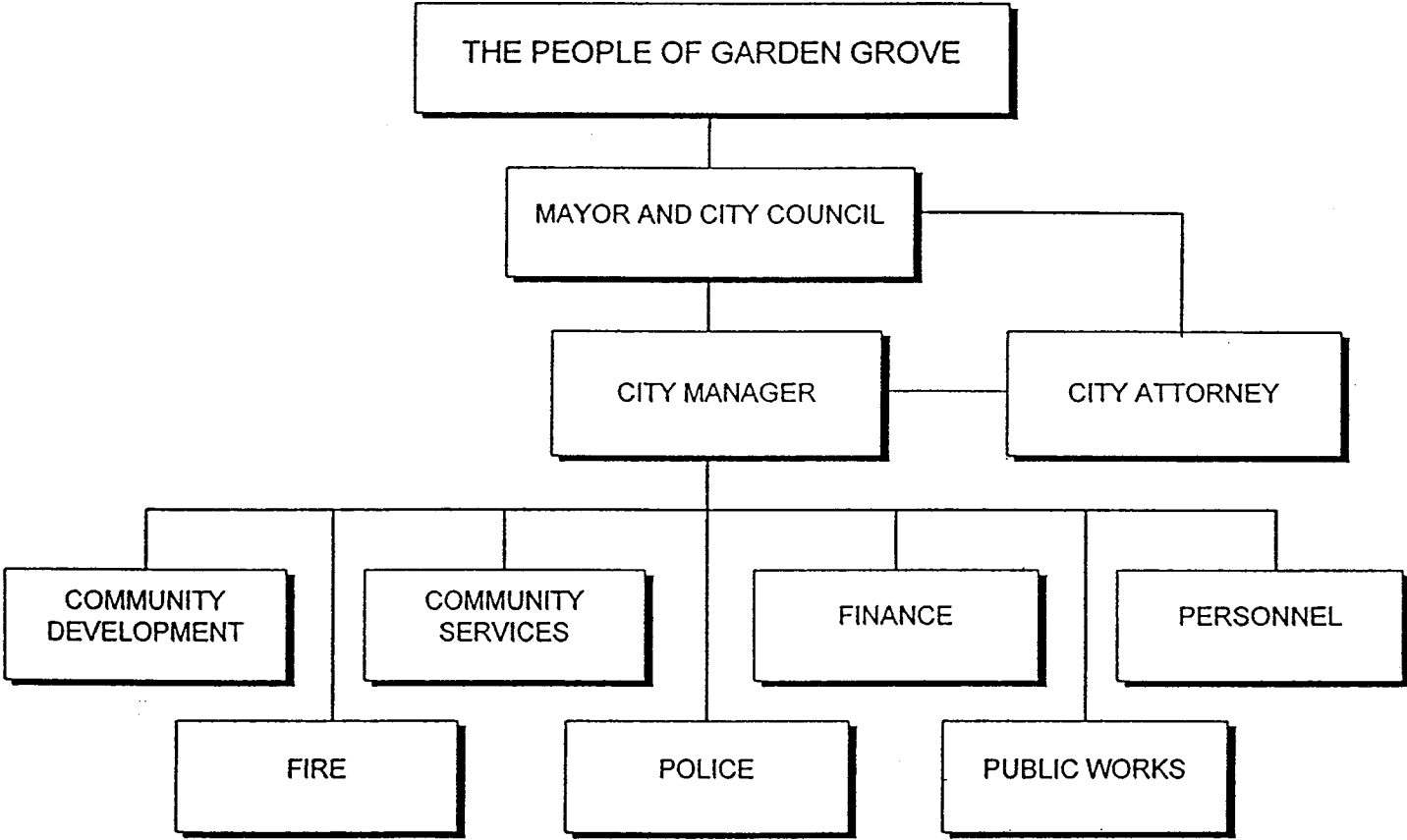
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2003

Bret M. Plimlee
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

Keith Osborn
Fire Chief

Steven A. Larson
Personnel Director

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FINANCIAL SECTION

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• HARVEY J. SCHROEDER, CPA
• A PROFESSIONAL CORPORATION

October 3, 2003

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, 2003, 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, 2003, 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.

- 1 -

OTHER OFFICES AT:

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613 W. VALLEY PARKWAY, SUITE 330
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In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2003 on our consideration of the City of Garden Grove's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information 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.

Diell, 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, 2003. 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 \$766.926 million. Of this amount, \$9.938 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 \$88.404 million, an increase of \$4.273 million in comparison with the prior year.
- The unreserved net deficit of \$94,846 consists of a surplus in the General fund (\$10.307 million) and the Special Revenue funds (\$5.648 million), which is offset by a deficit in the Community Development Capital Projects fund (\$16.050 million).
- The City of Garden Grove's total debt increased by \$6.8 million during the current fiscal year. The key factor in this increase was the acquisition of land, for development purposes, by the Agency for Community Development.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City of Garden Grove maintains 25 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 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all its 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 four different types of proprietary (enterprise) funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water utility, Sewage Collection, Solid Waste Disposal and Mobile Home Parks operations.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Garden Grove, assets exceeded liabilities by \$766.9 million at the close of the current fiscal year.

By far the largest portion of the City's net assets (95.1%) reflects its investment in capital assets (e.g., land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Garden Grove, Net Assets

(in millions)

	Government activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 202.4	\$ 193.2	\$ 22.5	\$ 23.8	\$ 224.9	\$ 217.0
Capital assets	677.5	282.2	86.4	85.3	763.9	367.5
Total Assets	879.9	475.4	108.9	109.1	988.8	584.5
Long-term liabilities outstanding	108.2	100.3	30.2	31.0	138.4	131.3
Other liabilities	66.0	69.0	17.5	17.8	83.5	86.8
Total liabilities	174.2	169.3	47.7	48.8	221.9	218.1
Net assets:	<u>\$ 705.7</u>	<u>\$ 306.1</u>	<u>\$ 61.2</u>	<u>\$ 60.3</u>	<u>\$ 766.9</u>	<u>\$ 366.4</u>
Invested in capital assets, net						
of related debt	\$ 673.3	\$ 277.8	\$ 56.2	\$ 54.3	\$ 729.5	\$ 332.1
Restricted	27.5	26.4	-	-	27.5	26.4
Unrestricted	4.9	1.9	5.0	6.0	9.9	7.9
Total net assets	<u>\$ 705.7</u>	<u>\$ 306.1</u>	<u>\$ 61.2</u>	<u>\$ 60.3</u>	<u>\$ 766.9</u>	<u>\$ 366.4</u>

An additional portion of the City's net assets, \$27.5 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$9.9 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. The same situation held true for the prior fiscal year.

The government's net assets actually increased by a total of \$400.5 million from the amount reported in the prior fiscal year. This increase was the result of an actual increase in net assets of \$9.286 million combined with net increases from restatements of the prior year balances of \$391.179 million. The major prior year restatement was a \$394.0 million addition to infrastructure land values. The land value was determined from a study of City land infrastructure completed during the current year but applicable to the June 30, 2002 asset values. There were other adjustments to land held for resale, accrued hotel rebate payments and deferred revenue totaling (\$ 2.821) million which reduced the beginning fund balance for the remainder of the difference.

The actual increase in current year net assets of \$9.286 million was primarily the result of revenue growth in governmental funds exceeding expenditure growth. Revenue growth was \$12.9 million, or 12 percent, whereas expenditure growth was only \$7.0 million or 6.5 percent. This result confirms the continuation of the City's moderate growth rate.

Governmental Activities. Governmental activities increased the City of Garden Grove's net assets by \$8.358 million, thereby accounting for 90.0 percent of the total growth in the net assets of the City of Garden Grove. Key elements of this increase are as follows:

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

	Government activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 10.9	\$ 9.7	\$ 27.2	\$ 26.7	\$ 38.1	\$ 36.4
Operating grants and contributions	37.4	34.4	0.4	0.6	37.8	35.0
Capital grants and contributions	4.6	0.9	0.3	0.2	4.9	1.1
General						
Sales taxes	17.9	17.1	-	-	17.9	17.1
Property taxes	26.0	24.4	-	-	26.0	24.4
Other taxes	20.1	17.7	-	-	20.1	17.7
Earning on investments	2.9	2.8	0.5	0.8	3.4	3.6
Other	1.0	0.9	-	-	1.0	0.9
Total revenues	120.8	107.9	28.4	28.3	149.2	136.2
Expenses:						
Fire	13.8	12.5	-	-	13.8	12.5
Police	28.2	27.7	-	-	28.2	27.7
Traffic safety	3.2	3.1	-	-	3.2	3.1
Public right of way	12.1	11.8	-	-	12.1	11.8
Drainage	1.4	1.3	-	-	1.4	1.3
Community buildings	2.4	2.8	-	-	2.4	2.8
Community services	5.0	6.7	-	-	5.0	6.7
Parks and greenbelts	1.6	1.2	-	-	1.6	1.2
Community planning and development	32.8	28.6	-	-	32.8	28.6
Municipal support	5.4	4.7	-	-	5.4	4.7
Long-term debt	6.4	5.2	-	-	6.4	5.2
Water Utility	-	-	17.7	16.9	17.7	16.9
Sewage Collection	-	-	2.2	2.4	2.2	2.4
Solid Waste Disposal	-	-	6.0	6.0	6.0	6.0
Mobile Home parks	-	-	1.5	1.3	1.5	1.3
Total expenses	112.3	105.6	27.4	26.6	139.7	106.9
Change in net assets before transfers	8.3	2.3	1.0	1.7	9.5	29.3
Transfers	0.1	0.4	(0.1)	(0.4)	-	-
Change in net assets	8.4	2.7	0.9	1.3	9.5	29.3
Net assets, July 1, as amended	697.3	303.4	60.3	59.0	757.6	362.4
Net assets, June 30	\$ 705.7	\$ 306.1	\$ 61.2	\$ 60.3	\$ 766.9	\$ 366.4

- Property taxes increased by \$1.6 million, primarily due to increased property valuations.
- Transient occupancy taxes increased by \$1.5 million. Seven new hotels have been constructed in the City during the past three years. All hotels became fully operational during the current fiscal year. An increase in the transient occupancy tax rate from 10 percent to 13 percent took effect in January 2003.

- Motor vehicle taxes increased by \$630,000 due primarily because of the strong motor vehicle sales market.
- Operating grants increased by \$3.0 million due to an increase in the City's Section 8 housing program.
- Capital grants increased by \$3.7 million as some of the City's large street projects entered into the major construction phase.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The large increase in expenditures under the Community planning and development in the amount of \$4.2 million was due primarily to land acquisition for development purposes in the Agency for Community Development project area.

Business-type activities.

Business-type activities increased the City of Garden Grove's net assets by \$928,254 accounting for 10.8% of the total growth in the government's net assets. Key elements in this increase are as follows:

In the Sewage Collection fund net assets increased by \$988,084 as revenues from sewer user fees and property assessments expanded slightly while expenditures for contractual services were reduced by approximately \$200,000. The decrease in expenditures was the result of a non-recurring cost in the previous fiscal year for a study of the sewage collection system's capital program needs for the long term and ways to finance them.

The Solid Waste Disposal fund provided a net asset increase of \$145,923 for the year. This increase, which was very similar to the previous year, reflects continuing stability and balance in financing the needs of solid waste operations in the community.

Mobile Home Parks fund added \$369,570 to the balance of net assets. Revenues were up \$64,977 from the previous year for an increase of 3.6 percent. The parks had a minimal vacancy factor of less than 2% therefore revenues continued to exceed expenditures.

The Water Utility fund showed a decline in revenue in spite of a water rate increase which went into effect in July 2002. This decline was due largely to the effects of water conservation. The increase only generated an additional \$182,716 in annual revenue and was not enough to offset an increase in water production costs. The decline in the Water Utility fund net assets of \$992,682 was offset to a significant degree with gains in the Sewage Collection fund, Solid Waste Disposal fund and Mobile Home Parks fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, the City of Garden Grove's governmental funds reported combined ending fund balances of \$88.404 million, an increase of \$4.273 million in comparison with the prior year. The unreserved net deficit of \$94,846 consists of a surplus in both the

General fund (\$10,307,138) and Special Revenue funds (\$5,648,782), with an offset by a deficit in the Community Development Capital Projects fund (\$16,050,766). The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows: 1) to liquidate contracts and purchase orders of the prior period (\$5.922 million), 2) to reserve out the cost of land held for resale (\$24.312 million), 3) to reserve out an amount to cover intercity loans receivable (\$30.958 million), 4) to pay debt service (17.879 million), 5) to fund prior period continuing projects (\$7.586 million), and 6) to reserve out a variety of other restricted purposes (\$1.840 million).

- **General fund.** The general fund is the chief operating fund of the City of Garden Grove. At the end of the current fiscal year, unreserved fund balance of the general fund was \$10.307 million, while total fund balance reached \$45.216 million.

The increase in the fund balance of the City of Garden Grove's general fund was due primarily to a reclassification of a previous reserve of intercity loan interest in the amount of \$896,000. When this reclassification is removed the general fund showed a modest increase of \$142,447 during the current fiscal year.

General fund loans to the Agency for Community Development were used by the City to expand the Harbor Boulevard redevelopment project. The amount loaned for development projects was \$7.5 million 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 \$3.8 million due to an 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.
- **2002 Capital Improvement Project debt service fund.** The 2002 Capital Improvement debt service fund provides an accounting of the resources provided by the issuance of the Certificates of Participation, Series A in 2002. The total reduction in fund balance for the current year was \$7.54 million to a balance of \$13.1 million at year end. The current year transfers were used to provide funding for acquisition of land and capital improvements in the Harbor Corridor development area of the City by the Community Project capital projects fund.
- **Community Project capital projects fund.** The Community Project capital projects fund provides an accounting for the City's redevelopment projects within the "Community Project Area". The agency is currently involved in the acquisition of land and capital improvements in the Harbor Corridor development area of the City. These acquisitions and improvements have been funded by proceeds of long term debt and intercity loans, which have had the effect of increasing the unreserved portion of the fund balance to a deficit of \$16.050 million. The total fund balance in the current year increased to a deficit of \$696,681 from a deficit of \$691,147 in the previous year. The reserved balance increased by \$7,183 million due primarily to an increase in the land held for resale.
- **Low Income Housing capital projects fund.** The Low Income Housing capital projects fund accounts for the proceeds of the 20% set-aside of tax increment revenues for the City's redevelopment Agency. The reserved fund balance increased by \$6.312 million.

Increased reserves for land held for resale absorbed the majority of the reserved fund balance increase.

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

Unrestricted net assets of the Water Utility fund at the end of the year amounted to a deficit of (\$3.922 million), for the Sewage Collection fund \$5.072 million, the Solid Waste Disposal fund \$231,376 and for the Mobile Home Parks fund a deficit of (\$9.954 million). The total growth for all funds was \$928,254. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Garden Grove business-type activities.

MAJOR FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND LONG TERM DEBT

Capital assets. The City of Garden Grove's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$763.926 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. In fiscal year ended June 30, 2002 all infrastructure and capital assets were reported except for land. The estimated value of converted street land was added this year in the total amount of \$394.000 million and added to the beginning balance.

