

CITY OF GARDEN GROVE,
CALIFORNIA

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

JULY 1, 1998 TO JUNE 30, 1999



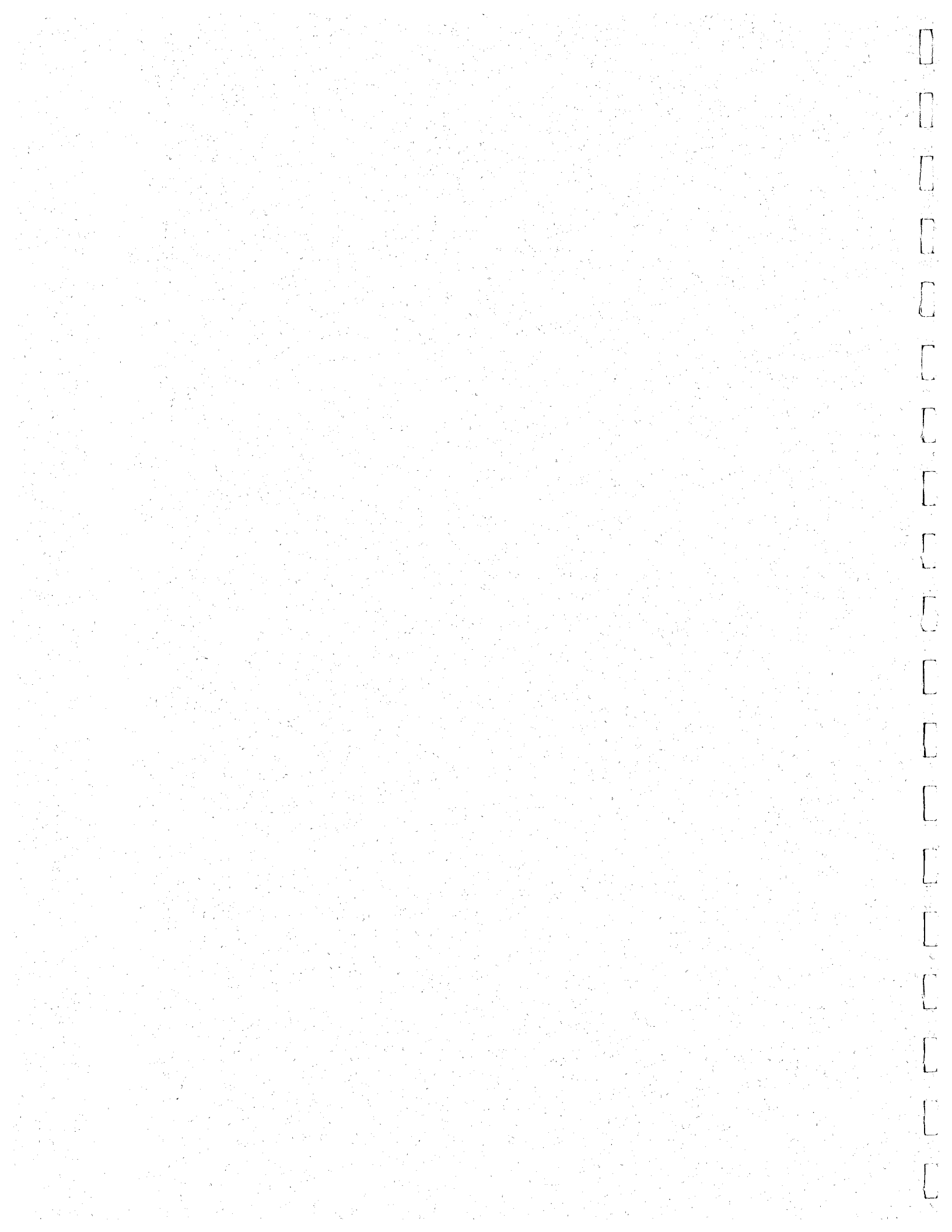


COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

CITY OF GARDEN GROVE
FISCAL YEAR ENDED
JUNE 30, 1999

PREPARED BY:
CONTROLLER'S OFFICE

ANTHONY J. ANDRADE
CONTROLLER



**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 1999
 Table of Contents**

INTRODUCTORY SECTION

	<u>Schedule</u>	<u>Page</u>
Title Page		i
Table of Contents		iv
Letter of Transmittal		xx
Principal Officers		xxi
Organizational Chart		xxii
GFOA Certificate of Achievement for Excellence in Financial Reporting		xxiii
CSMFO Certificate of Award for Outstanding Financial Reporting		xxiii

FINANCIAL SECTION

Independent Auditors' Report		3
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit	A-1	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Unit	A-2	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Capital Projects Fund Types	A-3	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	A-4	10
Combined Statement of Cash Flows - All Proprietary Fund Types	A-5	11
Notes to General Purpose Financial Statements		13
 Combining, Individual Fund and Account Group Statements and Schedules:		
General Fund:		49
Comparative Balance Sheets	B-1	51
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	B-2	52

(Continued)

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 1999**

**Table of Contents
 (Continued)**

	<u>Schedule</u>	<u>Page</u>
Special Revenue Funds:		53
Combining Balance Sheet	C-1	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	C-3	60
Debt Service Funds:		69
Combining Balance Sheet	D-1	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	72
Capital Projects Funds:		73
Combining Balance Sheet	E-1	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	E-3	77
Enterprise Funds:		81
Combining Balance Sheet	F-1	83
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	F-2	84
Combining Statement of Cash Flows	F-3	85
Water Enterprise Fund - Comparative Balance Sheets	F-4	87
Water Enterprise Fund - Comparative Statements of Revenues, Expenses and Changes in Retained Earnings	F-5	88
Water Enterprise Fund - Comparative Statements of Cash Flows	F-6	89
Mobilehome Parks Enterprise Fund - Comparative Balance Sheets	F-7	91
Mobilehome Parks Enterprise Fund - Comparative Statements of Revenues, Expenses and Changes in Retained Earnings	F-8	92
Mobilehome Parks Enterprise Fund - Comparative Statements of Cash Flows	F-9	93
Sanitary District Enterprise Funds - Combining Balance Sheets	F-10	95
Sanitary District Enterprise Funds Combining Statement of Revenues, Expenses and Changes in Retained Earnings	F-11	96
Sanitary District Enterprise Funds Combining Statement of Cash Flows	F-12	97

(Continued)

**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 1999**

**Table of Contents
 (Continued)**

	<u>Schedule</u>	<u>Page</u>
Internal Service Funds:		
Combining Balance Sheet	G-1	99 101
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	G-2	102
Combining Statement of Cash Flows	G-3	103
General Fixed Assets Account Group:		
Comparative Schedules of General Fixed Assets by Source	H-1	105 107
Schedule of General Fixed Assets by Program	H-2	108
Schedule of Changes in General Fixed Assets by Program	H-3	108
Supplementary Information:		
Evaluation of Year 2000 Issues		109 111

STATISTICAL SECTION

	<u>Exhibit</u>	<u>Page</u>
Revenues by Source - All Governmental Fund Types, Last Ten Fiscal Years	A	115
Expenditures by Program - All Governmental Fund Types, Last Ten Fiscal Years	B	116
Property Tax Levies and Collections, Last Ten Fiscal Years Assessed and Estimated Actual Values of all City Property Last Ten Fiscal Years	C	118
Principal Taxpayers	D	119
Property Tax Rates - Direct and Overlapping Governments, Last Ten Fiscal Years	E	120
Direct and Overlapping Bonds and Debt	F	121
Computation of Legal Debt Margin	G	122
Schedule of Water Revenue Bond Coverage, Last Ten Fiscal Years	H	123
Property Value, Construction and Bank Deposits, Last Ten Fiscal Years	I	124
Demographic Statistics, Last Ten Fiscal Years	J	125
Insurance in Force	K	126
Miscellaneous Statistical Information	L	127
	M	128



CITY OF GARDEN GROVE, CALIFORNIA

11222 ACACIA PARKWAY, P.O. BOX 3070, GARDEN GROVE, CALIFORNIA 92842

November 24, 1999

Bruce A. Broadwater
Mayor

Ho Chung
Mayor Pro Tem

William Dalton
Councilman

Mark Leyes
Councilman

Mark Rosen
Councilman

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

Transmitted through the City Manager

Your Honorable Mayor and Council:

The City Controller's Office 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, 1999. The CAFR was prepared by the staff of the City Controller's Office 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 generally accepted accounting principles 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 Comprehensive Annual Financial Report is presented in three sections:

1. **Introductory Section** - Included within the introductory section is this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting awarded to the City by the Government Finance Officer's Association, the Certificate of Award for Outstanding Financial Reporting awarded to the City by the California Society of Municipal Finance Officers, a list of principal City officials, and the City's organization chart.
2. **Financial Section** - The five combined general purpose financial statements (GPFS) with accompanying notes and the combining and individual fund and account group financial schedules, along with the independent auditor's report on the financial statements and schedules

are included within the financial section. The GPFS are the City's basic financial statements designed to provide a concise overview for the users of the financial statements who require less detailed information pertaining to the financial affairs of the City. Presented in the remainder of the financial section are the combining statements, individual fund statements, and schedules for those who require greater detailed information.

3. Statistical Section - This section includes a number of tables delineating the City's financial history during the past ten years and certain non-accounting information such as demographic data, economic data and an assemblage of miscellaneous information.

GENERAL INFORMATION - CITY OF GARDEN GROVE

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles. It is the fourth largest City in Orange County and the nineteenth 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 and 1990'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.