City of Garden Grove, Capital Assets
(in millions)

	Government activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 404.4	\$ 11.0	\$ 12.5	\$ 12.1	416.9	23.1
Construction in progress	0.2	0.7			0.2	0.7
Infrastructure	244.0	245.1	73.7	73.1	317.7	318.2
Buildings and structures	15.5	12.0			15.5	12.0
Machinery and equipment	13.4	13.4	0.1	0.1	13.5	13.5
	<u>\$ 677.5</u>	<u>\$ 282.2</u>	<u>\$ 86.3</u>	<u>\$ 85.3</u>	<u>\$ 763.8</u>	<u>\$ 367.5</u>

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

- A variety of street widening and expansion projects including storm drain reconstruction for existing streets continued at a cost of \$7.481 million.
- Sewer mains and manhole replacements at a cost of \$600,798.
- Water system capitalization improvements including, mains, meters and hydrants at a cost of \$2.554 million.
- Major building improvements were completed on the energy retrofit project at a cost of \$2.501 million.

Additional information on the City of Garden Grove's capital assets can be found in note 7. on pages 52-53 of this report.

Long term debt. At the end of the current fiscal year, the City of Garden Grove had total debt outstanding of \$133.3 million. There are no general obligation bonds for the City.

The City's total debt increased by \$6.833 million during the current fiscal year. The key factors in this increase was the purchase of land for development purposes by the Agency for Community Development.

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 \$245.253 million. There is no general obligation bonds for the City.

City of Garden Grove, Outstanding Debt
(in millions)

	Government activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Tax allocation bonds	\$ 52.3	\$ 53.6	\$ -	\$ -	\$ 52.3	\$ 53.6
Certificates of participation	22.7	22.7	13.3	13.6	36.0	36.3
Agreements payable	24.1	19.6	-	-	24.1	19.6
Capital lease purchase	4.0	4.3	-	-	4.0	4.3
Water revenue bonds	-	-	16.9	17.4	16.9	17.4
	<u>\$ 103.1</u>	<u>\$ 100.2</u>	<u>\$ 30.2</u>	<u>\$ 31.0</u>	<u>\$ 133.3</u>	<u>\$ 131.2</u>

Additional information on the City of Garden Grove's long-term debt can be found on Note 11 on pages 56-62 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- A key statistic in measuring the performance of the local economy is the unemployment rate. During the current fiscal year the City's unemployment rate dropped to 4.8 percent from the previous year's rate of 5.3 percent. The reduction in unemployment in the community is indicative of an improving economy. The City's unemployment rate compares favorably with the State's average unemployment rate of 6.7 percent and the national rate of 6.1 percent.
- The 2003-04 budget was balanced by applying a 10% reduction to all departments except for Police and Fire. The Police Department reduction was 1.6 percent and the Fire Department reduction was 1.2 percent. A total of 26 positions were eliminated, which included 13 full-time and 13 part-time. The impact of the budget reduction includes

deferral of infrastructure maintenance, elimination of the Drug Abuse Resistance Education Program, reduction in the Fire Arson Investigation Program and reductions to park patrol and sports programs.

- The City's budget balancing process was complicated by diversion of local agency property taxes to the State's Educational Revenue Augmentation Fund (ERAF) in the amount of approximately \$800,000. In addition, the State decreased the City's payment of Motor Vehicle License Fees by \$2 million with the potential for additional shifting in the future.
- Although the budget was completely balanced, it does not provide complete funding in certain areas. The budget has deficiencies in asphalt maintenance of \$2 million, concrete maintenance of \$2.5 million and tree maintenance of \$156,000.
- The financial planning process for the City of Garden Grove is impacted by financial uncertainty. The majority of this uncertainty at the present time emanates from the State of California's financial issues. Additional concerns arise from the potential for new state and federal mandates which are unfunded. Financial uncertainty relating to the City's local economy is not as significant of an issue because a steady growth is anticipated for the near future. In the long term the City expects to improve financial results with efficiency and management improvements, economic development, redevelopment and improved planning.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
JUNE 30, 2003

Schedule A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 95,341,279	\$ 13,337,388	\$ 108,678,667
Cash and investments with fiscal agents	17,923,826	2,547,278	20,471,104
Receivables, net	11,201,320	3,367,331	14,568,651
Internal balances	11,847,904	-	11,847,904
Notes receivable	40,365,468	183,879	40,549,347
Inventory	321,737	-	321,737
Land held for resale	24,312,179	-	24,312,179
Deposits	385,091	15,000	400,091
Total current assets	201,698,804	19,450,876	221,149,680
Noncurrent assets:			
Restricted cash and investments	-	921,666	921,666
Deferred issuance costs	653,637	826,477	1,480,114
Capital assets:			
Land	404,408,114	12,520,549	416,928,663
Construction in progress	248,745	-	248,745
Depreciable infrastructure, net	243,995,186	73,727,532	317,722,718
Depreciable buildings, structures, net	15,539,350	-	15,539,350
Depreciable equipment, net	13,361,801	125,271	13,487,072
Total noncurrent assets	678,206,833	88,121,495	766,328,328
Total assets	879,905,637	107,572,371	987,478,008
LIABILITIES			
Accounts payable and accrued liabilities	10,106,440	2,895,680	13,002,120
Refundable deposits	1,961,626	310,813	2,272,439
Unearned revenue	33,705,823	1,069,270	34,775,093
Claims payable	20,225,257	-	20,225,257
Internal balances	-	11,847,904	11,847,904
Noncurrent liabilities:			
Due within one year	6,964,011	820,000	7,784,011
Due in more than one year	96,154,723	29,396,827	125,551,550
Accrued compensated absences	5,093,508	-	5,093,508
Total liabilities	174,211,388	46,340,494	220,551,882
NET ASSETS			
Invested in capital assets, net of related debt	673,346,420	56,156,525	729,502,945
Restricted for:			
Debt service	4,397,357	52,529	4,449,886
Low income housing	10,360,020	-	10,360,020
Streets and roads	7,823,378	-	7,823,378
Other purposes	4,851,880	-	4,851,880
Unrestricted	4,915,194	5,022,823	9,938,017
Total net assets	\$ 705,694,249	\$ 61,231,877	\$ 766,926,126

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

**CITY OF GARDEN GROVE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Fire	\$ 13,846,510	\$ 771,032	\$ 71,759	\$ -
Police	28,229,071	2,190,758	1,502,450	-
Traffic Safety	3,164,227	1,737,983	193,793	143,970
Public right of way	12,116,169	135,406	5,061,177	3,269,265
Drainage	1,425,667	63,866	-	13,359
Community buildings	2,352,447	-	-	-
Community services	5,024,078	900,750	1,985,953	-
Parks and greenbelts	1,557,773	1,433,505	54,886	689,685
Community planning and development	32,809,428	1,716,448	28,161,126	447,179
Municipal support	5,384,324	2,012,400	322,479	-
Interest on long term debt	6,426,770	-	-	-
Total governmental activities	112,336,464	10,962,148	37,353,623	4,563,458
Business-type activities:				
Water Utility	17,696,793	16,546,754	19,986	178,239
Sewage Collection	2,199,230	2,884,634	219,512	26,720
Solid Waste Disposal	6,017,909	5,922,431	197,911	55,890
Mobile Home Parks	1,511,690	1,886,418	5,566	25,540
Total business-type activities	27,425,622	27,240,237	442,975	286,389
Total	\$ 139,762,086	\$ 38,202,385	\$ 37,796,598	\$ 4,849,847

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, as restated (Note 24)

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
\$ (13,003,719)	\$ -	\$ (13,003,719)
(24,535,863)	-	(24,535,863)
(1,088,481)	-	(1,088,481)
(3,650,321)	-	(3,650,321)
(1,348,442)	-	(1,348,442)
(2,352,447)	-	(2,352,447)
(2,137,375)	-	(2,137,375)
620,303	-	620,303
(2,484,675)	-	(2,484,675)
(3,049,445)	-	(3,049,445)
(6,426,770)	-	(6,426,770)
<u>(59,457,235)</u>	<u>-</u>	<u>(59,457,235)</u>
-	(951,814)	(951,814)
-	931,636	931,636
-	158,323	158,323
-	405,834	405,834
<u>-</u>	<u>543,979</u>	<u>543,979</u>
<u>\$ (59,457,235)</u>	<u>\$ 543,979</u>	<u>\$ (58,913,256)</u>
17,913,119	-	17,913,119
25,973,651	-	25,973,651
1,909,152	-	1,909,152
2,298,509	-	2,298,509
5,861,586	-	5,861,586
9,982,677	-	9,982,677
2,856,887	454,275	3,311,162
949,782	-	949,782
<u>70,000</u>	<u>(70,000)</u>	<u>-</u>
<u>67,815,363</u>	<u>384,275</u>	<u>68,199,638</u>
8,358,128	928,254	9,286,382
<u>697,336,121</u>	<u>60,303,623</u>	<u>757,639,744</u>
<u>\$ 705,694,249</u>	<u>\$ 61,231,877</u>	<u>\$ 766,926,126</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General Fund</u>	<u>Housing Authority Special Revenue Fund</u>	<u>Community Project Debt Service Fund</u>
ASSETS			
Cash and investments	\$ 16,290,313	\$ 149,450	\$ -
Cash and investments with fiscal agents	199,179	-	4,585,063
Taxes receivable	2,964,869	-	208,219
Accounts receivable	2,067,710	1,833,772	-
Interest receivable	122,016	-	-
Due from other funds	-	-	-
Notes receivable	315,634	-	-
Intercity loans receivable	31,854,180	-	-
Land held for resale, net	-	-	-
Deposits	32,500	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 53,846,401</u>	<u>\$ 1,983,222</u>	<u>\$ 4,793,282</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,417,683	\$ 10,106	\$ -
Other accrued liabilities	974,042	258,000	-
Refundable deposits	1,346,717	-	-
Due to other funds	72,566	1,715,116	-
Intercity loans payable	-	-	-
Deferred revenue	1,818,833	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>8,629,841</u>	<u>1,983,222</u>	<u>-</u>
Fund balances:			
Reserved for:			
Encumbrances	384,067	-	-
Property tax lawsuit	500,000	-	-
Building improvements	1,300,000	-	-
Intercity loans receivable	30,958,493	-	-
Continuing projects	1,734,362	-	-
Land held for resale	-	-	-
Contractual commitments	-	-	-
Debt service	-	-	4,793,282
Deposits	32,500	-	-
Unreserved, reported in:			
General fund	10,307,138	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>45,216,560</u>	<u>-</u>	<u>4,793,282</u>
Total liabilities and fund balances	<u>\$ 53,846,401</u>	<u>\$ 1,983,222</u>	<u>\$ 4,793,282</u>

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
\$ -	\$ 3,723,594	\$ 2,513,420	\$ 16,961,971	\$ 39,638,748
13,084,899	-	54,685	\$ -	17,923,826
-	-	52,347	683,680	3,909,115
-	251,672	13,490	1,192,433	5,359,077
7,303	65,912	10,098	25,127	230,456
-	-	-	1,168	1,168
-	33,310,765	3,460,236	3,278,833	40,365,468
-	-	-	-	31,854,180
-	15,194,521	8,841,768	275,890	24,312,179
-	-	-	7,900	40,400
<u>\$ 13,092,202</u>	<u>\$ 52,546,464</u>	<u>\$ 14,946,044</u>	<u>\$ 22,427,002</u>	<u>\$ 163,634,617</u>
\$ -	\$ -	\$ 2,385	\$ 1,282,835	\$ 5,713,009
-	-	4,210	393,548	1,629,800
-	568,771	-	46,138	1,961,626
5,778	-	-	1,132,292	2,925,752
-	19,363,609	-	-	19,363,609
-	33,310,765	3,460,236	5,047,214	43,637,048
<u>5,778</u>	<u>53,243,145</u>	<u>3,466,831</u>	<u>7,902,027</u>	<u>75,230,844</u>
-	42,142	39,965	3,166,058	3,632,232
-	-	-	-	500,000
-	-	-	-	1,300,000
-	-	-	-	30,958,493
-	117,422	403,855	5,331,009	7,586,648
-	15,194,521	8,841,768	275,890	24,312,179
-	-	2,193,625	95,336	2,288,961
13,086,424	-	-	-	17,879,706
-	-	-	7,900	40,400
-	-	-	-	10,307,138
-	-	-	5,648,782	5,648,782
-	(16,050,766)	-	-	(16,050,766)
<u>13,086,424</u>	<u>(696,681)</u>	<u>11,479,213</u>	<u>14,524,975</u>	<u>88,403,773</u>
<u>\$ 13,092,202</u>	<u>\$ 52,546,464</u>	<u>\$ 14,946,044</u>	<u>\$ 22,427,002</u>	<u>\$ 163,634,617</u>

**CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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)	\$ 88,403,773
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	670,861,232
Certain receivables are not available to pay for current-period expenditures and, therefore are not reported as governmental fund assets.	821,016
Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds	9,931,045
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:	39,645,286
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	(103,968,103)

Net assets of governmental activities (Schedule A-1)	<u><u>\$ 705,694,249</u></u>
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The notes to the financial statements are an integral part of this statement.

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CITY OF GARDEN GROVE
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	Housing Authority Special Revenue Fund	Community Project Debt Service Fund	2002 Capital Improvement Project Debt Service Fund
REVENUES				
Taxes	\$ 48,303,587	\$ -	\$ 12,184,176	\$ -
Licenses and permits	1,075,397	-	-	-
Fines, forfeits and penalties	1,225,431	-	-	-
Investment earnings	1,715,984	2,860	-	284,494
Charges for current services	6,772,330	-	-	-
From other agencies	425,595	21,674,838	-	-
Other revenues	608,698	3,539	-	-
Total revenues	<u>60,127,022</u>	<u>21,681,237</u>	<u>12,184,176</u>	<u>284,494</u>
EXPENDITURES				
Current:				
Fire	13,470,400	-	-	-
Police	27,029,285	-	-	-
Traffic safety	655,756	-	-	-
Public right of way	2,633,230	-	-	-
Community buildings	2,542,744	-	-	-
Community services	1,226,044	-	-	-
Parks and greenbelts	523,782	-	-	-
Community planning and development	2,686,703	21,658,858	-	-
Municipal support	4,823,654	22,379	-	-
Capital outlay:				
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	2,000,465	-	-	-
Parks and greenbelts	90,592	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	443,161	-	1,285,000	-
Interest and other charges	226,223	-	3,207,285	-
Total expenditures	<u>58,352,039</u>	<u>21,681,237</u>	<u>4,492,285</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,774,983</u>	<u>-</u>	<u>7,691,891</u>	<u>284,494</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,214,047	-	-	-
Transfers out	(1,617,595)	-	(7,436,159)	(7,544,047)
Proceeds of long term debt	300,000	-	-	-
Total other financing sources (uses)	<u>6,896,452</u>	<u>-</u>	<u>(7,436,159)</u>	<u>(7,544,047)</u>
Net change in fund balances	8,671,435	-	255,732	(7,259,553)
Fund balances, July 1	<u>36,545,125</u>	<u>-</u>	<u>4,537,550</u>	<u>20,345,977</u>
Fund balances, June 30	<u>\$ 45,216,560</u>	<u>\$ -</u>	<u>\$ 4,793,282</u>	<u>\$ 13,086,424</u>