THE REPORTING ENTITY AND ITS SERVICES

Garden Grove is a full service General Law city. The services provided by the City include police, fire, paramedic, street maintenance, park maintenance, water, sewer, refuse, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. Also included in the City's overall operations are the Garden Grove Agency for Community Development, Garden Grove Housing Authority, City of Garden Grove Library Corporation, Garden Grove Sanitary District and the Garden Grove Cable Corporation.

The Honorable Mayor and City Council
November 24, 1999
Page 3

The component units of the reporting entity are further categorized between "Blended Component Units" and "Discretely Presented Component Units" as described by the Governmental Accounting Standards Board in their publication of June 1991 entitled, "The Financial Reporting Entity" (GASB 14). After applying the various classification criteria referenced in GASB 14, the following units were determined to be properly included in the "blended" presentation with the City of Garden Grove.

Agency for Community Development
Garden Grove Housing Authority
Garden Grove Cable Corporation
Garden Grove Sanitary District

There was only one component unit, The City of Garden Grove Library Corporation, which was required to be categorized in a "discrete" presentation.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general government operations are maintained on the modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the fund liabilities are incurred. Accounting records for the City's Proprietary Funds are maintained on the accrual basis. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when incurred.

In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept for reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the program level. Encumbrances of estimated purchase amounts are made prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at June 30, 1999.

ECONOMIC CONDITION AND OUTLOOK

This marked the fourth consecutive year of economic recovery for the community. In the majority of City operations, revenues which were derived from the level of economic activity exhibited strong growth. At the same time operational expenditures continued to benefit from the relatively low levels of inflation. The results of these favorable conditions was an excellent economic performance for the City. General Fund revenues exceeded the budget forecast by more than \$1,600,000 or 3.7 percent. This is surprising because the General Fund budget forecast was based upon the continuance of the recovery with moderate growth. General Fund revenues exceeded the previous year's actual revenues by approximately \$2,700,000, or 6.8 percent, for the best growth rate in the last eleven years.

The recovery was broad based and is evidenced by the majority of indices of local economic activity and performance. Median family income in the community rose to \$50,782, an increase of \$3,079 or 6.5 percent over the previous year's amount of \$47,703. Unemployment in the City remained well below state-wide averages and the national average. The unemployment rate declined to 3.7 percent from last year's low rate of 3.8 percent. The strong local economy boosted construction activity with the estimated valuation of building permits increasing by 99.4 percent. The valuation of building permits was \$94,475,067 which was highest since 1976 when this statistic was first tracked. The number of building permits increased by only .4 percent reflecting the much larger average size of projects under construction. As the result of the improved economic conditions within the community assessed valuations grew by 3.4 percent to a new record high of slightly over 5 billion.

Inflation, as measured by the change in the Los Angeles/Anaheim/Riverside Consumer Price Index (CPI) increased by only 2.0 percent for the year. This was only .2 percent higher than the 1.8 percent increase in the previous year. It is anticipated that low inflation will continue in the next year, although the rate may increase moderately over current levels. This is considered to be a very favorable factor in balancing the budget.

During the year the City continued to apply strong financial controls to assist in enhancing a budget surplus even though the local economy was very favorable. The techniques included recruitment and hiring reviews, managing overtime, maximizing the use of part-time and/or temporary employees and reviewing/managing materials, supplies and services expenditures where practicable. The results were significant as illustrated by the following data:

General Fund:	
Budgeted Expenditures	\$50,119,151
Actual Expenditures	<u>44,463,298</u>
Savings	\$ 5,655,853
Percent of Planned Budget Saved	11%

The pattern of significant budget savings intensifies if the combined General, Special Revenue and Capital Projects Funds are examined. The following shows the budget to actual comparisons:

General, Special Revenue, and Capital Project Funds:

Budgeted Expenditures	\$125,505,771
Actual Expenditures	<u>100,140,302</u>

Savings	\$ 25,365,469
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Percent of Planned Budget Saved	20.2%
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In the General Fund, benefits of expenditure control measures were accentuated by positive revenue performance. Actual revenues exceeded the estimate by \$1,627,078. In addition, there was a substantial positive effect on the General Fund from a prior year adjustment. This adjustment was a result of the recordation of a loan from the General Fund to the Water Fund to reimburse the General Fund for water expenditures incurred in previous years. The loan amount was \$14,145,092. As a result of these positive factors the General Fund - Fund Balance increased from \$6,813,573 at the close of the previous year to \$26,169,214 at the close of the 1998-99 fiscal year. The entire amount of the loan was reserved within the fund balance. Even the unreserved portion of the General Fund balance showed substantial improvement by increasing from \$4,747,392 in the prior year to \$7,616,351 in the current year.

The operational deficit which existed in the General Fund was eliminated during the current fiscal year due to the effects of economic growth. In the past, revenues and transfers derived from operations, when matched against operating expenditures, resulted in a deficit. This deficit was funded with an excess of nonrecurring revenues or transfers each year. The following data shows the balance for operations during the current year:

General Fund Operations:

Actual Operating Revenues	\$45,638,447	
Less :Nonrecurring Land Sales	<u>(582,387)</u>	
Net Operating Revenues		\$45,056,060
Less: Actual Operating Expenditures		<u>44,463,298</u>
Operating Surplus		\$ 592,762

In summary, the City has eliminated its operational general fund gap. Because of favorable performance during the year the City, once again, ended the year with a significant fund balance and a strong financial position.

Prospects for the future years appear very favorable at this time. Many projects are underway which should strengthen the City's economic base. It also appears that regional and national economic trends are going to continue favorable. The local forecast anticipates continued low inflation, low unemployment and modest "real" growth in the economic base. The City's population growth is expected to be low due to the limited supply of available land suitable for residential development. The majority of residential development will be quality residential infill projects. Technological change and innovations in support systems should enhance the efficiency of the delivery of services. The City will gradually trend from a residential bedroom community to a community with a more balanced economy.

MAJOR INITIATIVES

For the Year: The City's efforts were directed at community promotion and outreach, sanitation district master planning, public policy development and certain major public improvement/community development projects. The following is an overview of those items:

1. Sanitation District Master Plan - The City, prior to May 31, 1997, was served by the independent districts of Garden Grove Sanitary District (GGSD) and Midway City Sanitary District (MCSD). For efficiency and operational considerations the City consolidated the GGSD into City operations and transferred the MCSD operations and assets to the GGSD. The newly created dependent district of GGSD began operations on May 31, 1997. One of the first management goals of the City was to develop a comprehensive master plan of sanitary services which would serve as guide for the operations, maintenance, capital replacement, capital improvement and financing of the district.

During the year City staff and consultants worked to develop phase 1 of the Sanitation District Master Plan. Phase 1 included the financial plan which was to propose the methodology to bring the refuse and sewer operation to a high standard of financial management. The study included a general inventory of the sewer system and an overview of the condition of the infrastructure. The contract with the refuse hauler was also reviewed as were the services provided and their costs. The plan was completed by June, 1999 and two public hearings were held, one on July 14, 1999 and another on July 22, 1999 when the plan was adopted. The plan featured the implementation of uniform services and financial burdens across the district, implementation of funding for a capital replacement program, simplification of the contractor relationship with the district and provision for the gradual accumulation of replacement reserves.

2. Renaissance Garden Grove - This was the second year of activities under the Renaissance Garden Grove community promotion program. The program was the result of a

public/private partnership formed to promote community revitalization, manage events, and facilitate fund raising activities. The public/private partnership was organized as the Garden Grove Community Foundation. During the year the events included the free Summer Concert Series "Concerts in the Park". "A Southern Evening Under the Stars" with a dinner show featuring the play "Steel Magnolias" at the Grove Theatre, a "Shakespeare Under the Stars" dinner performance at the Shakespeare Amphitheater, a Family Festival and Celebration of Technology and Education with lectures, demonstrations, seminars and learning opportunities. The majority of funding for these activities came from individual and corporate contributions with only a small amount of funding from City community promotion funds.

3. Year 2000 Issues - The City's computer system and database does not store dates in a fixed digit format but as the number of days since January 1, 1960. Consequently, all processing will be normal for this system in the year 2000. Other specialized computer support and automated systems have been tested and, where necessary, converted to be year 2000 compliant. These systems include the new Computer Aided Dispatch System in the Police Department, water pumping, and telemetering systems, traffic signalization control computers and fire administrative support systems. The City has determined that many vendors we do business with, including the banks, will be ready for year 2000 compliance. No major issues are anticipated at this time.

4. Harbor Boulevard Hotel Project Site A - This site is located on the west side of Harbor Boulevard north of Chapman Avenue. It consists of three hotels, specifically, a 372-room, 14 story Embassy Suites Hotel; a 162-room, 6 story Hilton Garden Inn; and a 165-room, 7 story Hampton Inn and Suites. There is also a 6,500 square foot, free standing restaurant. This project is in support of the current expansion under construction for Disneyland and the Anaheim Convention Center. The project, which has a multi-year construction time line should be completed in the 2000-01 fiscal year. The estimated total development value is \$54 million and it is expected to generate approximately 400 new jobs. The Hilton Inn completed construction and opened to the public in July, 1999. The Hampton Inn & Suites opened to the public in October 1999 and had their grand opening celebration in November 1999. The third hotel is scheduled to begin construction before the end of December, 1999.

5. Harbor Boulevard Hotel Project Site B - This site is located on the southwest corner of Chapman Avenue and Harbor Boulevard approximately one mile from Disneyland and the Anaheim Convention Center. This is a master planned hotel/restaurant complex consisting of three hotels and up to four free standing restaurants. The total restaurant building area is approximately 25,000 square feet. The three hotels include a 371-room, 14-story Renaissance Suites; a 384-room, 9-story Crown Plaza; and a 203-room, 7-story Homewood Suites. The estimated development value for this project is \$90 million and it is expected to generate approximately 550 new jobs. Construction is currently underway for two of the hotels with the third ready to commence construction before the end of the 1999 calendar year.

For the Future The City will complete Phase II of the Sewer Master Plan which will provide for a Geographical Information System (GIS) component to the Sanitary District infrastructure. It will also recommend a 20-year capital improvement program and a specific capital replacement program. A detailed assessment of the condition of sewer mains, manholes and other infrastructure will also be completed. The City will be evaluating the feasibility of billing residential refuse charges as user fees to be collected with the property tax billings. In addition, community development and redevelopment activities will remain a top priority. The goal is to continue strengthening the economic base and developing an operating surplus in the general fund.

FINANCIAL INFORMATION

The financial information includes an overview of the major current year trends in revenue and expenditures of governmental funds and a discussion of enterprise operations, cash management, debt service and other aspects of City operations.

General Government Functions:

General government operations are accounted for in the governmental fund types which consist of the General, Special Revenue, Debt Service, Capital Projects Funds and the Library Corporation. During the year total governmental revenues increased \$539,000 or .6%. The low rate of increase was primarily caused by a decline in nonrecurring land sale revenue in the Garden Grove Agency for Community Development (The Agency) capital projects funds. If land sale revenue is removed from current and prior fiscal year revenues, the adjusted operating revenue base shows an increase from \$81,470,000 in the prior fiscal year to \$87,499,000 in the current year. This results in a growth of \$6,029,000 in revenue during the year and equates to a growth rate of 7.4 percent. It is a more accurate reflection of the true growth rate of operating revenues in general governmental funds during the year. Most categories of revenue grew substantially, other than "sale of land", due to the increase in economic activity. However, there was one other revenue source which exhibited a decline during the year. That revenue source was revenue "from the use of money and property." The decline in revenue from the use of money and property was due to the sale of certain leased and rented properties owned by the Agency during the year. The properties were sold for community development and redevelopment purposes and after the sales were complete, rental and lease income on them terminated. Another revenue source which went counter to the strong growth trend of most revenue sources was revenue "from other agencies". Revenue from other agencies grew by only \$117,000 or .4 percent due to the lack of growth in federal and state grant support and related entitlements.

Certain revenue sources generated very large increases; the largest of which was "other revenues". Other revenues grew by 353.4 percent or \$1,901,000. This was caused by higher program income in the City's "Home Fund" of \$1,232,000 due to the payoff of a loan during the year. There was also an increase of \$566,762 in program income in the Capital Projects funds

because of the payoff of many first-time homebuyer loans. These payoffs were the result of favorable interest rates which stimulated refinancing. Another factor was increased rates of home sales, resulting in payoffs, due to a strong local real estate market. The revenues from fines, forfeits and penalties increased by 91 percent during the year. This dramatic increase was primarily caused by an increase to the allocation (which amounted to almost 50 percent) of the City's share in the revenue from traffic citations issued by the Garden Grove Police Department during the year.

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

REVENUES	1998-99		1997-98		Percent change 98/99 over (under) 97/98
	Amount in (000)	Percent of Total	Amount in (000)	Percent of Total	
Taxes	\$ 38,688	43.3	\$ 35,203	39.1	9.9
Licenses and permits	1,246	1.4	845	0.7	47.5
Fines, forfeits and penalties	1,486	1.7	779	0.7	91.0
From use of money & property	3,680	4.1	4,697	4.6	(21.6)
Charges for current services	10,521	11.8	10,086	11.1	4.4
From other agencies	29,439	33.0	29,322	36.9	0.4
Sale of land	3,047	3.4	8,537	6.2	(64.3)
Other	2,439	1.3	538	0.7	353.4
Total Revenues	\$ 90,546	100.0	\$ 90,007	100.0	0.6

Expenditures for governmental funds totaled \$104,506,000 which is \$1,468,000 or 1.3 percent less than the previous year. However, if the volatile and generally nonrecurring capital outlay expenditures are removed from both years, the pattern is altered significantly. The result is that the current-year expenditures would total \$87,034,000 as compared to the prior year with a new total of \$80,849,000. With this change adjusted growth is \$6,185,000, or 7.7 percent, on a year-to-year basis. This is much closer to the true growth rate in operating governmental expenditures during the year.

A significant decline in capital outlay expenditure in the current year was caused by the completion of several redevelopment and community development projects. The decline amounted to \$7,653,000 or 30.5 percent during the year. Other programs which displayed declines were Community Buildings and Public Right-of-Way. Building maintenance decreases were the result of a decrease in deferred building maintenance costs. This reflects the effects of several years of "catch-up" maintenance activities and is expected to continue to favorably effect future years' costs. The decrease in Public Right-of-Way program costs was caused by a decrease in street sealing activities and street overlay maintenance programs. This was a planned program decrease which will not be repeated next year. The current year program called for a concentration on arterial streets whereas the prior year was concentrated on residential streets.

The Fire, Police, Community Services and Community Planning and Development programs all exhibited stability in services delivered when compared to the previous year. This stability when

complemented by the effects of very low inflation resulted in no growth, or modest growth, on a year-to-year basis.

The increase of 15.9 percent in the Traffic Safety program was the consequence of greater efforts for traffic law enforcement activities. Another program which grew more than the general cost of doing business was Municipal Support which increased by 7.1 percent. This increase was caused by an expansion of the City's operation of the West Orange County Job Training Partnership Act (JTPA) federal grant program. The City expanded services to a wide area in the County located outside the City limits. This marks the second year of expansion for this program. It is anticipated that future expansion would be much slower unless there are changes made to the funding levels of the programs by the federal granting activities. Increases in other programs includes Parks and Greenbelts which increased by \$121,000 or 11.8 percent over the previous year. This increase was due to an intensified program of parks maintenance activities reducing previously deferred maintenance. Debt service increased by \$1,396,000 or 17.1 percent because of increased debt financing relating to property acquisition agreements by the Agency.

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

<u>EXPENDITURES</u>	<u>1998-99</u>		<u>1997-98</u>		Percent Change 98/99 over (under) 97/98
	Amount in (000)	Percent of Total	Amount in (000)	Percent of Total	
Fire	\$ 10,045	9.6	\$ 10,090	9.6	-
Police	21,803	20.9	21,186	20.0	2.9
Traffic safety	1,859	1.8	1,605	1.5	15.9
Public right of way	4,372	4.2	4,539	4.3	(3.6)
Community buildings	1,680	1.6	1,858	1.7	(9.1)
Community services	1,650	1.6	1,610	1.5	-
Parks and greenbelts	1,160	1.1	1,039	1.0	11.8
Community planning and development	15,333	14.7	15,203	14.3	0.9
Municipal support	6,236	5.9	5,822	5.5	7.1
Cost of land sold	13,318	12.8	9,715	9.2	37.1
Debt service	9,578	9.2	8,182	7.7	17.1
Capital outlay	17,472	16.6	25,125	23.7	(30.5)
Total Expenditures	\$ 104,506	100.0	\$ 105,974	100.0	(1.3)

Proprietary Operations:

The City's proprietary funds account for operations which derive the majority of their revenues from user fees and charges. They are further segregated into enterprise funds and internal service funds. Enterprise funds are used to account for services which are provided to the general public, whereas internal service funds are used to account for services provided to the various departments within the City. Under this criteria the Water Fund, Mobile Home Parks Fund, Sewage Collection and Solid Waste Disposal Funds are all enterprise funds. The City's

internal service funds are the Workers Compensation, Equipment Rental, Employee Benefits, Warehouse Operations, Telephone System and Risk Management Funds.

In the water fund revenues and water sales were higher than the previous year due to favorable climatic factors. The previous year had experienced high rainfall and low water sales, whereas, the current year had normal rainfall and normal water sales. As a consequence actual water sales for the 1998-99 fiscal year were 29,186 acre feet which was an increase of 930 acre feet or 3.3 percent over the previous year. Increased water sales caused operating revenues to rise proportionately. Operating revenues increased from \$13,959,632 in the prior fiscal year to \$14,417,601 in the current fiscal year. This represents an increase of \$457,969 or 3.3 percent. There were no water rate changes made during the year. Net income rose by \$1,369,006 which was more than the proportional revenue increase due to the favorable effect of net operating transfers to the water fund during the year. The favorable results allowed the water enterprise to easily meet the requirements of the 1993 water bond indenture for coverage of debt service. The bond indenture requires that net revenues available for debt service be at least 1.25 times the annual debt service. The actual coverage ratio was 3.19 times debt service. The following is an overview of selected financial information for the Water Enterprise Fund:

	<u>1998-99</u>	<u>1997-98</u>
Operating Revenue	\$14,417,601	\$13,959,632
Net Income	1,974,824	605,818
Resources Available for Debt Service	4,269,789	3,768,621
Annual Debt Service	1,363,865	1,364,760
Coverage (resources available for debt service divided by annual debt service)	3.19	2.76

In the Sanitary District, the City completed its second year of operation subsequent to its annexation of the district in May 1997. The current year featured the completion of Phase I of the Sanitation District Master Plan. The Master Plan, which was approved by the Sanitary District Board in July, 1999, featured a comprehensive plan for operations, maintenance and capital expenditures for the district as well as the means of financing them. It provided for the necessary rate restructuring and rate increases to adequately fund operations as the first step in a 10-year plan. Consequently, it is anticipated that financial performance of the refuse and sewer operations will be substantially strengthened in subsequent years. Meanwhile, in the current year, the district sustained a loss of \$265,835 and retained earnings decreased from \$327,160 to \$61,325.