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
\$ -	\$ 3,089,386	\$ 814,900	\$ 64,392,049
-	-	43,286	1,118,683
-	-	289,457	1,514,888
1,055,408	72,483	434,293	3,565,522
-	-	3,951,870	10,724,200
-	-	17,051,649	39,152,082
400,922	1,162,593	687,962	2,863,714
<u>1,456,330</u>	<u>4,324,462</u>	<u>23,273,417</u>	<u>123,331,138</u>
-	-	583,841	14,054,241
-	-	1,563,145	28,592,430
-	-	1,465,249	2,121,005
-	-	2,842,542	5,475,772
-	-	32,533	2,575,277
-	-	4,357,199	5,583,243
-	-	783,120	1,306,902
-	-	2,611,806	26,957,367
-	-	366,513	5,212,546
-	-	119,864	119,864
-	-	861,637	861,637
14,933	-	5,715,519	5,730,452
-	-	1,024,574	1,024,574
16,844	-	87,283	2,104,592
-	-	575,128	665,720
3,098,990	1,069,607	6,100,775	10,269,372
212,925	50,064	-	262,989
1,589,369	203,587	460,000	3,981,117
1,985,362	223,976	698,881	6,341,727
<u>6,918,423</u>	<u>1,547,234</u>	<u>30,249,609</u>	<u>123,240,827</u>
<u>(5,462,093)</u>	<u>2,777,228</u>	<u>(6,976,192)</u>	<u>90,311</u>
2,456,559	-	6,908,812	17,579,418
-	-	(811,617)	(17,409,418)
3,000,000	3,533,333	-	6,833,333
<u>5,456,559</u>	<u>3,533,333</u>	<u>6,097,195</u>	<u>7,003,333</u>
(5,534)	6,310,561	(878,997)	7,093,644
<u>(691,147)</u>	<u>5,168,652</u>	<u>15,403,972</u>	<u>81,310,129</u>
<u>\$ (696,681)</u>	<u>\$ 11,479,213</u>	<u>\$ 14,524,975</u>	<u>\$ 88,403,773</u>

CITY OF GARDEN GROVE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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)	\$ 7,093,644
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 capital expense exceeded depreciation in the current period.	271,416
The net effect of contributions involving capital assets is to increase net assets	620,727
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.	(2,937,490)
Certain revenues do not provide current financial resources and, therefore, are not reported in the governmental funds	127,858
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.	3,065,114
Loans are recorded as expenditures in the governmental funds when issued. Repayments on these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an affect on net assets.	
Notes issued	1,984,594
Notes collected	(1,867,735)
Change in net assets of governmental activities (Schedule A-2)	\$ 8,358,128

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

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CITY OF GARDEN GROVE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003

	Business Type Activities-Enterprise Funds		
	Water Utility	Sewage Collection	Solid Waste Disposal
ASSETS			
Current Assets:			
Cash and cash investments	\$ 5,859,098	\$ 5,059,655	\$ 760,424
Investments with fiscal agents	1,418,399	-	-
Accrued taxes receivable	-	31,810	51,985
Accounts receivable	2,397,662	208,772	580,776
Interest receivable	44,015	34,604	-
Due from other funds	-	-	-
Notes receivable	-	-	-
Intercity loans receivable	750,000	-	-
Inventory	-	-	-
Deposits	15,000	-	-
Total current assets	10,484,174	5,334,841	1,393,185
Noncurrent assets:			
Restricted cash and investments	921,666	-	-
Deferred issuance costs	316,963	-	-
Capital assets			
Land	819,549	6,000	-
Depreciable infrastructure, net	48,596,496	25,131,036	-
Depreciable equipment, net	100,895	22,176	-
Total noncurrent assets	50,755,569	25,159,212	-
Total assets	61,239,743	30,494,053	1,393,185
LIABILITIES			
Current Liabilities:			
Accounts payable	1,912,622	234,586	273,216
Accrued compensated absences	-	-	-
Accrued interest payable	37,123	-	-
Other current liabilities	100,504	19,033	4,305
Claims payable	-	-	-
Refundable deposits	301,470	8,383	-
Deferred revenue	-	-	884,288
Intercity loans payable	13,240,571	-	-
Current portion of long-term obligations	470,000	-	-
Total current liabilities	16,062,290	262,002	1,161,809
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	-	-	-
Revenue bonds payable	16,444,388	-	-
Certificates of participation payable	-	-	-
Total noncurrent liabilities	16,444,388	-	-
Total liabilities	32,506,678	262,002	1,161,809
NET ASSETS			
Invested in capital assets, net of related debt	32,602,552	25,159,212	-
Restricted for:			
Debt service	52,529	-	-
Unrestricted	(3,922,016)	5,072,839	231,376
Total net assets	\$ 28,733,065	\$ 30,232,051	\$ 231,376

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	
Mobile Home		Internal Service	Funds
Parks	Total		
\$ 1,658,211	\$ 13,337,388	\$ 55,702,531	
1,128,879	2,547,278	-	
-	83,795	-	
8,408	3,195,618	641,669	
9,299	87,918	239,987	
-	-	2,924,584	
183,879	183,879	-	
-	750,000	-	
-	-	321,737	
-	15,000	344,691	
<u>2,988,676</u>	<u>20,200,876</u>	<u>60,175,199</u>	
-	921,666	-	
509,514	826,477	-	
11,695,000	12,520,549	-	
-	73,727,532	-	
2,200	125,271	6,691,964	
<u>12,206,714</u>	<u>88,121,495</u>	<u>6,691,964</u>	
<u>15,195,390</u>	<u>108,322,371</u>	<u>66,867,163</u>	
-	2,420,424	1,049,799	
-	-	5,093,508	
314,291	351,414	-	
-	123,842	210,646	
-	-	20,225,257	
960	310,813	-	
184,982	1,069,270	-	
-	13,240,571	-	
<u>350,000</u>	<u>820,000</u>	<u>-</u>	
<u>850,233</u>	<u>18,336,334</u>	<u>26,579,210</u>	
-	16,444,388	-	
<u>12,952,439</u>	<u>12,952,439</u>	<u>-</u>	
<u>12,952,439</u>	<u>29,396,827</u>	<u>-</u>	
<u>13,802,672</u>	<u>47,733,161</u>	<u>26,579,210</u>	
(1,605,239)	56,156,525	6,691,964	
-	52,529	-	
<u>2,997,957</u>	<u>4,380,156</u>	<u>33,595,989</u>	
<u>\$ 1,392,718</u>	<u>60,589,210</u>	<u>\$ 40,287,953</u>	
	642,667		
	<u>\$ 61,231,877</u>		

CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Business Type Activities-Enterprise Funds		
	Water Utility	Sewage Collection	Solid Waste Disposal
Operating revenues:			
Charges for services	\$ -	\$ -	\$ -
Water sales	16,198,138	-	-
Mobile Home parks operation	-	-	-
Solid waste disposal fees	-	-	5,911,511
Property assessments	-	1,403,117	191,125
Sewer user fees	-	1,584,376	-
Other	34,913	60,311	5,306
Total operating revenues	16,233,051	3,047,804	6,107,942
Operating expenses:			
Salaries and wages	3,648,063	575,284	182,143
Contractual services	2,426,230	652,320	5,830,092
Liability claims	-	-	-
Materials and supplies	1,073,848	126,976	5,674
Water production expenses	7,104,290	-	-
Mobile Home parks on-site operations	-	-	-
Depreciation	1,639,366	844,650	-
Amortization	20,613	-	-
Total operating expenses	15,912,410	2,199,230	6,017,909
Operating income	320,641	848,574	90,033
Nonoperating revenues (expenses):			
Investment income	307,749	112,790	-
Proceeds on disposal of assets	68,986	-	-
Other nonoperating revenues	-	-	55,890
Interest expense	(1,780,721)	-	-
Fiscal charges	(3,662)	-	-
Total nonoperating revenue (expenses)	(1,407,648)	112,790	55,890
Income (deficit) before contributions and transfers	(1,087,007)	961,364	145,923
Capital contributions	94,325	26,720	-
Transfers out	-	-	-
Change in net assets	(992,682)	988,084	145,923
Total net assets, July 1,	29,725,747	29,243,967	85,453
Total net assets, June 30	\$ 28,733,065	\$ 30,232,051	\$ 231,376

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.

<u>Business Type Activities-Enterprise Funds</u>		<u>Governmental Activities Internal Service Funds</u>
<u>Mobile Home Parks</u>	<u>Total</u>	
\$ -	\$ -	\$ 25,502,500
-	16,198,138	-
1,891,984	1,891,984	-
-	5,911,511	-
-	1,594,242	-
-	1,584,376	-
-	100,530	-
<u>1,891,984</u>	<u>27,280,781</u>	<u>25,502,500</u>
-	4,405,490	11,683,064
-	8,908,642	5,915,893
-	-	2,956,107
-	1,206,498	1,219,779
-	7,104,290	-
723,821	723,821	-
550	2,484,566	1,046,374
<u>28,119</u>	<u>48,732</u>	<u>-</u>
<u>752,490</u>	<u>24,882,039</u>	<u>22,821,217</u>
<u>1,139,494</u>	<u>2,398,742</u>	<u>2,681,283</u>
33,736	454,275	853,587
-	68,986	45,861
25,540	81,430	1,742
(755,702)	(2,536,423)	-
<u>(3,498)</u>	<u>(7,160)</u>	<u>-</u>
<u>(699,924)</u>	<u>(1,938,892)</u>	<u>901,190</u>
439,570	459,850	3,582,473
-	121,045	-
<u>(70,000)</u>	<u>(70,000)</u>	<u>(100,000)</u>
369,570	510,895	3,482,473
<u>1,023,148</u>		<u>36,805,480</u>
<u>\$ 1,392,718</u>		<u>\$ 40,287,953</u>
	417,359	
	<u>\$ 928,254</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Business Type Activities - Enterprise Funds		
	Water Utility	Sewage Collection	Solid Waste Disposal
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 16,322,541	\$ 3,056,102	\$ 6,232,263
Payments to suppliers	(10,840,891)	(856,769)	(5,873,106)
Payments to employees	(3,648,063)	(575,284)	(182,413)
Internal activity-payments to/from other funds	-	-	-
Net cash provided by operating activities	<u>1,833,587</u>	<u>1,624,049</u>	<u>176,744</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES			
Other receipts/payments	-	-	-
Operating subsidies and transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES			
Notes receivable payments	-	-	-
Rental of city property	-	-	55,890
Purchases of capital assets	(2,855,984)	(596,254)	-
Proceeds from disposal of capital assets	68,986	-	-
Principal paid on capital debt	(450,000)	-	-
Interest paid on capital debt	(1,780,721)	-	-
Fiscal agent charges	(3,662)	-	-
Net cash provided (used) by capital and related financing activities	<u>(5,021,381)</u>	<u>(596,254)</u>	<u>55,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	<u>307,749</u>	<u>112,790</u>	<u>-</u>
Net cash provided by investing activities	<u>307,749</u>	<u>112,790</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,880,045)	1,140,585	232,634
Cash and cash equivalents, July 1	<u>11,079,208</u>	<u>3,919,070</u>	<u>527,790</u>
Cash and cash equivalents, June 30	<u>\$ 8,199,163</u>	<u>\$ 5,059,655</u>	<u>\$ 760,424</u>

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

<u>Business Type Activities-Enterprise Funds</u>		<u>Governmental</u>
<u>Mobile Home</u>	<u>Total</u>	<u>Activities -</u>
<u>Parks</u>		<u>Internal Service</u>
		<u>Funds</u>
\$ 1,996,520	\$ 27,607,426	\$ 25,467,537
(760,147)	(18,330,913)	(12,595,244)
-	(4,405,760)	(8,125,203)
-	-	1,792,862
<u>1,236,373</u>	<u>4,870,753</u>	<u>6,539,952</u>
-	-	1,742
<u>(70,000)</u>	<u>(70,000)</u>	<u>(100,000)</u>
<u>(70,000)</u>	<u>(70,000)</u>	<u>(98,258)</u>
25,540	25,540	-
-	55,890	-
-	(3,452,238)	(1,585,947)
-	68,986	95,167
(330,000)	(780,000)	-
(755,702)	(2,536,423)	-
<u>(3,498)</u>	<u>(7,160)</u>	<u>-</u>
<u>(1,063,660)</u>	<u>(6,625,405)</u>	<u>(1,490,780)</u>
<u>33,736</u>	<u>454,275</u>	<u>853,587</u>
<u>33,736</u>	<u>454,275</u>	<u>853,587</u>
136,449	(1,370,377)	5,804,501
<u>2,650,641</u>	<u>18,176,709</u>	<u>49,898,030</u>
<u>\$ 2,787,090</u>	<u>\$ 16,806,332</u>	<u>\$ 55,702,531</u>

Continued

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewage Collection</u>	<u>Solid Waste Disposal</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 320,641	\$ 848,574	\$ 90,033
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,639,366	844,650	-
Amortization expense	20,613	-	-
Decrease (increase) in taxes receivable	-	3,042	(24,282)
Decrease (increase) in accounts receivable	76,546	3,379	68,799
Decrease in accrued interest receivable	41,579	1,877	-
Decrease in notes receivable	-	-	-
Decrease in due to/from other funds	-	-	-
(Increase) in inventory	-	-	-
(Increase) in deposits	-	-	-
(Decrease) increase in accounts payable	(294,855)	(86,566)	(39,037)
Increase in accrued compensated absences	-	-	-
(Decrease) increase in accrued interest payable	(1,360)	-	-
Increase in intercity loan payable	28,635	-	-
Increase in other accrued liabilities	17,157	9,093	1,427
(Decrease) in refundable deposits	(14,735)	-	-
Increase in claims payable	-	-	-
Increase (decrease) in deferred revenue	-	-	79,804
Total adjustments	<u>1,512,946</u>	<u>775,475</u>	<u>86,711</u>
Net cash provided by operating activities	<u>\$ 1,833,587</u>	<u>\$ 1,624,049</u>	<u>\$ 176,744</u>

<u>Business Type Activities - Enterprise Funds</u>		<u>Governmental</u>
<u>Mobile Home</u>		<u>Activities-</u>
<u>Parks</u>	<u>Total</u>	<u>Internal Service</u>
		<u>Funds</u>
<u>\$ 1,139,494</u>	<u>\$ 2,398,742</u>	<u>2,681,283</u>
550	2,484,566	1,046,374
28,119	48,732	-
-	(21,240)	-
24,968	173,692	(68,019)
54,029	97,485	75,998
25,540	25,540	-
-	-	1,792,862
-	-	(59,344)
-	-	(42,942)
-	(420,458)	259,734
-	-	549,192
(7,013)	(8,373)	-
-	28,635	-
-	27,677	24,761
-	(14,735)	-
-	-	280,053
<u>(29,314)</u>	<u>50,490</u>	<u>-</u>
<u>96,879</u>	<u>2,472,011</u>	<u>3,858,669</u>
<u>\$ 1,236,373</u>	<u>\$ 4,870,753</u>	<u>\$ 6,539,952</u>

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CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2003

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 two enterprise funds, the Sewage Collection enterprise fund and solid waste disposal enterprise fund as if it were part of the primary City government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Sanitary District budget and the City provides staffing.

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

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

2. Government-wide and fund financial statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

General fund

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

Housing Authority special revenue fund

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

Community Project debt service fund

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

2002 Capital Improvement Project debt service fund

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

Community Project capital projects fund

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

Low Income Housing capital projects fund

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

The City reports the following major proprietary funds:

Water Utility fund

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

Sewage Collection fund

The Garden Grove Sanitary District comprises 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.

Solid Waste Disposal fund

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

Mobile Home Parks fund

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

Additionally, the City reports the following fund type:

Internal Service funds

The internal service funds account for 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, 2003 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, comp time and sick leave) in an internal service (Employee Benefit) fund. A calculated fringe benefit rate, which includes accrued compensated absences is applied to all labor charges. The resulting funds are deposited into the 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.