The City completed its fifth year of operation of two mobile home parks. During the five-year period many improvements have been made to the parks' infrastructure and there has been a continuous improvement in operating results. Operating revenues increased from \$1,454,841 in the prior year to \$1,554,104 in the current year, an increase of 6.8 percent. This was caused by

modest rent increases of approximately 2% and lower vacancy factors due to the strong economy. Income before operating transfers rose from \$70,753 in the 1997-98 fiscal year to \$216,539 in the current fiscal year. After adjusting for operating transfers, net income for the year amounted to \$329,618, an increase of 19.2 percent over the previous year. The positive trend resulted in an increase in retained earnings from a deficit of \$94,151 in the previous year to a surplus of \$235,467 in the current year. This favorable performance is expected to continue in the future.

The internal service funds ended the year with a net loss of \$6,110,840. The loss was the result of the recordation of potential claims in the workers compensation and liability operations. The potential claims were recorded at the maximum values they could reasonably realize, such that they would be fully funded. It is anticipated that these funds will return to a profitable performance in the next year as they have in the past. Despite the current year loss, the retained earnings in the internal service funds ended the year with a substantial balance of \$10,906,700.

Cash Management:

The City Controller 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 5.6 percent on its portfolio investments which resulted in an interest income of \$4,120,536. Interest revenue increased by \$66,475 from the previous year due to and an increase in the amount of cash available for investment. At year end, cash, deposits and investments included the following proportions of aggregate cash invested: United States Government Securities, 75 percent; Local Agency Investment Fund of the State of California, 19 percent; commercial paper, 6 percent. Cash management investments continue to be managed by providing for the required amount of security and liquidity while providing for the highest level of yield available within the City's investment guidelines. In addition, considerable emphasis is placed upon cash management practices designed to increase overall performance by a judicious application of "float" whenever possible.

Risk Management:

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

To protect the City's real and personal property, commercial, all risk, earthquake and flood insurance is purchased at replacement value levels. Honesty and fidelity bonds are carried on all employees in compliance with Government and Municipal Code Requirements, or City Council Direction. Tort liabilities arising from municipal operations were funded through a program which

self-insured the first \$2.0 million of each loss; commercial excess liability insurance was purchased thereafter to \$12 million on a "per occurrence basis" to protect against catastrophic events. The program is funded at the 90 percent confidence level and includes incurred but not reported losses (IBNR).

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

Appropriation Limit:

On November 6, 1979, the citizens of California passed Proposition 4, also known as the Gann Initiative, which amended Article XIII B of the State Constitution to provide for limitations on State and local government spending. The limit was modified when the voters adopted Senate Constitutional Amendment I (SCA-I) on June 5, 1990.

The limit is calculated each fiscal year and determined by adjusting the 1978-79 "base fiscal year" for allowable population changes and Consumer Price Index fluctuations. In accordance with SCA-1 the State Legislature determines the methodology for computation of allowable changes in population. This determination was made when the Legislature adopted Senate Bill 88 (SB-88).

Under the provisions of SCA-I, the government entity is allowed to choose whether to use the change in California per capita personal income from the preceding year or the percentage change on the growth of non-residential assessed valuation due to new construction. The selection process requires a vote of the City Council annually. In addition, it is provided, under the provisions of SB-88, that cities can utilize an annual population adjustment factor based upon the actual change in population within city boundaries, or the percentage change in population of the county as a whole.

The City complies with all requirements of the Gann Initiative and has never exceeded its limits. During the 1998-99 fiscal year, the Gann Limit was \$62,615,415, and the actual expenditures subject to the limit were \$27,874,960 resulting in a substantial "gap" of \$31,459,467 which expenditures could still grow and not violate the limit.

Debt Administration:

There are no outstanding general obligation bonds for the City. There are revenue bonds, tax allocation bonds and other long-term debts outstanding in the following amounts as of June 30, 1999:

<u>Description</u>	<u>Amount Outstanding</u>
Revenue Bonds:	
Water	18,583,781
Public Financing Authority	2,845,000
Tax Allocation Bonds	57,110,000
Certificates of Participation	16,106,023
Other Debts:	
Equipment Leases	534,981
Agreements Payable	22,930,226

General Fixed Assets:

The general fixed assets of the City are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of enterprise and internal service funds. As of June 30, 1999 the general fixed assets of the City amounted to \$46,533,798. This amount represents the original cost of the assets. Depreciation of general fixed assets is not recognized in the City's accounting system.

OTHER INFORMATION

Independent Audit:

The required audit of the books of account, financial records and transactions of all departments of the reporting entity was conducted by Diehl, Evans and Company, LLP, independent auditors selected by the City Council. The unqualified auditors' report is included in the CAFR.

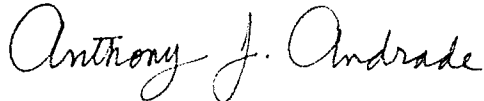
Financial Reporting Recognition:

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 ending June 30, 1998. 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 ending June 30, 1998.

The Honorable Mayor and City Council
November 24, 1999
Page 15

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 Controller's Office. 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
Controller

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CITY OF GARDEN GROVE

CITY COUNCIL

Ho Chung
Mayor Pro-Tem

William Dalton
Councilman

Bruce Broadwater
Mayor

Mark Leyes
Councilman

Mark Rosen
Councilman

CITY OFFICIALS

George L. Tindall
City Manager

Catherine Standiford
Deputy City Manager

John R. Shaw
City Attorney

Warren Hartley
Fire Chief

Cal Rietzel
Community Services Director

Matthew J. Fertal
Community Development Director

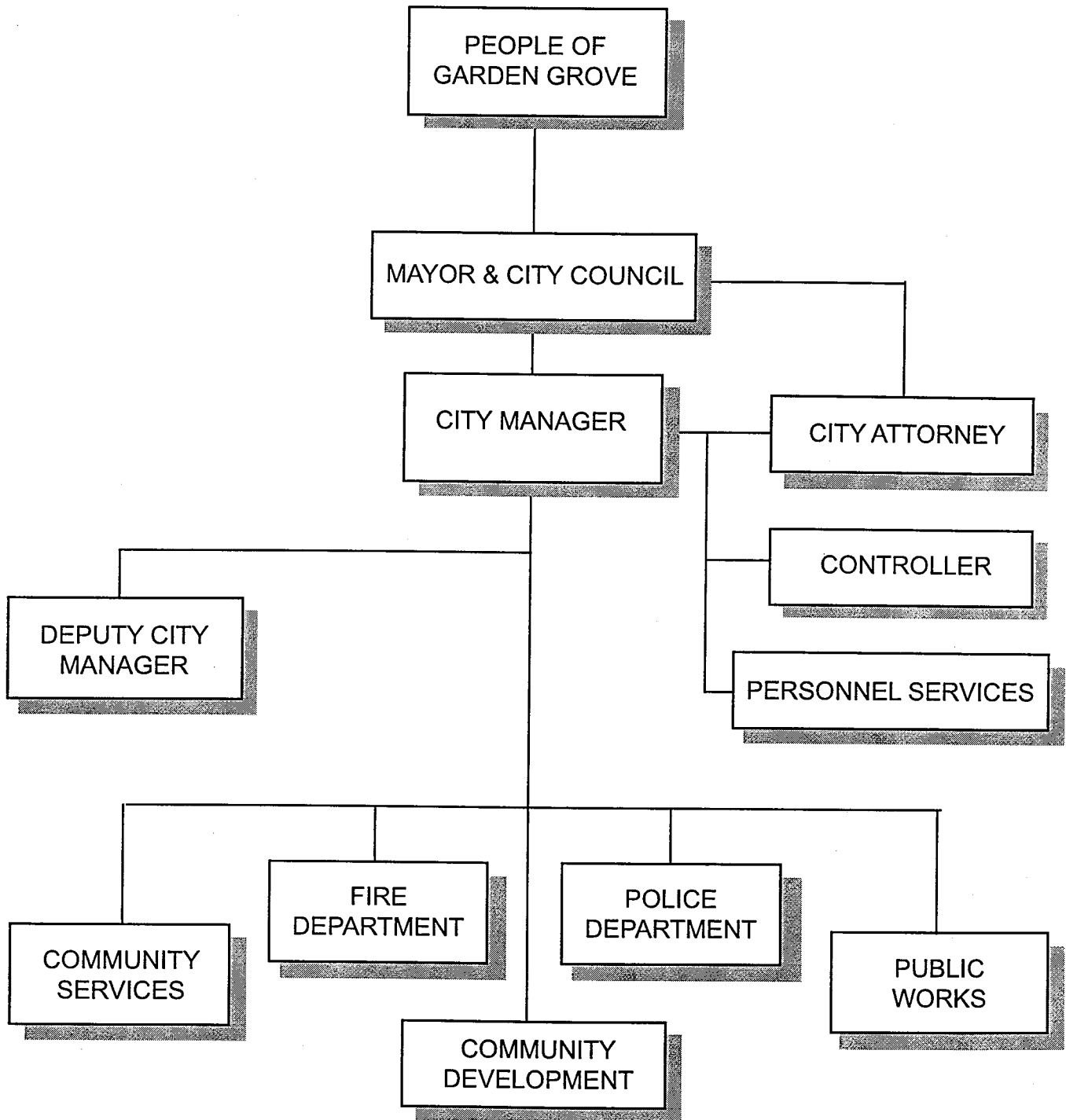
Anthony J. Andrade
Controller

Joseph Polisar
Police Chief

Steven A. Larson
Personnel Services Director

Les Jones
Public Works Director

CITY OF GARDEN GROVE ORGANIZATIONAL CHART



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, 1998

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.