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 Basic 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	\$	404,408,114
Construction in progress		248,745
Depreciable infrastructure, net		243,995,185
Depreciable buildings, park assets, net		15,539,350
Depreciable equipment, net		6,669,838
	<u>\$</u>	<u>670,861,232</u>

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

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

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	\$	36,805,480
Change in net assets		3,482,473
Internal service funds consolidation adjustment related to Enterprise funds		(642,667)
	<u>\$</u>	<u>39,645,286</u>

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

Tax allocation refunding bonds	\$	(52,325,000)
Certificates of participation		(22,735,000)
Agreements payable		(24,142,198)
Lease purchases		(3,916,536)
Accrued interest payable		(1,503,186)
Deferred charge for issuance costs (to be amortized over life of debt)		653,637
	<u>\$</u>	<u>(103,968,283)</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	\$ 10,796,159
Current year depreciation	<u>(10,524,743)</u>
	<u>\$ 271,416</u>

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

Debt issued or incurred:	
Issuance of notes relating to real property purchases	\$ (6,533,333)
State financing of capital improvements	<u>(300,000)</u>
	<u>(6,833,333)</u>
Debt issuance costs	25,672
Debt principal repayments:	
Tax allocation bonds	1,285,000
Agreements payable	2,262,535
Lease purchase payments	<u>433,582</u>
	<u>3,981,117</u>
Amortization of issuance costs	(22,791)
Change in accrued interest	(88,155)
Total long term debt adjustment	<u>\$ (2,937,490)</u>

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

Change in accrued taxes	\$ 49,926
Change in accrued interest	<u>77,932</u>
	<u>\$ 127,858</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

Under Article XIIB of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must be refunded to the taxpayers either through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2003, proceeds of taxes did not exceed allowable appropriations:

Gann Limit	\$78,663,800
Expenditures subject to Gann Limit	\$56,412,000
Proceeds of taxes subject to Gann Limit	\$44,719,500

2. 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.

3. 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.

4. Estimates

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

D. DETAILED NOTES ON ALL FUNDS

1. Classifications of deposits and investments by credit risk

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

Deposits:

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

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

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

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, 2003, the total fair value of LAIF was \$555,587,336,494 . The fair value of the City's proportionate share in LAIF, \$32,871,770, is the same as the value of the City's pool shares. Included in LAIF's investment portfolio are certain derivative securities in the form of structured notes totaling \$304,000,000 and asset-backed securities totaling \$985,676,000. LAIF's, and the City's, exposure to credit, market, or legal risk is not currently available.

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

Notes to Basic Financial Statements (Continued)

Deposits and Investments were categorized as follows at June 30, 2003.

	Category			Bank Balances	Fair (Carrying) Value
	1	2	3		
Deposits:					
Banks:					
Demand Accounts	\$ 240,369	\$ 1,109,977	\$ -	\$ 1,350,346	\$ (900,165)
Fiscal Agent Deposits	54,685		389,400	444,085	444,085
Total Deposits	\$ 295,054	\$ 1,109,977	\$ 389,400	\$ 1,794,431	\$ (456,080)
Investments:					
	1	2	3	Not Categorized	
LAIF	\$ -	\$ -	\$ -	\$ 32,871,770	32,871,770
FNMA	13,966,800	-	-	-	13,966,800
FHLB	34,024,545	-	-	-	34,024,545
GNMA	36,469	-	-	-	36,469
US Treasury Notes	5,986,573	-	-	-	5,986,573
US Treasury Bills	16,924,940	-	-	-	16,924,940
Commercial Paper	6,300,000	-	-	-	6,300,000
Fiscal Agent Investments:					
Money Market Funds	-	-	-	17,933,273	17,933,273
US Treasury Notes	-	-	2,483,147	-	2,483,147
Total Investments	\$ 77,239,327	\$ -	\$ 2,483,147	\$ 50,805,043	130,527,517
Total Carrying Amount/Fair Value (Book Balances)					\$ 130,071,437

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

Cash and investments - unrestricted	\$ 108,678,667
Cash and Investments with fiscal agent	20,471,104
Restricted cash and investments	921,666
Total	\$ 130,071,437

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 Special Revenue	Community Project Debt Service	2002 Capital Improvement Comm Project Debt Service	Community Project Capital Project	Low Income Housing Capital Project	Nonmajor and Other Governmental Funds
Receivables:							
Taxes	2,964,869	-	208,219	-	-	52,347	\$ 683,680
Accounts	2,067,710	1,833,772	-	-	251,672	13,490	1,192,433
Interest	122,016	-	-	7,303	65,912	10,098	25,127
Total receivables	\$ 5,154,595	\$ 1,833,772	\$ 208,219	\$ 7,303	\$ 317,584	\$ 75,935	\$ 1,901,240
Receivables:							
	Water Utility Enterprise	Sewage Collection Enterprise	Solid Waste Disposal Enterprise	Mobile home Parks Enterprise	Internal Service Funds	Total	
Taxes	\$ -	\$ 31,810	\$ 51,985	\$ -	\$ -	\$ 3,992,910	
Accounts	2,397,662	208,772	580,776	8,408	641,669	9,196,364	
Interest	44,015	34,604	-	9,299	239,987	558,361	
Total receivables	\$ 2,441,677	\$ 275,186	\$ 632,761	\$ 17,707	\$ 881,656	\$ 13,747,635	

3. Intercity loans receivable/payable

a. Loan from General fund to Water Utility fund

On July 1, 1998 the City established an intercity loan between the General fund and Water Utility fund in the amount of \$14,145,092 for the repayment from the Water Utility fund to the General fund of street damage repairs throughout the City that have been a benefit to the Water Utility. The loan accrues interest at 6.5% per annum. The balance will be repaid at amounts to be determined through the annual budget process. The balance of this loan at June 30, 2003 is \$13,240,571.

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 \$4,312,678 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 \$895,687 has accrued bringing the total due at June 30, 2003 to \$5,208,365.

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, 2003 balance of \$3,465,258.

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

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%. No interest will be charged on the advanced funds until March 1, 2005, however, the Agency will be responsible for making interest-only payments until then on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which are being used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739

issuance costs related to the Certificates of Participation. At March 1, 2005, the Agency will be responsible for further debt service requirements on the Certificates to the extent that the Agency has utilized Certificate proceeds. During the fiscal year ended June 30, 2003, the Agency received additional advances of \$7,544,048 which brings the total under this agreement to \$9,939,986 at June 30, 2003. The Agency also made interest-only payments for fiscal year ended June 30, 2003 in the amount of \$1,023,772. Future interest-only payments due on the certificates until March 1, 2005 will be \$1,144,590 for each of the next two years.

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, 2003 is \$750,000.

4. Notes receivable

a. Commercial rehabilitation:

The Garden Grove Agency for Community Development Community Project capital projects fund holds seven notes related to commercial property rehabilitation loans. The terms of each note vary by circumstance. Some of these loans allow for credits against the outstanding note balance based on net new sales tax and/or property tax generated from the site. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in the Community Project capital projects fund. Revenue will be recognized when received. The balance at June 30, 2003 is \$784,340.

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, 2003 is \$29,466,469.

c. *Property acquisitions:*

The Garden Grove Agency for Community Development Community Project capital projects fund and other governmental funds have entered into agreements with various commercial businesses throughout the City for the purpose of assisting them in the acquisition and development of commercial property. Some of these loans allow for credits against the outstanding note balance based on either net new sales tax and/or new property tax generated at the business site. Since the note payments are not available for current expenditures, these note receivables are offset by deferred revenue in the Community Project capital projects fund (\$2,791,057) and Buena Clinton capital projects fund (\$83,567). The balance at June 30, 2003 is \$2,874,624.

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 (\$44,272) and Low Income Housing capital projects fund (\$38,592). Revenue will be recognized when payments are received. The balance of these notes at June 30, 2003 is \$82,864.

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 (\$3,421,644) and Community Project capital projects fund (\$224,627). Revenue will be recognized when received. The balance of these notes at June 30, 2003 is \$3,646,271.

f. *Rental rehabilitation - Other governmental funds*

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

income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime. Since the note repayments are not available for current expenditures, these notes receivable are offset by deferred revenue in other governmental funds. Revenue will be recognized when received. The balance of these notes at June 30, 2003 is \$3,195,266.

g. Affordable housing agreement – General fund

The City has entered into an Affordable Housing Agreement with a developer wherein the developer has agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of 2 percent annually. Since the note repayments are not available for current expenditures, the note receivable is offset by deferred revenue in the General fund. Revenue will be recognized when received. The balance as of June 30, 2003 is 315,634.

h. Reimbursement agreement:

The City of Garden Grove Mobile Home parks enterprise fund entered into an agreement with one of the City's mobile home park management services provider for space rent due based on a revenue guarantee contract agreement for the fiscal years 1993-1994 to 1997-1998 for a total amount of \$342,355, with interest accruing at 7% per annum. Monthly payment amounts are calculated based on the value of the free and discounted management services until February 27, 2007. Any principal and interest owing pursuant to this Note on February 28, 2007 will be forgiven in full. Since the note repayment is not available for current expenditures, this note receivable is offset by deferred revenue in the Mobile Home Parks enterprise fund. Revenue will be recognized when received. The balance of this note at June 30, 2003 is \$183,879.

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	\$24,357,030
Less: allowance for decline in value	<u>(44,851)</u>
Net value	<u>\$24,312,179</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, 2003 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 404,945,687	\$ 293,358	\$ (830,931)	\$ 404,408,114
Construction in progress	692,584	248,745	(692,584)	248,745
Total capital assets, not being depreciated	<u>405,638,271</u>	<u>542,103</u>	<u>(1,523,515)</u>	<u>404,656,859</u>
Capital assets, being depreciated:				
Infrastructure:				
Street System	307,146,979	7,481,149	(448,761)	314,179,367
Storm Drain System	65,831,389	924,575	-	66,755,964
Buildings/Park Assets	23,396,943	4,081,332	-	27,478,275
Furniture/Equipment	22,043,201	1,945,950	(916,312)	23,072,839
Total capital assets, being depreciated	<u>418,418,512</u>	<u>14,433,006</u>	<u>(1,365,073)</u>	<u>431,486,445</u>
Less accumulated depreciation for:				
Infrastructure:				
Street System	(102,000,987)	(8,201,913)	448,761	(109,754,139)
Storm Drain System	(25,869,380)	(1,316,627)	-	(27,186,007)
Buildings/Park Structures	(11,353,284)	(585,641)	-	(11,938,925)
Furniture/Equipment	(8,662,346)	(1,915,698)	867,007	(9,711,037)
Total accumulated depreciation	<u>(147,885,997)</u>	<u>(12,019,879)</u>	<u>1,315,768</u>	<u>(158,590,108)</u>
Total capital assets, being depreciated, net	<u>270,532,515</u>	<u>2,413,127</u>	<u>(49,305)</u>	<u>272,896,337</u>
Governmental activities capital assets, net	<u>\$ 676,170,786</u>	<u>\$ 2,955,230</u>	<u>\$ (1,572,820)</u>	<u>\$ 677,553,196</u>

Notes to Basic Financial Statements (Continued)

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 12,125,103	\$ 415,446	\$ (20,000)	\$ 12,520,549
Total capital assets, not being depreciated	12,125,103	415,446	(20,000)	12,520,549
Capital assets, being depreciated:				
Buildings and structures	99,096	-	-	99,096
Water system	73,896,045	2,554,863	(8,000)	76,442,908
Sewer system	58,251,579	600,798	-	58,852,377
Machinery and equipment	188,213	22,176	-	210,389
Total capital assets, being depreciated	132,434,933	3,177,837	(8,000)	135,604,770
Less accumulated depreciation for:				
Buildings and structures	(99,096)	-	-	(99,096)
Water system	(26,232,027)	(1,622,386)	8,000	(27,846,413)
Sewer system	(32,876,691)	(844,650)	-	(33,721,341)
Machinery and equipment	(67,588)	(17,531)	-	(85,119)
Total accumulated depreciation	(59,275,402)	(2,484,567)	8,000	(61,751,969)
Total capital assets, being depreciated, net	73,159,531	693,270	-	73,852,801
Business-type activities capital assets, net	\$ 85,284,634	\$ 1,108,716	\$ (20,000)	\$ 86,373,350

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

	Buildings, Machinery/Eq	General Infrastructure	Total
Governmental activities:			
Fire	\$ 119,322	\$ -	\$ 119,322
Police	610,443	-	610,443
Traffic Safety	-	338,841	338,841
Right of Way	-	8,005,930	8,005,930
Drainage	-	1,316,627	1,316,627
Community Buildings	230,078	-	230,078
Community Services	194,993	-	194,993
Parks/Greenbelts	114,407	-	114,407
Community Development	3,262	-	3,262
General Government	39,602	-	39,602
Internal Service Funds	1,046,374	-	1,046,374
Total depreciation expense - governmental activities	\$ 2,358,481	\$ 9,661,398	\$ 12,019,879
Business-type activities:			
Water	\$ 1,639,367	\$ -	\$ 1,639,367
Sewer	844,650	-	844,650
Mobile home parks	550	-	550
Total depreciation expense - business-type activities	\$ 2,484,567	\$ -	\$ 2,484,567

8. Interfund receivables, payables, and transfers

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 governmental interfund payable balances as of June 30, 2003 is as follows:

	Due from other funds	Due to other funds
Governmental activities:		
General fund	\$ -	\$ 72,566
Housing Authority fund	-	1,715,116
Nonmajor Governmental funds	1,168	1,138,070
Internal Service Funds:		
Worker's Compensation Fund	2,924,584	-
Total	<u>\$ 2,925,752</u>	<u>\$ 2,925,752</u>

The composition of City interfund transfer balances as of June 30, 2003 is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
General fund	\$ 8,214,047	\$ 1,617,595
Community Project Debt Service fund		\$ 7,436,159
2002 Capital Improvement Debt Service fund	-	7,544,047
Community Project Capital Projects fund	2,456,559	-
2002 Capital Improvement Project fund	6,520,275	-
Nonmajor Governmental fund	388,537	811,617
Internal Service Funds		
Risk management fund	-	100,000
Business-type activities		
Enterprise funds		
Mobile Home Parks fund	-	70,000
Total	<u>\$ 17,579,418</u>	<u>\$ 17,579,418</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 4h). 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, comp time off and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2003 is \$5,093,508.

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

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

Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$3,391,596 at June 30, 2003. 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 \$1,701,912 at June 30, 2003.

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 \$1,818,833 represents \$607,511 due from the State of California for mandated cost reimbursements, \$895,687 for accumulated interest on an intercity loan with the Agency for Community Development capital projects fund. (See Note.3.b.) and \$315,635 for a developer's note receivable. 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.

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

The deferred revenue of \$884,288 in the Solid Waste Disposal enterprise fund represents user fees for refuse collection for the months of July and August 2003.