Carol Brueckner
President
Jeffrey L. Essler
Executive Director

“The Government Finance Officer’s Association of the United States and Canada (GFOA), awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garden Grove, California for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 1998.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.”

*California Society of
Municipal Finance Officers.*

Certificate of Award

Outstanding Financial Reporting 1997-98

Presented to the

City of Garden Grove



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

March 1, 1999

John D. Bunt
Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

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FINANCIAL SECTION

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DIEHL, EVANS & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100
IRVINE, CALIFORNIA 92606-4906
(949) 399-0600 • FAX (949) 399-0610

November 6, 1999

* RODNEY K. McDANIEL, CPA
MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
* PHILIP H. HOLTkamp, CPA
* THOMAS M. PERLOWSKI, CPA
* HARVEY J. SCHROEDER, CPA
* A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the City of Garden Grove, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Garden Grove as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 1999 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.

The year 2000 supplementary information on page 111 is not a required part of the general purpose financial statements but is 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 supplementary information. However, we did not audit the information and do not express an opinion on it. In addition we do not provide assurance that the City of Garden Grove is or will become year 2000 compliant, that the City of Garden Grove's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed on pages 50 through 129 is presented for purposes of additional analysis and is not a required part of the general purpose financial statement of the City of Garden Grove. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The statistical information listed in the table of contents is not a required part of the general purpose financial statements, and we did not audit or apply limited procedures to such information and do not express any assurance on such information.

Diehl, Evans and Company, LLP

- 3 -

OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

CITY OF GARDEN GROVE
COMBINED BALANCE SHEET - ALL FUND TYPES - ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 1999

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and investments (Note 2)	\$ 9,825,506	\$ 16,937,700	\$ -	\$ 4,349,543
Cash and investments with fiscal agents (Note 2)	1,587,166	-	4,388,861	-
Taxes receivable (Note 1o)	2,741,524	512,796	104,896	26,195
Accounts receivable	803,687	3,804,678	-	446,833
Accrued interest receivable	98,317	131,091	-	68,276
Intercity loans receivable (Note 3)	17,025,845	-	-	-
Notes receivable (Note 4)	-	2,299,362	-	28,968,700
Due from other funds (Note 11)	-	-	-	273,479
Inventory (Note 1e)	-	-	-	20,877,775
Deposits	32,500	-	-	-
Restricted cash and investments (Note 1h, 2 and 8)	-	-	-	-
Fixed assets (Note 5)	-	-	-	-
Deferred issuance costs	-	-	-	-
Amount available in debt service funds	-	-	-	-
Amount to be provided - future years	-	-	-	-
Total assets and other debits	\$ 32,114,545	\$ 23,685,627	\$ 4,493,757	\$ 55,010,801
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 3,156,088	\$ 1,441,968	\$ -	\$ 22,272
Accrued compensated absences (Note 1k)	-	-	-	-
Accrued interest payable	-	-	-	-
Other accrued liabilities	1,062,564	3,797,227	-	12,017
Claims payable (Note 12)	-	-	-	-
Refundable deposits	1,021,490	247,279	-	2,111,989
Due to other funds (Note 11)	-	2,362,874	-	273,479
Deferred revenue (Notes 4 and 7)	234,575	1,091,952	-	28,968,700
Intercity loans payable (Note 3)	470,614	-	-	4,639,750
Tax allocation bonds payable (Note 8)	-	-	-	-
Revenue bonds payable (Note 8)	-	-	-	-
Agreements payable (Note 8)	-	-	-	-
Certificates of participation (Note 8)	-	-	-	-
Lease-purchase agreements (Note 8)	-	-	-	-
Total liabilities	5,945,331	8,941,300	-	36,028,207
Equity and other credits:				
Investment in general fixed assets (Note 5)	-	-	-	-
Contributed capital (Note 6)	-	-	-	-
Retained earnings:				
Reserved for COP retirement (Note 9f)	-	-	-	-
Reserved for bond retirement (Note 8)	-	-	-	-
Reserved for continuing projects (Note 9c)	-	-	-	-
Unreserved	-	-	-	-
Fund balances:				
Reserved:				
Reserved for encumbrances (Note 9a)	315,914	3,482,381	-	134,171
Reserved for intercity loans receivable (Note 9b)	17,025,845	-	-	-
Reserved for continuing projects (Note 9c)	1,211,104	3,647,719	-	1,207,247
Reserved for land held for resale (Note 9d)	-	-	-	20,877,775
Reserved for debt service (Note 8)	-	-	4,493,757	-
Reserved for contractual commitments (Note 9e)	-	-	-	621,365
Unreserved:				
Designated for subsequent years' expenditures (Note 10)	7,616,351	7,614,227	-	-
Undesignated	-	-	-	(3,857,964)
Total equity and other credits	26,169,214	14,744,327	4,493,757	18,982,594
Total liabilities, equity and other credits	\$ 32,114,545	\$ 23,685,627	\$ 4,493,757	\$ 55,010,801

See accompanying notes to general purpose financial statements.

Proprietary Funds		Account Groups		Totals	Component	Totals
Enterprise	Internal Service	General Fixed Assets	General Long-Term Debt	Primary Government (Memorandum Only)	Unit Library Corporation	Reporting Entity (Memorandum Only)
\$ 14,243,242	\$ 29,043,591	\$ -	\$ -	\$ 74,399,582	\$ -	\$ 74,399,582
3,536,125	-	-	-	9,512,152	-	9,512,152
68,678	-	-	-	3,454,089	-	3,454,089
1,850,649	637,397	-	-	7,543,244	-	7,543,244
166,133	250,564	-	-	714,381	-	714,381
1,318,487	490,186	-	-	18,834,518	-	18,834,518
90,724	-	-	-	31,358,786	-	31,358,786
-	3,587,276	-	-	3,860,755	-	3,860,755
-	187,522	-	-	21,065,297	-	21,065,297
15,000	140,826	-	-	188,326	-	188,326
1,287,528	-	-	-	1,287,528	-	1,287,528
65,711,647	5,817,086	46,533,798	-	118,062,531	-	118,062,531
989,384	-	-	-	989,384	-	989,384
-	-	-	4,493,757	4,493,757	-	4,493,757
-	-	-	78,926,450	78,926,450	-	78,926,450
<u>\$ 89,277,597</u>	<u>\$ 40,154,448</u>	<u>\$ 46,533,798</u>	<u>\$ 83,420,207</u>	<u>\$ 374,690,780</u>	<u>\$ -</u>	<u>\$ 374,690,780</u>
\$ 4,214,847	\$ 847,095	\$ -	\$ -	\$ 9,682,270	\$ -	\$ 9,682,270
-	3,859,267	-	-	3,859,267	-	3,859,267
419,928	-	-	-	419,928	-	419,928
129,824	125,560	-	-	5,127,192	-	5,127,192
-	20,902,828	-	-	20,902,828	-	20,902,828
346,160	-	-	-	3,726,918	-	3,726,918
1,224,402	-	-	-	3,860,755	-	3,860,755
722,225	-	-	-	31,017,452	-	31,017,452
13,724,154	-	-	-	18,834,518	-	18,834,518
-	-	-	57,110,000	57,110,000	-	57,110,000
18,583,781	-	-	2,845,000	21,428,781	-	21,428,781
-	-	-	22,930,226	22,930,226	-	22,930,226
16,106,023	-	-	-	16,106,023	-	16,106,023
-	-	-	534,981	534,981	-	534,981
<u>55,471,344</u>	<u>25,734,750</u>	<u>-</u>	<u>83,420,207</u>	<u>215,541,139</u>	<u>-</u>	<u>215,541,139</u>
-	-	46,533,798	-	46,533,798	-	46,533,798
18,129,232	3,512,998	-	-	21,642,230	-	21,642,230
188,883	-	-	-	188,883	-	188,883
52,529	-	-	-	52,529	-	52,529
2,168,961	-	-	-	2,168,961	-	2,168,961
13,266,648	10,906,700	-	-	24,173,348	-	24,173,348
-	-	-	-	3,932,466	-	3,932,466
-	-	-	-	17,025,845	-	17,025,845
-	-	-	-	6,066,070	-	6,066,070
-	-	-	-	20,877,775	-	20,877,775
-	-	-	-	4,493,757	-	4,493,757
-	-	-	-	621,365	-	621,365
-	-	-	-	15,230,578	-	15,230,578
-	-	-	-	(3,857,964)	-	(3,857,964)
<u>33,806,253</u>	<u>14,419,698</u>	<u>46,533,798</u>	<u>-</u>	<u>159,149,641</u>	<u>-</u>	<u>159,149,641</u>
<u>\$ 89,277,597</u>	<u>\$ 40,154,448</u>	<u>\$ 46,533,798</u>	<u>\$ 83,420,207</u>	<u>\$ 374,690,780</u>	<u>\$ -</u>	<u>\$ 374,690,780</u>

CITY OF GARDEN GROVE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
YEAR ENDED JUNE 30, 1999