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, 2003:

GOVERNMENTAL ACTIVITIES						
	Beginning Balance	Additions	Reductions	Discount Amortization	Ending Balance	Amount Due within One Year
Tax allocation bonds	\$ 53,610,000	\$ -	\$ (1,285,000)	\$ -	\$ 52,325,000	\$ 1,355,000
Certificates of Participation	22,735,000	-	-	-	22,735,000	-
Agreements payable	19,571,400	6,833,333	(2,262,535)	-	24,142,198	5,109,365
Lease purchase	4,349,937	-	(433,582)	-	3,916,355	499,646
	<u>\$ 100,266,337</u>	<u>\$ 6,833,333</u>	<u>\$ (3,981,117)</u>	<u>\$ -</u>	<u>\$ 103,118,553</u>	<u>\$ 6,964,011</u>
BUSINESS-TYPE ACTIVITIES						
Water Revenue Bonds	\$ 17,470,000	\$ -	\$ (450,000)	\$ (105,612)	\$ 16,914,388	\$ 470,000
Certificates of Participation	13,690,000	-	(330,000)	(57,561)	13,302,439	350,000
	<u>\$ 31,160,000</u>	<u>\$ -</u>	<u>\$ (780,000)</u>	<u>\$ (163,173)</u>	<u>\$ 30,216,827</u>	<u>\$ 820,000</u>
CITY TOTAL						
	<u>\$ 131,426,337</u>	<u>\$ 6,833,333</u>	<u>\$ (4,761,117)</u>	<u>\$ (163,173)</u>	<u>\$ 133,335,380</u>	<u>\$ 7,784,011</u>

- b. Governmental long term debt at June 30, 2003 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.

\$52,325,000

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.

4,000,000

\$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 year 2004. The agreement will bear interest at an actual average interest rate equivalent to the earnings rate of the OCTA short-term investment pool.

400,000

\$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

<p>year 2016. Interest is due semi-annually on February 1 and August 1.</p>	<p>11,220,000</p>
<p>\$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.</p>	<p>260,217</p>
<p>\$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.</p>	<p>420,430</p>
<p>\$265,000 real property purchase. On July 3, 2001 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$265,000, bearing interest at an annual rate of 7.25%. Equal payments are due annually until paid off on July 3, 2006.</p>	<p>212,000</p>
<p>\$3,533,333 real property purchase. On October 9, 2002 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$3,533,333. The loan has an annual interest rate of 7.5%, with interest payments being paid monthly. Two principal payments in the amount of \$1,766,667 each are due and payable on the first and second anniversary of the date of the note.</p>	<p>3,533,333</p>
<p>\$3,000,000 real property purchase. On June 9, 2003 the Agency for Community Development entered into a real property purchase and sale agreement in the amount of \$3,000,000. The loan has an annual interest rate of 6%, with interest payments being paid monthly. One payment in amount of \$1,000,000 shall be due on or before the first anniversary of the date of the note. The remaining unpaid portion shall be due and payable on or before the third anniversary of the date of the note.</p>	<p>3,000,000</p>

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

290,420

\$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.

805,798

Total agreements payable

24,142,198

Lease purchases:

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

1,555,000

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

2,361,355

Total lease purchases

3,916,355

TOTAL GOVERNMENTAL LONG TERM DEBT

\$103,118,553

c. Proprietary long term debt at June 30, 2003 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%.

\$17,020,000

Less: Unamortized bond discount fees

(105,612)

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	\$	16,233,051
Non-operating revenues		356,097
Gross revenues		<u>16,589,148</u>
Less: Expenses		
(excluding depreciation, interest, amortization and fiscal charges)		14,509,100
Net revenues	\$	<u>2,080,048</u>
Debt service requirement for next bond year:		
\$ 1,362,464 X 125%	\$	<u>1,703,080</u>

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

Total revenue bonds payable

16,914,388

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%.

	13,360,000
Less: Unamortized COP discount fee	<u>(57,561)</u>
Total certificates of participation	<u>13,302,439</u>
TOTAL PROPRIETARY LONG TERM DEBT	<u>\$30,216,827</u>
TOTAL LONG TERM DEBT	<u>\$133,335,380</u>

d. The scheduled annual requirements to amortize all governmental and proprietary long term debt outstanding as of June 30, 2003, including interest payments, are as follows.

Year Ended 6/30	Tax Allocation Refunding Bonds		
	Principal	Interest	Total
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	1,680,000	2,656,584	4,336,584
2009-2013	9,960,000	11,687,489	21,647,489
2014-2018	13,165,000	8,377,020	21,542,020
2019-2023	17,505,000	3,904,084	21,409,084
2024	4,140,000	121,613	4,261,613
	<u>\$ 52,325,000</u>	<u>\$ 38,248,153</u>	<u>\$ 90,573,153</u>

Year Ended 6/30	Revenue Bonds		
	Principal	Interest	Total
2004	\$ 470,000	\$ 892,464	\$ 1,362,464
2005	490,000	869,957	1,359,957
2006	515,000	845,960	1,360,960
2007	540,000	820,100	1,360,100
2008	570,000	792,350	1,362,350
2009-2013	3,305,000	3,481,262	6,786,262
2014-2018	4,270,000	2,488,238	6,758,238
2019-2023	5,560,000	1,155,000	6,715,000
2024	1,300,000	35,750	1,335,750
	<u>\$ 17,020,000</u>	<u>\$ 11,381,081</u>	<u>\$ 28,401,081</u>

Notes to Basic Financial Statements (Continued)

Year Ended 6/30	Certificates of Participation		
	Principal	Interest	Total
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	895,000	1,759,578	2,654,578
2009-2013	5,140,000	8,097,723	13,237,723
2014-2018	6,600,000	6,619,661	13,219,661
2019-2023	8,635,000	4,547,602	13,182,602
2024-2028	6,520,000	2,335,957	8,855,957
2029-2032	5,505,000	722,882	6,227,882
	<u>\$ 36,095,000</u>	<u>\$ 31,477,188</u>	<u>\$ 67,572,188</u>

Year Ended 6/30	Agreements Payable		
	Principal	Interest	Total
2004	\$ 5,109,365	\$ 1,274,883	\$ 6,384,248
2005	3,729,943	914,443	4,644,386
2006	3,671,981	814,340	4,486,321
2007	1,715,128	653,654	2,368,782
2008	705,486	610,131	1,315,617
2009-2013	4,347,628	2,328,212	6,675,840
2014-2018	4,862,667	688,715	5,551,382
	<u>\$ 24,142,198</u>	<u>\$ 7,284,378</u>	<u>\$ 31,426,576</u>

Year Ended 6/30	Lease Purchase		
	Principal	Interest	Total
2004	\$ 499,646	\$ 195,044	\$ 694,690
2005	534,511	168,495	703,006
2006	560,393	139,954	700,347
2007	596,915	109,379	706,294
2008	189,111	88,542	277,653
2009-2013	1,154,836	272,372	1,427,208
2014-2018	380,943	15,637	396,580
	<u>\$ 3,916,355</u>	<u>\$ 989,423</u>	<u>\$ 4,905,778</u>

Year Ended 6/30	TOTAL		
	Principal	Interest	Total
2004	\$ 7,784,011	\$ 7,246,425	\$ 15,030,436
2005	6,959,454	6,742,764	13,702,218
2006	7,072,374	6,473,505	13,545,879
2007	5,292,043	6,131,127	11,423,170
2008	4,039,597	5,907,185	9,946,782
2009-2013	23,907,464	25,867,058	49,774,522
2014-2018	29,278,610	18,189,271	47,467,881
2019-2023	31,700,000	9,606,686	41,306,686
2024-2028	11,960,000	2,493,320	14,453,320
2029-2032	5,505,000	722,882	6,227,882
Less:			
Unamortized discounts	(163,173)		(163,173)
	<u>\$ 133,335,380</u>	<u>\$ 89,380,223</u>	<u>\$ 222,715,603</u>

12. Reserves of fund equity

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

13. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$500,000, 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 \$500,000 up to \$25,000,000 per occurrences. This self-insurance program is accounted for in the Workers Compensation internal service fund. There is an estimated liability of \$12,816,413, (\$1,956,627 estimated to be due within one year), for claims outstanding including claims incurred but not reported on June 30, 2003, 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, 2003, in the amount of \$7,408,844, (\$256,776 estimated to be due within one year), which has been included under other accrued liabilities in the Risk Management internal service fund.

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2003. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments. Changes in the aggregate liability for claims for fiscal year ended June 30, 2003 and June 30, 2002 are as follows:

	<u>2003</u>	<u>2002</u>
	<u>Worker's Compensation</u>	
Liability, July 1	\$ 11,849,861	\$ 10,161,512
Changes in estimates	2,830,006	2,967,373
Claim payments	<u>(1,863,454)</u>	<u>(1,279,024)</u>
Liability, June 30	<u>\$ 12,816,413</u>	<u>\$ 11,849,861</u>
	<u>Risk Management</u>	
Liability, July 1	\$ 8,095,343	\$ 7,135,335
Changes in estimates	(441,950)	1,361,216
Claim payments	<u>(244,549)</u>	<u>(401,208)</u>
Liability, June 30	<u>\$ 7,408,844</u>	<u>\$ 8,095,343</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, 2003 was 0.00% for miscellaneous employees and 11.656% for public safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

c. Annual pension cost

For the fiscal year ended June 30, 2003 the City of Garden Grove's annual pension cost of \$5,717,914 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2003 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and from 4.27% to 11.59% for safety members. Both (a) and (b) include an inflation component of 3.5%.

FYE	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation
6/30/01	\$ 3,367,492	100%	0
6/30/02	\$ 4,450,125	100%	0
6/30/03	\$ 5,717,914	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>						
6/30/99	\$ 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%
6/30/01	\$ 92,530,579	\$ 118,150,949	\$ (25,620,370)	127.70%	\$ 16,965,656	-151.000%
<u>Safety Plan</u>						
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%
6/30/01	\$ 195,004,502	\$ 195,604,409	\$ (599,907)	100.31%	\$ 18,586,040	-.323%

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 168 have selected this option. The total yearly cost to the City for this benefit was \$30,917 which represents only 3.6 percent of the total yearly premium cost of \$847,678. The difference of \$816,761 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, 2003 is \$8,365,038.

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, 2003, 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, 2003 - \$385,000

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, 2003.

19. Arbitrage

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

20. Commitments and contingencies

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

During a financial monitoring of the City's Community Development Block Grant (CDBG) program by the U.S. Department of Housing and Urban Development (HUD), it was determined that the City had been erroneously reimbursed for indirect expenses in the

amount of \$966,970 for program years 1998, 1999, 2000, 2001, 2002. The City was given the option of offsetting these disallowed costs by substituting CDBG funds with non-Federal funds for future CDBG eligible projects. The City has elected this option. Several projects have been selected that meet the National Objective. The City believes that these projects will serve to offset the disallowed costs. These future projects will be identified in the FY 2003-04 Consolidated Plan.

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.

21. Low Income Housing Loan Programs

The Garden Grove Agency for Community Development Low Income Housing capital projects fund and CDBG HOME other governmental fund provide down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. These second mortgage loans become due upon the sale of the property or if the property no longer qualifies as the applicants principal residence. These loans are interest-free for up to thirty years. There is an equity participation interest on some of the loans. The balance of these loans at June 30, 2003 totaled \$1,530,523 in the Low Income Housing capital projects fund and \$118,249 in the HOME other governmental fund. Since the loans do not bear interest for at least thirty years, the present value of the loans is significantly less than the principal amounts. For this reason and because collection may be dependent on equity in the home when sold, the loans are not included as an asset. These loans are expensed when made and repayments are recorded as revenues in the year received.

22. 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.

23. 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.

24. Restatements

The beginning-of-year net assets of Governmental Activities on the Government-Wide Statement of Activities (\$306,157,092), and the beginning-of-year fund balance in the Community Project Capital Projects fund (\$1,921,196) and Other Governmental funds (\$15,612,600) have been restated for the following prior period adjustments:

The implementation of GASB Statement 34 for the year ended June 30, 2002 required the City to perform an inventory of certain capital assets. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital assets reporting requirements. In fiscal year ended June 30, 2002 all infrastructure and capital assets were reported except for land. The estimated value of converted street land was added this year in the total amount of \$394,000,000 and added to the beginning balance.

The Community Project Capital Projects fund determined that certain land held for resale that was recorded at \$1,335,095 had been disposed of prior to July 1, 2002.

The Community Project Capital Projects fund determined that certain hotel rebate payments made during the fiscal year ended June 30, 2003 in the amount of \$1,277,248 pertained to amounts due as of June 30, 2002 that had not been recorded as an accrued liability at that time.

Grant revenue of \$208,628 reported in Other Governmental Funds was determined to have been deferred revenue as of June 30, 2002.

25. Subsequent events

On August 1, 2003 the Garden Grove Agency for Community Development issued the 2003 Tax Allocation Refunding Bonds in the amount of \$57,025,000. The 2003 Bonds are special obligations of the Garden Grove Agency for Community Development and are secured pursuant to an Indenture of Trust dated August 1, 2003 between the Agency and the Trustee, by Tax Revenues, which consist of a portion of the ad valorem taxes levied upon all taxable property within the Garden Grove Community Project Area, and allocated to the Agency. Proceeds of the 2003 Bonds will be applied to (1) currently refund all of the Garden Grove Agency for Community Development, Garden Grove Community Project Tax Allocation Refunding Bonds, Issue of 1993 currently outstanding in the amount of \$52,325,000 (2) finance additional redevelopment activities of the Agency, (3) fund a Reserve Account for the 2003 Bonds, and (4) pay costs of issuance of the 2003 Bonds.

Owners of one of the hotels that has a reimbursement agreement with the City has filed Chapter 11 bankruptcy proceedings. The bankruptcy plan is intended to restructure the debt for the financing of the hotel and all indications are that a mutually acceptable plan should be achieved within 6 months. The proceedings should have no affect on the operation of the hotel.

REQUIRED SUPPLEMENTAL INFORMATION

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**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Schedule B-1

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Budgetary fund balance, July 1	\$ 36,545,125	\$ 36,545,125	-
Resources (inflows):			
Taxes	47,169,000	48,303,587	1,134,587
Licenses and permits	817,900	1,075,397	257,497
Fines, forfeits and penalties	1,325,500	1,225,431	(100,069)
Investment earnings	1,849,000	1,715,984	(133,016)
Charges for current services	6,104,205	6,772,330	668,125
From other agencies	455,000	425,595	(29,405)
Other revenues	519,500	608,698	89,198
Transfers from other funds	670,000	8,214,047	7,544,047
Proceeds of long term debt	-	300,000	300,000
Amounts available for appropriation	<u>95,455,230</u>	<u>105,186,194</u>	<u>9,730,964</u>
Charges to appropriations (outflows):			
Current:			
Fire	13,961,192	13,470,400	490,792
Police	28,428,914	27,029,285	1,399,629
Traffic safety	793,199	655,756	137,443
Public right of way	3,820,039	2,633,230	1,186,809
Community buildings	3,864,844	2,542,744	1,322,100
Community services	1,420,265	1,226,044	194,221
Parks and greenbelts	717,491	523,782	193,709
Community planning and development	2,900,833	2,686,703	214,130
Municipal support	6,816,542	4,823,654	1,992,888
Capital outlay:			
Police	68,722	90,592	(21,870)
Community buildings	2,000,465	2,000,465	-
Parks and greenbelts	450,000	-	450,000
Debt service:			
Principal retirement	330,000	443,161	(113,161)
Interest and other charges	105,120	226,223	(121,103)
Transfers to other funds	1,617,595	1,617,595	-
Total charges to appropriations	<u>67,295,221</u>	<u>59,969,634</u>	<u>7,325,587</u>
Budgetary fund balance, June 30	<u>\$ 28,160,009</u>	<u>\$ 45,216,560</u>	<u>\$ 17,056,551</u>

**CITY OF GARDEN GROVE
BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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	-	-	2,860	2,860
From other agencies	21,480,160	21,575,369	21,674,838	99,469
Other revenues	-	-	3,539	3,539
	<u>21,480,160</u>	<u>21,575,369</u>	<u>21,681,237</u>	<u>105,868</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current:				
Community planning and development	21,455,991	21,551,200	21,658,858	(107,658)
Municipal support	24,169	24,169	22,379	1,790
Total charges to appropriations	<u>21,480,160</u>	<u>21,575,369</u>	<u>21,681,237</u>	<u>(105,868)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARDEN GROVE

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2003

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

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

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

For the current fiscal year, expenditures exceeded appropriations in the Housing Authority special revenue fund in the amount of \$105,868 and in the Community Project debt service fund in the amount of \$52,285. The available fund balances funded the over expenditures

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**OTHER
SUPPLEMENTAL
INFORMATION**

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**CITY OF GARDEN GROVE
COMMUNITY PROJECT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Schedule C-1

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 11,750,000	\$ 12,184,176	\$ 434,176
Expenditures:			
Debt service:			
Principal retirement	1,285,000	1,285,000	-
Interest and fiscal charges	3,155,000	3,207,285	(52,285)
Total expenditures	4,440,000	4,492,285	(52,285)
Excess of revenues over expenditures	7,310,000	7,691,891	(381,891)
Other financing uses:			
Transfer out	(7,310,000)	(7,436,159)	126,159
Excess (deficiency) of revenues over (under) expenditures and other financing uses	-	255,732	(255,732)
Fund balance, July 1	4,537,550	4,537,550	-
Fund balance, June 30	\$ 4,537,550	\$ 4,793,282	\$ (255,732)

CITY OF GARDEN GROVE
2002 CAPITAL IMPROVEMENT DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule C-2

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 284,494	\$ 284,494
 Other financing sources:			
Transfers out	(8,023,775)	(7,544,047)	\$ 479,728
Excess of revenues and other financing sources over expenditures	(8,023,775)	(7,259,553)	764,222
 Fund balance, July 1	20,345,977	20,345,977	-
Fund balance, June 30	\$ 12,322,202	\$ 13,086,424	\$ 764,222

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

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 930,000	\$ 1,055,408	\$ 125,408
Sale of land		357,081	
Contributions		400,000	
Other revenues	-	43,841	43,841
Total revenues	930,000	1,856,330	926,330
Expenditures:			
Capital outlay:			
Public right of way	14,561	14,933	(372)
Community buildings	71,850	16,844	55,006
Community planning and development	12,417,346	4,128,824	8,288,522
Municipal support	301,545	212,925	88,620
Cost of land sold		114,127	
Debt service:			
Principal retirement	-	1,589,369	-
Interest and fiscal charges	-	1,241,401	(1,241,401)
Total expenditures	12,805,302	7,318,423	5,486,879
Excess (deficiency) of revenues over (under) expenditures	(11,875,302)	(5,462,093)	6,413,209
Other financing sources:			
Transfer in	2,889,728	2,456,559	(433,169)
Proceeds of long term debt	1,277,533	3,000,000	1,722,467
Total other financing sources:	4,167,261	5,456,559	1,289,298
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(7,708,041)	(5,534)	5,123,911
Fund balance, July 1	(691,147)	(691,147)	-
Fund balance, June 30	\$ (8,399,188)	\$ (696,681)	\$ 5,123,911

CITY OF GARDEN GROVE
LOW INCOME HOUSING CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule C-4

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 3,020,000	\$ 3,089,386	\$ 69,386
Investment earnings	50,000	72,483	22,483
Other revenues	400,000	1,162,593	762,593
Total revenues	3,470,000	4,324,462	854,462
Expenditures:			
Capital outlay:			
Community planning and development	4,631,719	1,012,206	3,619,513
Municipal support	59,613	50,066	9,547
Debt service:			
Principal retirement	203,786	203,786	-
Interest and fiscal charges	223,976	223,976	-
Total expenditures	5,119,094	1,490,034	3,629,060
Excess (deficiency) of revenues over (under) expenditures	(1,649,094)	2,834,428	4,483,522
Other financing sources:			
Proceeds of long term debt	-	3,533,333	3,533,333
Excess of revenues and other financing sources over expenditures	5,119,094	6,367,761	95,727
Fund balance, July 1	5,168,652	5,168,652	-
Fund balance, June 30	\$ 8,638,652	\$ 11,536,413	\$ 2,897,761

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.

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.

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.

Nonmajor Governmental Funds (Continued)

Special Revenue Funds (Continued)

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, 2003

Schedule D-1

Special Revenue Funds

	<u>Public Safety</u>	<u>State Gas Tax</u>	<u>Golf Course</u>	<u>Self Supporting</u>	<u>Developer Fees</u>
ASSETS					
Cash and investments	\$ 2,056,346	\$ 2,421,635	\$ 878,581	\$ 108,758	\$ 4,994,437
Taxes receivable	39,218	307,787	-	-	-
Accounts receivable	795	-	-	-	1,876
Interest receivable	3,164	3,893	-	-	8,319
Due from other funds	-	-	-	-	-
Notes receivable	-	-	-	-	-
Land held for resale	-	-	-	-	-
Deposits	2,600	-	-	-	-
Total assets	<u>\$ 2,102,123</u>	<u>\$ 2,733,315</u>	<u>\$ 878,581</u>	<u>\$ 108,758</u>	<u>\$ 5,004,632</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 46,973	\$ 274,241	\$ -	\$ 40,257	\$ 113,260
Other accrued liabilities	15,012	38,482	-	21,913	4,240
Refundable deposits	7,038	-	-	36,331	400
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	750	-	-
Total liabilities	<u>69,023</u>	<u>312,723</u>	<u>750</u>	<u>98,501</u>	<u>117,900</u>
Fund balances:					
Reserved for:					
Encumbrances	75,598	1,246,527	-	10,257	162,336
Continuing projects	1,684,964	1,061,354	-	-	2,235,801
Land held for resale	-	-	-	-	-
Contractual commitments	-	-	-	-	-
Deposits	2,600	-	-	-	-
Unreserved	<u>269,938</u>	<u>112,711</u>	<u>877,831</u>	<u>-</u>	<u>2,488,595</u>
Total fund balances	<u>2,033,100</u>	<u>2,420,592</u>	<u>877,831</u>	<u>10,257</u>	<u>4,886,732</u>
Total liabilities and fund balances	<u>\$ 2,102,123</u>	<u>\$ 2,733,315</u>	<u>\$ 878,581</u>	<u>\$ 108,758</u>	<u>\$ 5,004,632</u>

Continued

CITY OF GARDEN GROVE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003

Schedule D-1
 Continued

	Special Revenue Funds			
	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street Vehicle Parking District
ASSETS				
Cash and cash equivalents	\$ 586,909	\$ 620,333	\$ 5,005	\$ 223,448
Taxes receivable	-	19,318	9,381	2,073
Accounts receivable	35,624	-	-	391
Interest receivable	1,067	-	-	-
Due from other funds	-	-	-	-
Notes receivable	-	-	-	-
Land held for resale	-	-	-	-
Deposits	-	-	-	-
Total assets	\$ 623,600	\$ 639,651	\$ 14,386	\$ 225,912
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,622	\$ 121,623	\$ 3,686	\$ 2,945
Other accrued liabilities	992	1,974	9,667	-
Refundable deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	10,614	123,597	13,353	2,945
Fund balances:				
Reserved for:				
Encumbrances	5,386	2,715	-	-
Continuing projects	5,000	585	-	-
Land held for resale	-	-	-	-
Contractual commitments	-	-	-	-
Deposits	-	-	-	-
Unreserved	602,600	512,754	1,033	222,967
Total fund balances	612,986	516,054	1,033	222,967
Total liabilities and fund balances	\$ 623,600	\$ 639,651	\$ 14,386	\$ 225,912

Continued

CITY OF GARDEN GROVE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003

Schedule D-1
 Continued

	Special Revenue Funds			Debt Service Fund
	Air Quality Improvement	Federal Employment Grants	Other Grants and Contributions	Buena-Clinton Project
ASSETS				
Cash and investments	\$ 176,347	\$ -	\$ 4,700,491	\$ -
Taxes receivable	-	-	304,735	1,168
Accounts receivable	48,990	329,855	713,395	-
Accrued interest receivable	231	-	7,323	-
Due from other funds	-	-	-	-
Notes receivable	-	-	3,195,266	-
Land held for resale	-	-	-	-
Deposits	-	5,300	-	-
Total assets	\$ 225,568	\$ 335,155	\$ 8,921,210	\$ 1,168
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65	\$ 69,584	\$ 590,759	\$ -
Other accrued liabilities	662	38,034	262,573	-
Refundable deposits	-	992	1,378	-
Due to other funds	-	226,547	904,577	1,168
Deferred revenue	-	-	4,962,897	-
Total liabilities	727	335,155	6,722,184	1,168
Fund balances:				
Reserved for:				
Encumbrances	-	-	1,663,239	-
Continuing projects	194,975	-	-	-
Land held for resale	-	-	-	-
Contractual commitments	-	-	-	-
Deposits	-	5,300	-	-
Unreserved	29,866	(5,300)	535,787	-
Total fund balances	224,841	-	2,199,026	-
Total liabilities and fund balances	\$ 225,568	\$ 335,155	\$ 8,921,210	\$ 1,168

Continued

CITY OF GARDEN GROVE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003

Schedule D-1
 Continued

	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Buena-Clinton Project</u>	<u>2002 Capital Improvement Project</u>	
ASSETS			
Cash and investments	\$ 177,848	\$ 11,833	\$ 16,961,971
Taxes receivable	-	-	683,680
Accounts receivable	61,507	-	1,192,433
Accrued interest receivable	1,130	-	25,127
Due from other funds	1,168	-	1,168
Notes receivable	83,567	-	3,278,833
Land held for resale	275,890	-	275,890
Deposits	-	-	7,900
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 601,110</u>	<u>\$ 11,833</u>	<u>\$ 22,427,002</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 9,820	\$ 1,282,835
Other accrued liabilities	-	-	393,548
Refundable deposits	-	-	46,138
Due to other funds	-	-	1,132,292
Deferred revenue	83,567	-	5,047,214
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>83,567</u>	<u>9,820</u>	<u>7,902,027</u>
Fund balances:			
Reserved for:			
Encumbrances	-	-	3,166,058
Continuing projects	148,330	-	5,331,009
Land held for resale	275,890	-	275,890
Contractual commitments	93,323	2,013	95,336
Deposits	-	-	7,900
Unreserved	-	-	5,648,782
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>517,543</u>	<u>2,013</u>	<u>14,524,975</u>
Total liabilities and fund balances	<u>\$ 601,110</u>	<u>\$ 11,833</u>	<u>\$ 22,427,002</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-2

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting
REVENUES				
Taxes	\$ 503,283	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	136,049	-	-	-
Investment earnings	58,779	59,401	-	-
Charges for current services	106,365	-	644,898	619,021
From other agencies	334,990	3,407,731	-	-
Other revenues	-	-	-	-
Total revenues	1,139,466	3,467,132	644,898	619,021
EXPENDITURES				
Current:				
Fire	428,331	-	-	-
Police	1,183,980	-	-	-
Traffic safety	-	160,883	-	-
Public right of way	-	1,945,815	-	-
Community buildings	-	-	-	-
Community services	-	-	-	685,684
Parks and greenbelts	-	-	41,464	-
Community planning and development	-	-	-	-
Municipal support	48,579	-	-	-
Capital outlay:				
Police	119,864	-	-	-
Traffic safety	-	29,024	-	-
Public right of way	-	698,684	-	-
Drainage	-	798,489	-	-
Community buildings	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	1,780,754	3,632,895	41,464	685,684
Excess (deficiency) of revenues over (under) expenditures	(641,288)	(165,763)	603,434	(66,663)
OTHER FINANCING SOURCES				
(USES):				
Transfers in	-	-	-	76,920
Transfers out	-	-	(500,000)	-
Total other financing sources (uses)	-	-	(500,000)	76,920
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(641,288)	(165,763)	103,434	10,257
Fund balances, July 1	2,674,388	2,586,355	774,397	-
Fund balances, June 30	\$ 2,033,100	\$ 2,420,592	\$ 877,831	\$ 10,257

Continued

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-2
Continued

	Special Revenue Funds			
	Developer Fees	Garden Grove Cable	Street Lighting	Park Maint- enance
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	42,675	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	132,827	15,893	-	-
Charges for current services	517,408	-	1,334,310	699,922
From other agencies	-	500,000	-	-
Other revenues	-	174,152	-	-
Total revenues	692,910	690,045	1,334,310	699,922
EXPENDITURES				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	1,205,427	-
Public right of way	-	-	12,629	-
Community buildings	-	-	-	-
Community services	-	199,617	-	-
Parks and greenbelts	41,734	-	-	699,922
Community planning and development	-	-	-	-
Municipal support	-	-	8,792	-
Capital outlay:				
Police	-	-	-	-
Traffic safety	-	-	383,841	-
Public right of way	188,316	-	-	-
Drainage	189,390	-	-	-
Community buildings	-	-	-	-
Parks and greenbelts	206,089	-	-	-
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	625,529	199,617	1,610,689	699,922
Excess (deficiency) of revenues over (under) expenditures	67,381	490,428	(276,379)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	67,381	490,428	(276,379)	-
Fund balances, July 1	4,819,351	122,558	792,433	1,033
Fund balances, June 30	\$ 4,886,732	\$ 612,986	\$ 516,054	\$ 1,033

Continued

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-2
Continued

	Special Revenue Funds			
	Main Street Vehicle Parking District	Air Quality Improvement	Federal Employment Grants	Other Grants and Contributions
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	611
Fines, forfeits and penalties	-	-	-	153,408
Investment earnings	6,061	3,629	-	124,678
Charges for current services	29,946	-	-	-
From other agencies	-	196,950	2,638,825	9,973,153
Other revenues	-	1,850	-	441,355
Total revenues	36,007	202,429	2,638,825	10,693,205
EXPENDITURES				
Current:				
Fire	-	-	-	15,510
Police	-	-	-	379,165
Traffic safety	-	-	-	98,939
Public right of way	41,843	-	-	842,255
Community buildings	-	-	-	32,533
Community services	-	-	2,638,825	833,073
Parks and greenbelts	-	-	-	-
Community planning and development	-	538	-	2,540,366
Municipal support	-	131,393	-	177,749
Capital outlay:				
Police	-	-	-	-
Traffic safety	-	-	-	448,772
Public right of way	-	-	-	4,413,034
Drainage	-	-	-	36,695
Community buildings	-	-	-	87,283
Parks and greenbelts	-	-	-	369,039
Community planning and development	-	-	-	14,569
Debt service:				
Principal retirement	-	-	-	460,000
Interest and other charges	-	-	-	698,881
Total expenditures	41,843	131,931	2,638,825	11,447,863
Excess (deficiency) of revenues over (under) expenditures	(5,836)	70,498	-	(754,658)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,836)	70,498	-	(754,658)
Fund balances, July 1	228,803	154,343	-	2,953,684
Fund balances, June 30	\$ 222,967	\$ 224,841	\$ -	\$ 2,199,026