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:			
Taxes	\$ 26,896,325	\$ 1,703,159	\$ 8,071,162
Licenses and permits	1,245,076	1,233	-
Fines, forfeits and penalties	1,217,002	268,613	-
From use of money and property	2,047,401	726,817	57,301
Charges for current services	5,939,619	4,581,567	-
From other agencies	7,710,637	21,679,539	38,753
Sale of land	582,387	-	-
Other	-	1,630,842	-
	<u>45,638,447</u>	<u>30,591,770</u>	<u>8,167,216</u>
Total revenues			
Expenditures:			
Current:			
Fire	10,031,392	14,314	-
Police	21,365,665	436,939	-
Traffic safety	465,890	1,393,511	-
Public right of way	2,472,332	1,899,468	-
Community buildings	1,661,271	18,733	-
Community services	676,362	974,187	-
Parks and greenbelts	398,618	761,201	-
Community planning and development	2,164,645	13,168,290	-
Municipal support	4,187,000	2,049,354	-
Capital outlay:			
Police	375,843	1,264,592	-
Traffic safety	81,254	835,865	-
Public right of way	-	1,371,054	-
Drainage	41,456	2,075,864	-
Community buildings	69,325	226,898	-
Parks and greenbelts	-	426,745	-
Community planning and development	-	1,433,606	-
Municipal support	-	-	-
Cost of land sold	-	-	-
Debt service:			
Principal retirement	439,611	640,000	1,060,000
Interest and fiscal charges	32,634	930,551	3,305,950
	<u>44,463,298</u>	<u>29,921,172</u>	<u>4,365,950</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>1,175,149</u>	<u>670,598</u>	<u>3,801,266</u>
Other financing sources (uses):			
Operating transfers in	2,070,000	16,508	-
Operating transfers out	(1,114,796)	(1,731,504)	(3,694,566)
	<u>955,204</u>	<u>(1,714,996)</u>	<u>(3,694,566)</u>
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>2,130,353</u>	<u>(1,044,398)</u>	<u>106,700</u>
Fund balances, July 1	6,813,573	15,788,725	4,387,057
Prior period adjustments (Note 24)	<u>17,225,288</u>	<u>-</u>	<u>-</u>
Adjusted fund balances, July 1	<u>24,038,861</u>	<u>15,788,725</u>	<u>4,387,057</u>
Fund balances, June 30	<u>\$ 26,169,214</u>	<u>\$ 14,744,327</u>	<u>\$ 4,493,757</u>

See accompanying notes to general purpose financial statements

Capital Projects	Totals		Component Unit Library Corporation	Totals	
	Primary Government (Memorandum Only)			Reporting Entity (Memorandum Only)	
\$ 2,017,791	\$ 38,688,437		\$ -	\$ 38,688,437	
-	1,246,309		-	1,246,309	
-	1,485,615		-	1,485,615	
848,766	3,680,285	25,913	-	3,706,198	
-	10,521,186	-	-	10,521,186	
9,688	29,438,617	-	-	29,438,617	
2,464,173	3,046,560	-	-	3,046,560	
808,137	2,438,979	-	-	2,438,979	
<u>6,148,555</u>	<u>90,545,988</u>	<u>25,913</u>	<u>90,571,901</u>		
-	10,045,706	-	10,045,706		
-	21,802,604	-	21,802,604		
-	1,859,401	-	1,859,401		
-	4,371,800	-	4,371,800		
-	1,680,004	-	1,680,004		
-	1,650,549	-	1,650,549		
-	1,159,819	-	1,159,819		
-	15,332,935	-	15,332,935		
-	6,236,354	-	6,236,354		
93,604	1,734,039	-	1,734,039		
-	917,119	-	917,119		
181,879	1,552,933	-	1,552,933		
40,627	2,157,947	-	2,157,947		
2,853	299,076	-	299,076		
-	426,745	-	426,745		
8,647,152	10,080,758	-	10,080,758		
301,862	301,862	-	301,862		
13,318,410	13,318,410	-	13,318,410		
2,587,633	4,727,244	37,000	4,764,244		
581,812	4,850,947	1,568	4,852,515		
<u>25,755,832</u>	<u>104,506,252</u>	<u>38,568</u>	<u>104,544,820</u>		
<u>(19,607,277)</u>	<u>(13,960,264)</u>	<u>(12,655)</u>	<u>(13,972,919)</u>		
6,167,146	8,253,654	-	8,253,654		
(1,424,155)	(7,965,021)	-	(7,965,021)		
<u>4,742,991</u>	<u>288,633</u>	<u>-</u>	<u>288,633</u>		
<u>(14,864,286)</u>	<u>(13,671,631)</u>	<u>-</u>	<u>(13,671,631)</u>		
37,677,076	64,666,431	12,655	64,679,086		
(3,830,196)	13,395,092	-	13,395,092		
<u>33,846,880</u>	<u>78,061,523</u>	<u>12,655</u>	<u>78,074,178</u>		
<u>\$ 18,982,594</u>	<u>\$ 64,389,892</u>	<u>\$ -</u>	<u>\$ 64,389,892</u>		

CITY OF GARDEN GROVE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ 27,104,500	\$ 26,896,325	\$ (208,175)	\$ 400,000	\$ 1,703,159	\$ 1,303,159
Licenses and permits	798,500	1,245,076	446,576	33,500	1,233	(32,267)
Fines, forfeits, and penalties	930,500	1,217,002	286,502	117,000	268,613	151,613
From use of money and property	942,000	2,047,401	1,105,401	165,000	726,817	561,817
Charges for current services	6,310,431	5,939,619	(370,812)	3,551,055	4,581,567	1,030,512
From other agencies	7,294,638	7,710,637	415,999	39,306,331	21,679,539	(17,626,792)
Sale of land	630,800	582,387	(48,413)	-	-	-
Other	-	-	-	230,600	1,630,842	1,400,242
Total revenues	44,011,369	45,638,447	1,627,078	43,803,486	30,591,770	(13,211,716)
Expenditures:						
Current:						
Fire	11,179,693	10,031,392	1,148,301	20,833	14,314	6,519
Police	22,822,639	21,365,665	1,456,974	863,588	436,939	426,649
Traffic safety	593,139	465,890	127,249	1,418,416	1,393,511	24,905
Public right of way	2,563,431	2,472,332	91,099	2,260,693	1,899,468	361,225
Community buildings	2,177,482	1,661,271	516,211	230,268	18,733	211,535
Community services	864,498	676,362	188,136	1,064,835	974,187	90,648
Parks and greenbelts	418,341	398,618	19,723	833,295	761,201	72,094
Community planning and development	2,254,794	2,164,645	90,149	17,720,717	13,168,290	4,552,427
Municipal support	5,247,470	4,187,000	1,060,470	4,269,387	2,049,354	2,220,033
Capital outlay:						
Police	1,296,990	375,843	921,147	4,751,825	1,264,592	3,487,233
Traffic safety	-	-	-	6,154,580	835,865	5,318,715
Public right of way	111,083	81,254	29,829	6,574,273	1,371,054	5,203,219
Drainage	41,457	41,456	1	3,121,321	2,075,864	1,045,457
Community buildings	69,289	69,325	(36)	345,036	226,898	118,138
Parks and greenbelts	6,600	-	6,600	660,486	426,745	233,741
Community planning and development	-	-	-	2,687,166	1,433,606	1,253,560
Municipal support	-	-	-	-	-	-
Cost of land sold	-	-	-	-	-	-
Debt service:						
Principal retirement	439,611	439,611	-	640,000	640,000	-
Interest and fiscal charges	32,634	32,634	-	930,551	930,551	-
Total expenditures	50,119,151	44,463,298	5,655,853	54,547,270	29,921,172	24,626,098
Excess (deficiency) of revenues over (under) expenditures	(6,107,782)	1,175,149	7,282,931	(10,743,784)	670,598	11,414,382
Other financing sources (uses):						
Operating transfers in	670,000	2,070,000	-	16,508	16,508	-
Operating transfers out	(1,114,796)	(1,114,796)	-	(500,000)	(1,731,504)	(1,231,504)
Total other financing sources (uses)	955,204	955,204	-	(483,492)	(1,714,996)	(1,231,504)
Excess(deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,152,578)	2,130,353	7,282,931	(11,227,276)	(1,044,398)	10,182,878
Fund balances, July 1	6,813,573	6,813,573	-	15,788,725	15,788,725	-
Prior period adjustments (Note 24)	-	17,225,288	17,225,288	-	-	-
Adjusted fund balances, July 1	6,813,573	24,038,861	17,225,288	15,788,725	15,788,725	-
Fund balances, June 30	\$ 1,660,995	\$ 26,169,214	\$ 24,508,219	\$ 4,561,449	\$ 14,744,327	\$ 10,182,878

See accompanying notes to general purpose financial statements.

Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
\$ 1,586,000	\$ 2,017,791	\$ 431,791	\$ 29,090,500	\$ 30,617,275	\$ 1,526,775
-	-	-	832,000	1,246,309	414,309
-	-	-	1,047,500	1,485,615	438,115
576,000	848,766	272,766	1,683,000	3,622,984	1,939,984
8,000	9,688	1,688	9,861,486	10,521,186	659,700
3,440,000	2,464,173	(975,827)	46,608,969	29,399,864	(17,209,105)
496,000	808,137	312,137	3,440,000	2,464,173	(1,024,240)
6,106,000	6,148,555	42,555	726,600	2,438,979	1,712,379
-	-	-	93,920,855	82,378,772	(11,542,083)
-	-	-	11,200,526	10,045,706	1,154,820
-	-	-	23,686,227	21,802,604	1,883,623
-	-	-	2,011,555	1,859,401	152,154
-	-	-	4,824,124	4,371,800	452,324
-	-	-	2,407,750	1,680,004	727,746
-	-	-	1,929,333	1,650,549	278,784
-	-	-	1,251,636	1,159,819	91,817
-	-	-	19,975,511	15,332,935	4,642,576
-	-	-	9,516,857	6,236,354	3,280,503
136,000	93,604	42,396	6,184,815	1,734,039	4,450,776
-	-	-	6,265,663	917,119	5,348,544
396,636	181,879	214,757	7,012,366	1,594,389	5,417,977
40,168	40,627	(459)	3,202,946	2,157,947	1,044,999
10,025	2,853	7,172	424,350	299,076	125,274
-	-	-	667,086	426,745	240,341
4,838,804	8,647,152	8,075,942	7,525,970	10,080,758	9,329,502
363,982	301,862	62,120	363,982	301,862	62,120
-	13,318,410	(13,318,410)	-	13,318,410	(13,318,410)
2,587,633	2,587,633	-	3,667,244	3,667,244	-
581,812	581,812	-	1,544,997	1,544,997	-
20,839,350	25,755,832	(4,916,482)	125,505,771	100,140,302	25,365,469
(14,733,350)	(19,607,277)	(4,873,927)	(31,584,916)	(17,761,530)	13,823,386
3,860,962	6,167,146	2,306,184	4,547,470	8,253,654	2,306,184
(349,475)	(1,424,155)	(1,074,680)	(1,447,763)	(2,522,443)	(2,306,184)
3,511,487	4,742,991	1,231,504	3,983,199	3,983,199	-
(11,221,863)	(14,864,286)	(3,642,423)	(27,601,717)	(13,778,331)	13,823,386
37,677,076	37,677,076	-	60,279,374	60,279,374	-
-	(3,830,196)	(3,830,196)	-	13,395,092	13,395,092
37,677,076	33,846,880	(3,830,196)	60,279,374	73,674,466	13,395,092
\$ 26,455,213	\$ 18,982,594	\$ (7,472,619)	\$ 32,677,657	\$ 59,896,135	\$ 27,218,478

CITY OF GARDEN GROVE Schedule A-4
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1999	1998
Operating revenues:				
Charges for services	\$ -	\$ 17,580,728	\$ 17,580,728	\$ 17,581,324
Water sales	14,195,247	-	14,195,247	13,889,699
Mobilehome parks operation	1,554,104	-	1,554,104	1,454,841
Solid waste disposal fees	5,652,608	-	5,652,608	5,471,536
Property assessments	1,767,842	-	1,767,842	1,480,018
Sewer user fees	138,140	-	138,140	-
Equipment lease	885,478	-	885,478	882,483
Other	292,581	-	292,581	228,116
Total operating revenues	24,486,000	17,580,728	42,066,728	40,988,017
Operating expenses:				
Salaries and wages	3,275,532	11,283,151	14,558,683	14,182,272
Contractual services	9,439,262	2,585,086	12,024,348	12,646,546
Liability claims	-	8,069,633	8,069,633	2,957,773
Materials and supplies	1,015,757	1,251,207	2,266,964	1,464,185
Water production expenses	6,226,604	-	6,226,604	4,531,684
Mobilehome parks on-site operations	488,321	-	488,321	461,981
Depreciation	2,323,487	821,350	3,144,837	2,966,622
Amortization	48,732	-	48,732	48,732
Total operating expenses	22,817,695	24,010,427	46,828,122	39,259,795
Operating income(loss)	1,668,305	(6,429,699)	(4,761,394)	1,728,222
Nonoperating revenues (expenses):				
Interest income	1,871,264	1,216,848	3,088,112	1,833,972
Rent	59,000	-	59,000	50,152
Gain on disposal of assets	121,686	48,190	169,876	170,731
Loss on disposal of assets	(18,868)	(14,309)	(33,177)	(7,568)
Other nonoperating revenues	-	594,902	594,902	1,610,068
Interest expense	(2,867,722)	(26,772)	(2,894,494)	(2,084,710)
Fiscal charges	(6,425)	-	(6,425)	(6,654)
Total nonoperating revenues (expenses)	(841,065)	1,818,859	977,794	1,565,991
Income (loss) before transfers	827,240	(4,610,840)	(3,783,600)	3,294,213
Transfers in (out):				
Transfers in	1,281,367	-	1,281,367	275,669
Transfers out	(70,000)	(1,500,000)	(1,570,000)	(1,920,000)
Total transfers	1,211,367	(1,500,000)	(288,633)	(1,644,331)
Net Income (loss)	2,038,607	(6,110,840)	(4,072,233)	1,649,882
Retained earnings, July 1	27,033,506	17,017,540	44,051,046	42,401,164
Prior period adjustments (Note 24)	(13,395,092)	-	(13,395,092)	-
Adjusted retained earnings, July 1	13,638,414	17,017,540	30,655,954	42,401,164
Retained earnings, June 30	\$ 15,677,021	\$ 10,906,700	\$ 26,583,721	\$ 44,051,046

See accompanying notes to general purpose financial statements.

CITY OF GARDEN GROVE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule A-5

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)	
			1999	1998
Cash flows from operating activities:				
Cash received from users	\$ 23,962,643	\$ 17,959,686	\$ 41,922,329	\$ 41,355,624
Cash received from quasi-external transactions	756,153	-	756,153	8,508,905
Cash used by quasi-external transactions	-	(1,630,916)	(1,630,916)	(1,956,360)
Cash paid to suppliers	(15,551,114)	(11,423,091)	(26,974,205)	(28,117,656)
Cash paid to employees	(3,275,532)	(5,603,004)	(8,878,536)	(8,210,374)
Net cash provided (used) by operating activities	5,892,150	(697,325)	5,194,825	11,580,139
Cash flows from noncapital financing activities:				
Other revenue	-	-	-	1,227,655
Transfers in	183,079	-	183,079	275,669
Transfers out	(70,000)	(1,500,000)	(1,570,000)	(1,170,000)
Net cash provided (used) by noncapital financing activities	113,079	(1,500,000)	(1,386,921)	333,324
Cash flows from investing activities:				
Interest on investments	1,871,264	1,216,848	3,088,112	1,833,972
Cash flows from capital and related financing activities:				
Loan principal payments	(433,322)	-	(433,322)	(200,004)
Certificates of participation principal payments	(985,000)	-	(985,000)	(920,000)
Bond principal payments	(380,000)	-	(380,000)	(434,180)
Rent	59,000	-	59,000	50,152
Intercity loan payments from general fund	1,098,288	252,054	1,350,342	-
Purchase of fixed assets	(2,508,195)	(794,649)	(3,302,844)	(5,303,876)
Gain on disposal of assets	121,686	48,190	169,876	170,731
Cash capital contributions	102,453	422,381	524,834	569,584
Notes receivable principal payments	31,144	-	31,144	26,641
Interest paid	(2,759,945)	(26,772)	(2,786,717)	(2,084,710)
Fiscal charges	(6,425)	-	(6,425)	(6,654)
Net cash (used) by capital and related financing activities	(5,660,316)	(98,796)	(5,759,112)	(8,132,316)
Net increase (decrease) in cash and cash equivalents (Note 1p)	2,216,177	(1,079,273)	1,136,904	5,615,119
Cash and cash equivalents, July 1	16,850,718	30,122,864	46,973,582	41,358,463
Cash and cash equivalents, June 30	\$ 19,066,895	\$ 29,043,591	\$ 48,110,486	\$ 46,973,582

(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Schedule A-5
Continued

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)	
			1999	1998
Operating income (loss)	\$ 1,668,305	\$ (6,429,699)	\$ (4,761,394)	\$ 1,728,222
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	2,323,487	821,350	3,144,837	2,966,622
Amortization expense	48,732	-	48,732	48,732
Changes in assets and liabilities:				
Decrease (increase) in taxes receivable	11,289	-	11,289	(13,626)
(Increase) decrease in accounts receivable	(338,423)	22,554	(315,869)	731,894
Decrease (increase) in accrued interest receivable	23,973	39,622	63,595	(14,415)
(Increase) decrease in intercity loans receivable	(220,199)	252,103	31,904	(368,900)
(Increase) decrease in due from other funds	-	(1,630,916)	(1,630,916)	6,179,760
Decrease in inventory	-	86,633	86,633	32,859
(Increase) decrease in deposits	-	(13,604)	(13,604)	6,340
Increase (decrease) in accounts payable	1,616,433	(673,452)	942,981	(494,378)
Increase in accrued compensated absences	-	186,447	186,447	33,957
(Decrease) in accrued interest payable	(25,715)	-	(25,715)	(22,702)
(Decrease) increase in intercity loan payable	(19,571)	-	(19,571)	39,143
Increase (decrease) in other accrued liabilities	11,713	(22,556)	(10,843)	27,938
Increase in refundable deposits	16,582	-	16,582	12,786
Increase in claims payable	-	6,664,193	6,664,193	478,561
Increase in due to other funds	756,153	-	756,153	290,699
Increase (decrease) in deferred revenue	19,391	-	19,391	(83,353)
Total adjustments	4,223,845	5,732,374	9,956,219	9,851,917
Net cash provided (used) by operating activities	\$ 5,892,150	\$ (697,325)	\$ 5,194,825	\$ 11,580,139

Non-cash Investing, Capital, and Financing Activities:

*Net book value of equipment transferred to the Equipment Rental (Internal Service) Fund from
the General Fixed Asset Account Group was \$114,151*

See accompanying notes to general purpose financial statements.

CITY OF GARDEN GROVE

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Year Ended June 30, 1999

1. 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.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

a. *Description of Funds and Account Groups*

The basic accounting and reporting entity in the City is a "fund", which is defined as a separate accounting entity with a self-balancing set of accounts.

Account groups are those accounts which belong to the City as a non-operational unit and are not a part of any of its constituent governmental funds. They provide accountability for general fixed assets and long-term debt which are not identifiable to proprietary funds.

The following are the types of funds and account groups operative in the City:

GOVERNMENTAL FUNDS

General Fund

The General Fund is used to account for all revenues and expenditures of the City which are not accounted for in other special purpose funds. Significant sources of revenues include sales and use tax, franchises, property taxes and motor vehicle fees. Activities using resources of the General Fund include municipal support services (council, administration, legal, and other City departments), streets, police, fire, building maintenance, community planning and development, and parks and recreation programs.