Continued

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-2
Continued

	Debt Service		Capital Projects Funds		Total Nonmajor Governmental Funds
	Fund		2002 Capital		
	Buena-Clinton Project	Buena-Clinton Project	Improvement Project		
REVENUES					
Taxes	\$ 311,617	\$ -	\$ -	\$ -	\$ 814,900
Licenses and permits	-	-	-	-	43,286
Fines, forfeits and penalties	-	-	-	-	289,457
Investment earnings	-	33,025	-	-	434,293
Charges for current services	-	-	-	-	3,951,870
From other agencies	-	-	-	-	17,051,649
Other revenues	-	70,605	-	-	687,962
Total revenues	311,617	103,630	-	-	23,273,417
EXPENDITURES					
Current:					
Fire	-	140,000	-	-	583,841
Police	-	-	-	-	1,563,145
Traffic safety	-	-	-	-	1,465,249
Public right of way	-	-	-	-	2,842,542
Community buildings	-	-	-	-	32,533
Community services	-	-	-	-	4,357,199
Parks and greenbelts	-	-	-	-	783,120
Community planning and development	-	45,231	25,671	-	2,611,806
Municipal support	-	-	-	-	366,513
Capital outlay:					
Police	-	-	-	-	119,864
Traffic safety	-	-	-	-	861,637
Public right of way	-	-	415,485	-	5,715,519
Drainage	-	-	-	-	1,024,574
Community buildings	-	-	-	-	87,283
Parks and greenbelts	-	-	-	-	575,128
Community planning and development	-	-	6,086,206	-	6,100,775
Debt service:					
Principal retirement	-	-	-	-	460,000
Interest and other charges	-	-	-	-	698,881
Total expenditures	-	185,231	6,527,362	-	30,249,609
Excess (deficiency) of revenues over (under) expenditures	311,617	(81,601)	(6,527,362)	-	(6,976,192)
OTHER FINANCING SOURCES					
(USES):					
Transfers in	-	311,617	6,520,275	-	6,908,812
Transfers out	(311,617)	-	-	-	(811,617)
Total other financing sources (uses)	(311,617)	311,617	6,520,275	-	6,097,195
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	230,016	(7,087)	-	(878,997)
Fund balances, July 1	-	287,527	9,100	-	15,403,972
Fund balances, June 30	\$ -	\$ 517,543	\$ 2,013	\$ -	\$ 14,524,975

CITY OF GARDEN GROVE
 PUBLIC SAFETY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-3

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 564,000	\$ 503,283	\$ (60,717)
Fines, forfeits and penalties	20,000	136,049	116,049
Investment earnings	56,000	58,779	2,779
Charges for current services	150,000	106,365	(43,635)
From other agencies	338,695	334,990	(3,705)
Total revenues	<u>1,128,695</u>	<u>1,139,466</u>	<u>10,771</u>
Expenditures:			
Current:			
Fire	479,450	428,331	51,119
Police	2,235,514	1,183,980	1,051,534
Community buildings	24,725	-	24,725
Municipal support	48,579	48,579	-
Capital outlay:			
Police	926,194	119,864	806,330
Total expenditures	<u>3,714,462</u>	<u>1,780,754</u>	<u>1,933,708</u>
Excess (deficiency) of revenues over (under) expenditures	(2,585,767)	(641,288)	1,944,479
Fund balance, July 1	<u>2,674,388</u>	<u>2,674,388</u>	<u>-</u>
	<u>\$ 88,621</u>	<u>\$ 2,033,100</u>	<u>\$ 1,944,479</u>

CITY OF GARDEN GROVE
 STATE GAS TAX SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-4

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 59,401	\$ 59,401	\$ -
From other agencies	3,407,731	3,407,731	-
Total revenues	<u>3,467,132</u>	<u>3,467,132</u>	<u>-</u>
Expenditures:			
Current:			
Traffic safety	190,416	160,883	29,533
Public right of way	1,860,138	1,945,815	(85,677)
Capital outlay:			
Traffic safety	30,619	29,024	1,595
Public right of way	1,441,814	698,684	743,130
Drainage	2,263,107	798,489	1,464,618
Total expenditures	<u>5,786,094</u>	<u>3,632,895</u>	<u>2,153,199</u>
Excess (deficiency) of revenues over (under) expenditures	(2,318,962)	(165,763)	2,153,199
 Fund balance, July 1	 <u>2,586,355</u>	 <u>2,586,355</u>	 <u>-</u>
Fund balance, June 30	<u>\$ 267,393</u>	<u>\$ 2,420,592</u>	<u>\$ 2,153,199</u>

CITY OF GARDEN GROVE
 GOLF COURSE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-5

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for current services	\$ 700,000	\$ 644,898	\$ (55,102)
Expenditures:			
Current:			
Parks and greenbelts	66,251	41,464	24,787
Excess (deficiency) of revenues over (under) expenditures	633,749	603,434	(30,315)
Other financing uses:			
Transfer out	(500,000)	(500,000)	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	133,749	103,434	(30,315)
Fund balance, July 1	<u>774,397</u>	<u>774,397</u>	<u>-</u>
Fund balance, June 30	<u>\$ 908,146</u>	<u>\$ 877,831</u>	<u>\$ (30,315)</u>

CITY OF GARDEN GROVE
 SELF-SUPPORTING REVENUE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-6

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Charges for current services	\$ 596,200	\$ 619,021	\$ 22,821
Total revenues	596,200	619,021	22,821
Expenditures:			
Current:			
Community services	718,571	685,684	32,887
Excess (deficiency) of revenues over (under) expenditures	(122,371)	(66,663)	55,708
Other financing sources:			
Transfer in	76,919	76,920	1
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(45,452)	10,257	55,709
Fund balance, July 1	-	-	-
Fund balance, June 30	<u>\$ (45,452)</u>	<u>\$ 10,257</u>	<u>\$ 55,709</u>

CITY OF GARDEN GROVE
DEVELOPER FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-7

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$ 40,400	\$ 42,675	\$ 2,275
Investment earnings	158,600	132,827	(25,773)
Charges for current services	396,000	517,408	121,408
Total revenues	<u>595,000</u>	<u>692,910</u>	<u>97,910</u>
Expenditures:			
Current:			
Community services	6,000	-	6,000
Parks and greenbelts	46,000	41,734	4,266
Capital outlay:			
Public right of way	1,914,203	188,316	1,725,887
Drainage	435,952	189,390	246,562
Parks and greenbelts	804,315	206,089	598,226
Total expenditures	<u>3,206,470</u>	<u>625,529</u>	<u>2,580,941</u>
Excess (deficiency) of revenues over (under) expenditures	(2,611,470)	67,381	2,678,851
Fund balance, July 1	<u>4,819,351</u>	<u>4,819,351</u>	<u>-</u>
Fund balance, June 30	<u>\$ 2,207,881</u>	<u>\$ 4,886,732</u>	<u>\$ 2,678,851</u>

CITY OF GARDEN GROVE
 GARDEN GROVE CABLE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-8

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 4,000	\$ 15,893	\$ 11,893
From other agencies	500,000	500,000	
Other	134,000	174,152	40,152
Total revenues	<u>638,000</u>	<u>690,045</u>	<u>52,045</u>
Expenditures:			
Current:			
Community buildings	5,000	-	5,000
Community services	541,688	199,617	342,071
Total expenditures	<u>546,688</u>	<u>199,617</u>	<u>347,071</u>
Excess of revenues over expenditures	91,312	490,428	399,116
Fund balance, July 1	<u>122,558</u>	<u>122,558</u>	-
Fund balance, June 30	<u>\$ 213,870</u>	<u>\$ 612,986</u>	<u>\$ 399,116</u>

CITY OF GARDEN GROVE
STREET LIGHTING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-9

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for current services	\$ 1,311,100	\$ 1,334,310	\$ 23,210
Expenditures:			
Current:			
Traffic safety	1,349,611	1,205,427	144,184
Public right of way	12,928	12,629	299
Municipal support	16,422	8,792	7,630
Capital outlay:			
Traffic safety	340,470	383,841	(43,371)
Total expenditures	1,719,431	1,610,689	108,742
Excess (deficiency) of revenues over (under) expenditures	(408,331)	(276,379)	131,952
Fund balance, July 1	792,433	792,433	-
Fund balance, June 30	\$ 384,102	\$ 516,054	\$ 131,952

CITY OF GARDEN GROVE
 PARK MAINTENANCE SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-10

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for current services	\$ 700,000	\$ 699,922	\$ (78)
Expenditures:			
Current:			
Parks and greenbelts	<u>701,033</u>	<u>699,922</u>	<u>1,111</u>
Excess (deficiency) of revenues over (under) expenditures	(1,033)	-	1,033
Fund balance, July 1	<u>1,033</u>	<u>1,033</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ 1,033</u>	<u>\$ 1,033</u>

CITY OF GARDEN GROVE
 MAIN STREET/VEHICLE PARKING DISTRICT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-11

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 8,000	\$ 6,061	\$ (1,939)
Charges for current services	28,500	29,946	1,446
Total revenues	36,500	36,007	(493)
Expenditures:			
Current:			
Public right of way	53,763	41,843	11,920
Excess (deficiency) of revenues over (under) expenditures	(17,263)	(5,836)	11,427
Fund balance, July 1	228,803	228,803	-
Fund balance, June 30	\$ 211,540	\$ 222,967	\$ 11,427

CITY OF GARDEN GROVE
 AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-12

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 3,629	\$ 2,629
Charges for current services	173,000	173,000	196,950	23,950
From other agencies	-	100,000	-	(100,000)
Other	-	-	1,850	1,850
Total revenues	174,000	274,000	202,429	(71,571)
Expenditures:				
Current:				
Community planning and development	538	538	538	-
Municipal support	226,369	326,369	131,393	194,976
Total expenditures	226,907	326,907	131,931	194,976
Excess (deficiency) of revenues over (under) expenditures	(52,907)	(52,907)	70,498	123,405
Fund balance, July 1	154,343	154,343	154,343	-
Fund balance, June 30	\$ 101,436	\$ 101,436	\$ 224,841	\$ 123,405

CITY OF GARDEN GROVE
 FEDERAL EMPLOYMENT GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-13

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
From other agencies	\$ 4,382,240	\$ 2,728,035	\$ 2,638,825	\$ (89,210)
Expenditures:				
Current:				
Community services	4,382,240	2,728,035	2,638,825	89,210
Excess of revenues over expenditures	-	-	-	-
Fund balance, July 1	-	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF GARDEN GROVE
OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-14

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 611	\$ 611
Fines, forfeits and penalties	312,329	312,329	153,408	(158,921)
Investment earnings	154,000	154,000	124,678	(29,322)
From other agencies	31,111,984	29,984,627	9,973,153	(20,011,474)
Other	350,000	350,000	441,355	91,355
Total revenues	31,928,313	30,800,956	10,693,205	(20,107,751)
Expenditures:				
Current:				
Fire	29,653	29,653	15,510	14,143
Police	604,657	614,111	379,165	234,946
Traffic safety	312,329	312,329	98,939	213,390
Public right of way	1,412,089	1,412,089	842,255	569,834
Community buildings	35,752	35,752	32,533	3,219
Community services	733,952	1,130,216	833,073	297,143
Community planning and development	4,604,955	4,604,955	2,540,366	2,064,589
Municipal support	127,670	127,670	177,749	(50,079)
Capital outlay:				
Traffic safety	2,259,409	2,259,409	448,772	1,810,637
Public right of way	18,867,162	17,424,087	4,413,034	13,011,053
Drainage	37,604	37,604	36,695	909
Community buildings	282,542	282,542	87,283	195,259
Parks and greenbelts	4,215,673	4,125,673	369,039	3,756,634
Community planning and development	1,100,235	1,100,235	14,569	1,085,666
Debt service:				
Principal retirement	460,000	460,000	460,000	-
Interest and fiscal charges	698,881	698,881	698,881	-
Total expenditures	35,782,563	34,655,206	11,447,863	23,207,343
Excess (deficiency) of revenues over (under) expenditures	(3,854,250)	(3,854,250)	(754,658)	3,099,592
Fund balance, July 1	2,953,684	2,953,684	2,953,684	-
Fund balance, June 30	\$ (900,566)	\$ (900,566)	\$ 2,199,026	\$ 3,099,592

CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-15

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 330,000	\$ 311,617	\$ (18,383)
Other financing uses:			
Transfer out	(330,000)	(311,617)	(18,383)
Excess of revenues over other financing uses	-	-	-
Fund balance, July 1	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -

CITY OF GARDEN GROVE
 BUENA-CLINTON PROJECT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Schedule D-16

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ 10,000	\$ 33,025	23,025
Other revenues	-	70,605	70,605
Total revenues	<u>10,000</u>	<u>103,630</u>	<u>93,630</u>
Expenditures:			
Current:			
Police	140,000	140,000	-
Community planning and development	<u>43,640</u>	<u>45,231</u>	<u>(1,591)</u>
Total expenditures	183,640	185,231	(1,591)
Excess (deficiency) of revenues over (under) expenditures	<u>(173,640)</u>	<u>(81,601)</u>	<u>92,039</u>
Other financing sources:			
Transfers in	<u>330,000</u>	<u>311,617</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	156,360	230,016	
Fund balance, July 1	<u>287,527</u>	<u>287,527</u>	<u>-</u>
Fund balance, June 30	<u>\$ 600,247</u>	<u>\$ 517,543</u>	<u>\$ (82,704)</u>

CITY OF GARDEN GROVE
 2002 CAPITAL IMPROVEMENT
 CAPITAL PROJECTS FUND

Schedule D-17

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Expenditures:			
Current:			
Community planning and development	-	25,671	-
Capital outlay:			
Public right of way	-	415,485	(415,485)
Community planning and development	-	6,086,206	(6,086,206)
Total expenditures	-	6,527,362	(6,501,691)
Other financing sources:			
Transfers in	7,000,000	6,520,275	479,725
Excess of other financing sources over expenditures	7,000,000	(7,087)	(6,021,966)
Fund balance, July 1	9,100	9,100	-
Fund balance, June 30	<u>\$ 7,009,100</u>	<u>\$ 2,013</u>	<u>\$ 7,000,000</u>

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INTERNAL SERVICE FUNDS

Workers' Compensation Fund

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

Fleet Management Fund

The costs of operating and maintaining City owned vehicles and other gasoline-powered equipment are accounted for in this fund. The fund is financed by charges to the various City 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 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, 2003

	<u>Worker's Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Information Systems</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 9,892,893	\$ 4,722,859	\$ 17,495,411	\$ 1,678,118
Accounts receivable	-	29,174	598,926	13,469
Interest receivable	88,569	-	-	11,639
Due from other funds	2,924,584	-	-	-
Inventory	-	33,695	-	-
Deposits	-	-	32,100	-
Total current assets	<u>12,906,046</u>	<u>4,785,728</u>	<u>18,126,437</u>	<u>1,703,226</u>
Noncurrent assets:				
Capital assets				
Depreciable buildings, property, and equipment, net	61,628	6,360,017	-	263,045
Total noncurrent assets	<u>61,628</u>	<u>6,360,017</u>	<u>-</u>	<u>263,045</u>
Total assets	<u>\$ 12,967,674</u>	<u>\$ 11,145,745</u>	<u>\$ 18,126,437</u>	<u>\$ 1,966,271</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 85,117	\$ 127,397	\$ 665,958	\$ 13,450
Accrued compensated absences	-	-	5,093,508	-
Other accrued liabilities	15,556	16,262	152,911	16,553
Claims payable	12,816,413	-	-	-
Total liabilities	<u>12,917,086</u>	<u>143,659</u>	<u>5,912,377</u>	<u>30,003</u>
NET ASSETS				
Invested in capital assets, net of related debt	61,628	6,360,017	-	263,045
Unrestricted	<u>(11,040)</u>	<u>4,642,069</u>	<u>12,214,060</u>	<u>1,673,223</u>
Total net assets	<u>\$ 50,588</u>	<u>\$ 11,002,086</u>	<u>\$ 12,214,060</u>	<u>\$ 1,936,268</u>

<u>Warehouse Operations</u>	<u>Telephone System</u>	<u>Risk Management</u>	<u>Totals</u>
\$ 310,506	\$ 1,513,753	\$ 20,088,991	\$ 55,702,531
-	-	100	641,669
-	-	139,779	239,987
-	-	-	2,924,584
288,042	-	-	321,737
-	-	312,591	344,691
<u>598,548</u>	<u>1,513,753</u>	<u>20,541,461</u>	<u>60,175,199</u>
-	7,274	-	6,691,964
-	7,274	-	6,691,964
<u>\$ 598,548</u>	<u>\$ 1,521,027</u>	<u>\$ 20,541,461</u>	<u>\$ 66,867,163</u>
\$ 103,819	\$ 35,044	\$ 19,014	\$ 1,049,799
-	-	-	5,093,508
4,815	1,134	3,415	210,646
-	-	7,408,844	20,225,257
<u>108,634</u>	<u>36,178</u>	<u>7,431,273</u>	<u>26,579,210</u>
-	7,274	-	6,691,964
<u>489,914</u>	<u>1,477,575</u>	<u>13,110,188</u>	<u>33,595,989</u>
<u>\$ 489,914</u>	<u>\$ 1,484,849</u>	<u>\$ 13,110,188</u>	<u>\$ 40,287,953</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Worker's Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Information Systems</u>
Operating revenues:				
Charges for services	\$ 2,838,042	\$ 3,851,928	\$ 14,719,647	\$ 1,102,102
Operating expenses:				
Salaries and wages	606,926	709,662	9,368,850	687,378
Contractual services	199,954	572,055	4,065,424	176,515
Liability claims	2,956,107	-	-	-
Materials and supplies	1,965	938,361	156,666	112,539
Depreciation	10,099	958,278	-	34,070
Total operating expenses	<u>3,775,051</u>	<u>3,178,356</u>	<u>13,590,940</u>	<u>1,010,502</u>
Operating income (loss)	<u>(937,009)</u>	<u>673,572</u>	<u>1,128,707</u>	<u>91,600</u>
Nonoperating revenues (expenses):				
Investment income	321,857	-	-	41,375
Proceeds from disposal of assets	-	92,540	-	-
Loss on disposal of assets	-	(49,306)	-	-
Other nonoperating revenues	-	1,742	-	-
Total nonoperating revenues (expenses)	<u>321,857</u>	<u>44,976</u>	<u>-</u>	<u>41,375</u>
Income (loss) before contributions and transfers	<u>(615,152)</u>	<u>718,548</u>	<u>1,128,707</u>	<u>132,975</u>
Transfers out	-	-	-	-
Changes in net assets	<u>(615,152)</u>	<u>718,548</u>	<u>1,128,707</u>	<u>132,975</u>
Total net assets, July 1	<u>665,740</u>	<u>10,283,538</u>	<u>11,085,353</u>	<u>1,803,293</u>
Total net assets, June 30	<u>\$ 50,588</u>	<u>\$ 11,002,086</u>	<u>\$ 12,214,060</u>	<u>\$ 1,936,268</u>

<u>Warehouse Operations</u>	<u>Telephone System</u>	<u>Risk Management</u>	<u>Totals</u>
\$ 154,686	\$ 892,966	\$ 1,943,129	\$ 25,502,500
111,880	43,540	154,828	11,683,064
24,752	406,343	470,850	5,915,893
-	-	-	2,956,107
6,938	180	3,130	1,219,779
-	43,927	-	1,046,374
<u>143,570</u>	<u>493,990</u>	<u>628,808</u>	<u>22,821,217</u>
<u>11,116</u>	<u>398,976</u>	<u>1,314,321</u>	<u>2,681,283</u>
-	-	490,355	853,587
2,627	-	-	95,167
-	-	-	(49,306)
-	-	-	1,742
<u>2,627</u>	<u>-</u>	<u>490,355</u>	<u>901,190</u>
13,743	398,976	1,804,676	3,582,473
-	-	(100,000)	(100,000)
13,743	398,976	1,704,676	3,482,473
476,171	1,085,873	11,405,512	36,805,480
<u>\$ 489,914</u>	<u>\$ 1,484,849</u>	<u>\$ 13,110,188</u>	<u>\$ 40,287,953</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Worker's Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,913,242	\$ 3,893,485	\$14,577,935
Payments to suppliers	(2,130,313)	(1,511,229)	(7,000,891)
Payments to employees	(606,926)	(709,662)	(5,810,989)
Internal activity-payments to/from other funds	<u>1,792,862</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,968,865</u>	<u>1,672,594</u>	<u>1,766,055</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other receipts/payments	-	1,742	-
Operating subsidies and transfers to/from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>1,742</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(1,526,752)	-
Proceeds from disposal of capital assets	<u>-</u>	<u>92,540</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,434,212)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	<u>321,857</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>321,857</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,290,722	240,124	1,766,055
Cash and cash equivalents, July 1	<u>7,602,171</u>	<u>4,482,735</u>	<u>15,729,356</u>
Cash and cash equivalents, June 30	<u>\$ 9,892,893</u>	<u>\$ 4,722,859</u>	<u>\$17,495,411</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (937,009)</u>	<u>\$ 673,572</u>	<u>\$ 1,128,707</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	10,099	958,278	-
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	46,875	41,557	(142,882)
Decrease in accrued interest receivable	28,325	-	-
Decrease in due to/from other funds	1,792,862	-	-
(Increase) in inventory	-	(447)	-
Decrease (increase) in deposits	-	-	1,170
Increase (decrease) in accounts payable	52,965	(3,656)	227,612
Increase in accrued compensated absences	-	-	549,192
Increase in other accrued liabilities	8,196	3,290	2,256
Increase (decrease) in claims payable	<u>966,552</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>2,905,874</u>	<u>999,022</u>	<u>637,348</u>
Net cash provided (used) by operating activities	<u>\$ 1,968,865</u>	<u>\$ 1,672,594</u>	<u>\$ 1,766,055</u>

<u>Information Sytems</u>	<u>Warehouse Operations</u>	<u>Telephone System</u>	<u>Risk Management</u>	<u>Totals</u>
\$ 1,091,794	\$ 154,686	\$ 892,966	\$ 1,943,429	\$ 25,467,537
(277,250)	(49,694)	(455,579)	(1,170,288)	(12,595,244)
(687,378)	(111,880)	(43,540)	(154,828)	(8,125,203)
-	-	-	-	1,792,862
<u>127,166</u>	<u>(6,888)</u>	<u>393,847</u>	<u>618,313</u>	<u>6,539,952</u>
-	-	-	-	1,742
-	-	-	(100,000)	(100,000)
-	-	-	(100,000)	(98,258)
(59,195)	-	-	-	(1,585,947)
-	2,627	-	-	95,167
<u>(59,195)</u>	<u>2,627</u>	<u>-</u>	<u>-</u>	<u>(1,490,780)</u>
41,375	-	-	490,355	853,587
<u>41,375</u>	<u>-</u>	<u>-</u>	<u>490,355</u>	<u>853,587</u>
109,346	(4,261)	393,847	1,008,668	5,804,501
<u>1,568,772</u>	<u>314,767</u>	<u>1,119,906</u>	<u>19,080,323</u>	<u>49,898,030</u>
<u>\$ 1,678,118</u>	<u>\$ 310,506</u>	<u>\$ 1,513,753</u>	<u>\$ 20,088,991</u>	<u>\$ 55,702,531</u>
<u>\$ 91,600</u>	<u>\$ 11,116</u>	<u>\$ 398,976</u>	<u>\$ 1,314,321</u>	<u>2,681,283</u>
34,070	-	43,927	-	1,046,374
(13,469)	-	-	(100)	(68,019)
3,161	-	-	44,512	75,998
-	-	-	-	1,792,862
-	(58,897)	-	-	(59,344)
-	-	-	(44,112)	(42,942)
5,015	38,002	(49,412)	(10,792)	259,734
-	-	-	-	549,192
6,789	2,891	356	983	24,761
-	-	-	(686,499)	280,053
<u>35,566</u>	<u>(18,004)</u>	<u>(5,129)</u>	<u>(696,008)</u>	<u>3,858,669</u>
<u>\$ 127,166</u>	<u>\$ (6,888)</u>	<u>\$ 393,847</u>	<u>\$ 618,313</u>	<u>\$ 6,539,952</u>

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STATISTICAL SECTION

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**CITY OF GARDEN GROVE
GOVERNMENT-WIDE EXPENSES BY PROGRAM
LAST TWO FISCAL YARS**

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
2003	13,846,510	28,229,071	3,164,227	12,116,169	1,425,667	2,352,447

This is the second 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

Community Services	Parks and Greenbelts	Community Planning and Development	Municipal Support	Debt Service	Total
\$ 6,657,285	\$ 1,214,941	\$ 28,643,464	\$ 4,732,496	\$ 5,231,632	\$105,602,791
5,024,078	1,557,773	32,809,428	5,384,324	6,426,770	112,336,464

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

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
2003	10,962,148	37,353,623	4,563,458	63,938,694	2,856,887	949,782	120,624,592

This is the second 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
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
2003	64,392,049	1,118,683	1,514,888	3,565,522	10,724,200	39,152,082	2,863,714	123,331,138

*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**

Fiscal Year	Fire	Police	Traffic Safety	Public Right of Way	Drainage	Community Buildings
1994	\$9,155,042	\$18,995,741	\$1,930,744	\$7,140,811	\$479,447.00	\$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
2003	14,054,241	28,712,294	2,982,642	11,206,224	1,024,574	4,679,869

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
\$2,470,709	\$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
5,583,243	1,972,622	37,226,739	5,475,535	10,322,844	123,240,827

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

Exhibit E

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
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
2003	17,913,119	9,633,188	1,909,152	2,298,509	5,861,586	9,982,677	47,598,231

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
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%
2003	0.0025	9,881,291	9,454,838	95.6	178,350	9,633,188	97.5	24,620	0.2%

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

Source: Orange County Property Tax Ledger
City Finance Department

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

Exhibit G

Fiscal Year	Secured Property	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase (Decrease)
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
2003	6,237,992,510	302,092,895	6,540,085,405	6,540,085,405	5.6

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, 2003**

Exhibit H

Taxpayer	Type of Business	2003 Total Assessed Valuation	Percent of Total Assessed Valuation
Landmark Hotels	Property Management/Hotel	\$ 67,561,367	1.03%
OHI Resort Hotels	Property Management/Hotel	66,484,506	1.02%
Atrium Plaza Inc	Property Management/Hotel	58,644,518	0.90%
Saint-Gobain Performance	Mfg of Polymer Components	35,155,405	0.54%
BB Promenade	Restaurant/Retail	26,054,323	0.40%
Linfinity Microelectronics	Mfg Linear Integrated Circuits	25,064,495	0.38%
American Medical	Medical Center/Hospital	23,930,204	0.38%
Kaiser Foundation	Medical Center/Hospital	20,258,423	0.31%
AIC Investment Co, Inc.	Mfg. Aircraft Fasteners	19,799,194	0.30%
Swedlow, Inc.	Mfg. Plastic products	<u>18,859,955</u>	0.29%
Total		<u><u>\$ 361,812,390</u></u>	5.53%

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

Fiscal Year	City General	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
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
2003	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, 2003**

Exhibit J

2002-03 Assessed Valuation: \$7,979,426,041
 Redevelopment Incremental Valuation: 1,439,340,636
 Adjusted Assessed Valuation: \$6,540,085,405

OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable</u>	<u>Debt 6/30/03</u>
Orange County Teeter Plan Obligations	2.692%	\$ 3,349,521
Metropolitan Water District	0.577	2,563,582
Coast Community College District	5.905	6,495,500
North Orange County Joint Community College District	2.636	3,664,040
Rancho Santiago Community College District	4.972	4,779,335
Anaheim Union High School District	0.064	58,880
Anaheim School District	0.075	24,349
Magnolia School District	0.216	20,639
City of Garden Grove 1915 Act Bonds	100.	<u>385,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$21,340,846

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Orange County General Fund Obligations	2.692%	\$26,252,088
Orange County Pension Obligations	2.692	3,251,195
Orange County Board of Education Certificates of Participation	2.692	537,862
Orange County Transit Authority	2.692	166,231
Municipal Water District of Orange County Water Facilities Corporation	3.258	1,560,093
Coast Community College District Certificates of Participation	5.905	479,486
Orange Unified School District Certificates of Participation	1.199	635,470
Anaheim Union High School District Certificates of Participation	0.064	17,280
City of Garden Grove General Fund Obligations	100.	37,578,785
Orange County Sanitation District No. 2 Certificates of Participation	3.774	<u>5,890,271</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$76,368,761
Less: Orange County Transit Authority (80% self-supporting)		132,985
MWDOC Water Facilities Corporation (100% self-supporting)		<u>1,560,093</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$74,675,683

GROSS COMBINED TOTAL DEBT

NET COMBINED TOTAL DEBT

\$97,709,607 (1)
 \$96,016,529

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

Ratios to 2002-03 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 0.27%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$37,578,785) 0.57%

Gross Combined Total Debt 1.49%

Net Combined Total Debt..... 1.47%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Prepared for the City of Garden Grove

By: California Municipal Statistics, Inc.

**CITY OF GARDEN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2003**

Exhibit K

Assessed Valuation		\$ 6,540,085,405
Debt Limit: 3.75% os Assessed Value		\$ 245,253,202
Amount of debt applicable to debt limit:		
Total bonded debt	\$ -	
Other Debt	<u>\$ -</u>	
Less: Net assets in Debt Service Fund	<u>\$ -</u>	
Total amount of debt applicable to debt limit		<u>\$ -</u>
LEGAL DEBT MARGIN		<u><u>\$ 245,253,202</u></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	
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%
2003	16,609,786	14,252,431	2,357,355	470,000	892,464	1,362,464	1.73%

(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	
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%	1,562,797
2003	5,927,614,174	3,001	23.5%	86,713,703	46.4%	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

Fiscal Year	Population	Median Age of Population	Median Family Income	Unemployment Rate	School Enrollment
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	57,440	5.3	50,066
2003	169,911	32.3	60,480	4.8	50,172

*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, 2003**

Exhibit O

TYPE COVERAGE	INSURANCE COMPANY	POLICY TERM	ANNUAL PREMIUM	POLICY LIMITS
Property	Public Entity Property Insurance Program (PEPIP) Various Companies	5/15/03-7/1/04	\$335,537	\$750,000,000 per occurrence \$13,500,000 per occurrence and annual aggregate as respects to earthquake and flood
Boiler and Machinery	Public Entity Boiler and Machinery Program (PEPIP) Various Companies	5/15/03-7/1/04	\$5,730	\$100,000,000
California Municipal Excess Workers Compensation Program (CAMEX)	Employers Reinsurance Corporation 0642090	7/1/02-7/1/03	\$142,819	\$25,000,000 \$5,000,000 Employer's Liability
Employee Dishonesty Bond including Faithful Performance and Computer Fraud	Various Companies	4/1/03-4/1/04	\$6,893	\$5,000,000
Calif Municipal Excess Liability (CAMEL) Program	Great Lakes UK 01-UK-RL-0000017-00	7/1/03-7/1/04	\$ 94,007	\$10,000,000 per occurrence

Source: City Finance Department

**CITY OF GARDEN GROVE
MISCELLANEOUS STATISTICAL INFORMATION**

Exhibit P

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

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

Source: City Finance Department

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