Special Revenue Funds

Special Revenue Funds are used to account for specific activities supported by specific or restricted revenues.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by special revenue or proprietary funds).

PROPRIETARY FUNDS

Enterprise Funds

The Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Internal Service Funds

Internal Service Funds are used to finance and account for activities involved in rendering services to departments within the City. Costs of materials and services are accumulated in these funds and charged to the user departments on a cost-reimbursement basis.

ACCOUNT GROUPS

General Fixed Assets

This account group is established to account for assets of the City which are of long-term character and used in the operation of the City and which are not accounted for in the proprietary funds.

General Long-Term Debt

This account group reflects the City's long-term debt obligations other than those accounted for in the proprietary funds. The City has no outstanding general obligation bonds or special assessment debt.

b. *Description of the Reporting Entity*

Generally accepted accounting principles 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.

Notes to General Purpose Financial Statements (continued)

Individual Component Unit Disclosures:

Blended Component Units:

1. 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 controlling authority. Council members approve the Agency budget, and staffing is provided by the City.
2. 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 controlling authority. Council members approve the Housing Authority budget, and staffing is provided by the City.
3. 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 controlling authority.
4. 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 district by developers and the provision for trash and solid waste collection and disposal for residents and commercial establishments. The district became a subsidiary district and component unit of the city of Garden Grove on May 30, 1997. The Sanitary District is reported as an Enterprise Fund as if it were part of the primary

City government because the City Council, although acting in a different capacity, is the authority. Council members approve the Sanitary District budget and staffing is provided by the City.

Discretely Presented Component Unit:

1. The City of Garden Grove Library Corporation (the "Library Corporation") is a non-profit corporation established on September 21, 1967 for the purpose of financing and constructing a library building for lease to the City at no cost. The Library Corporation is governed by a Board of Directors appointed by the City Council

The Component Unit column in the Combined Financial Statements include the financial data of this component unit. It is reported in a separate column of the General Purpose Financial Statements to emphasize that it is legally separate from the City.

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

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

c. *Basis of Accounting and Measurement Focus*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All governmental fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. "Available" means collected soon enough after the current period to be used to pay the liabilities of the current period. Revenues susceptible to accrual include taxpayer assessed taxes, such as sales taxes, gas taxes, property and other taxes in the hands of intermediary collecting agencies, and interest on investments. Grant revenue is recognized when an expenditure is made that is reimbursable under the terms of the grant.

Expenditures are generally recognized when the related fund liability is incurred. An exception to this general rule is that principal and interest on general long-term debt are recognized when due.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Notes to General Purpose Financial Statements (continued)

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. All assets and liabilities (whether current or noncurrent) associated with the activity are included on the balance sheets. Their reported fund equity represents total net assets.

For proprietary type activities, the City has elected 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.

Agency funds are custodial in nature and do not involve measurement of results of operations. Assets and liabilities are measured on the modified accrual basis.

d. *Cash 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.

e. *Inventory*

The Warehouse Operations (Internal Service) inventory consists of office supplies, tools, automotive parts, construction, and other supplies which are used in the daily operation of the City. This inventory is valued at cost using a moving weighted average.

The Equipment Rental (Internal Service) inventory consists of gasoline which is valued at cost on a first-in, first-out basis.

The Community Project and Housing Set-Aside (Capital Projects) 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	\$21,492,218
Less: Allowance for decline in value	<u>-614,443</u>
Net Value	<u>\$20,877,775</u>

Notes to General Purpose Financial Statements (continued)

f. *General Fixed Assets*

General fixed assets are recorded as expenditures of the various governmental funds at the time of purchase. Such assets include land, buildings, other improvements, furniture and equipment and are capitalized at cost if purchased, or at fair market value if donated or contributed, in the General Fixed Assets Account Group. Fixed assets capitalized by the City have an estimated life of at least two years following the date of acquisition, and a value of at least \$1,000 or more per item. All capitalized fixed assets are physically accounted for at least once every five years. Fixed assets purchased or acquired under capital leases are capitalized at cost. The costs of roads and streets, bridges, curbs and gutters, drainage systems and lighting systems are not capitalized. No depreciation is provided on general fixed assets.

g. *Enterprise and Internal Service Fund Fixed Assets*

Fixed assets purchased or acquired by the Enterprise and Internal Service Funds are capitalized at cost, while contributed assets are recorded at fair market value at the time they are received. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

Automotive Equipment	2-10 years
Barrels	7-10 years
Buildings	30 years
Fire Hydrants	45 years
Furniture and Equipment	5-10 years
Pump stations	10 years
Reservoirs	65 years
Sewer lines	50 years
Water Mains	77 years
Water Meters	25 years
Water Services, Pumps and Motors	20 years
Wells	40 years

The net interest cost incurred in the financing of projects during the construction period is not capitalized as such costs have been immaterial in amount.

h. *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.

i. *Budget and Budgetary Accounting*

The City budget report is prepared under the direction of the City Manager in accordance with generally accepted accounting principles and the requirements of Municipal Code Section 2.08.150. Annual budgets are legally adopted for the general fund, special revenue funds, and capital projects funds. These funds are budgeted based

Notes to General Purpose Financial Statements (continued)

on the modified accrual basis of accounting and include proposed expenditures and the means of financing them. The City Council approves the total budgeted appropriations and any amendments to total appropriations which may be required during the year. Revenues are budgeted by source, and expenditures are budgeted based on program. Proprietary funds and debt service funds are treated as "non-budgeted" financial activities, therefore no budgetary comparisons are presented for these funds.

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

Supplemental budget appropriations during the year amounted to \$6,284,917. These supplemental appropriations are included in the budget columns of the special revenue funds and are for additional grant funding received during the year. During the year, the budget is used as a management information, planning and control device. To facilitate this process, encumbrances are recorded for commitments of the City to acquire materials, supplies and services under purchase order or contract. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All unexpended appropriations at year-end lapse, unless they are specifically designated by City Council Resolution (See Note 10).

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, 1999, proceeds of taxes did not exceed allowable appropriations:

Gann Limit	\$62,615,415
Expenditures Subject to Gann Limit	\$27,874,960
Proceeds of Taxes Subject to Gann Limit	\$31,155,948

j. *Excess of Expenditures Over Appropriations*

For the current fiscal year, expenditures exceeded appropriations in the Community Project (Capital Projects) fund and Housing Set-Aside (Capital Projects) fund. These overexpenditures were funded by available fund balances in each fund.

k. *Accrued Compensated Absences*

The City accounts for compensated absences (unpaid vacation and sick leave) in an Internal Service (Employee Benefits) Fund. Vacation accrues at 10 hours a month after 1 year, 12 hours a month after 9 years, and 14 hours a month after 14 years. The maximum an employee may accumulate is 336 hours. Accumulated vacation benefits, payable in future years when used by City employees, totaled \$2,175,101 at June 30, 1999.

Notes to General Purpose Financial Statements (continued)

The City has adopted a policy for payment of unused sick leave benefits. Sick leave is accumulated on the basis of 8 hours for each month of service. Miscellaneous employees can be paid 35% for all unused hours up to 850, fire employees can be paid 25% of up to 1,200 unused hours, police employees 25% of up to 1,000 unused hours, and management employees 35% of all unused hours. A public safety employee who is eligible for disability retirement may use all of his accumulated sick leave before going on disability retirement.. The estimated sick leave liability totaled \$1,684,166 at June 30, 1999.

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.

i. *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 Housing Set-Aside (Capital Projects) Fund, to be used for replacement or improvement of low-income housing.

m. *Unbilled Service Receivables*

Water 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. Because they are immaterial to total assets, retained earnings and revenues, City policy is not to record unbilled service receivables.

n. *Comparative Data*

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type), have not been presented in all of the statements since their inclusion would make the statements unduly complex.

Notes to General Purpose Financial Statements (continued)

o. *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 25	7%-10%
December 11	14%-18%
December 18	20%-24%
January 22	3%-6%
March 26	5%-7%
April 16	25%-30%
May 14	3%-5%
July 16	Collections through June 30

p. *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.

q. *Cash and Cash Equivalents*

For purposes of the combined statements of cash flows, the City considers the proprietary funds' equity in the City's cash and investment pool (including restricted assets), as well as other highly liquid investments with an original maturity of three (3) months or less when purchased, to be cash equivalents.

r. *Total Columns on the General Purpose Financial Statements*

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis; such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

s. *Estimates*

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

2. CASH, DEPOSITS & INVESTMENTS

The Governmental Accounting Standards Board (GASB) Statement 3 requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

Deposits:

Category 1 - Deposits which are insured by FDIC.

Category 2 - Deposits which are collateralized. Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under government Code Section 53655, the placement of securities by a bank or savings and loan with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local government agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Category 3 - Deposits which are uninsured or uncollateralized.

Notes to General Purpose Financial Statements (continued)

Investments:

Category 1 - Investments which are insured by Securities Investors Protection Corporation (SIPC), or investments which are held in definitive (i.e. physical) form by the City or the City's agent in the City's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchase is adequately segregated from the custodial safekeeping agents on the same investments, and where the investments are recorded on the books and records of the financial institution or broker/dealer in the name of the City.

Category 2 - Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the City's name in the trust department's systems and records.

Category 3 - Investments which are uninsured, (1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department, or (2) where the investments are acquired through a financial institution's trust department and held for custodial safekeeping by the same trust department, or (3) where the investments are acquired through, and held for safekeeping by, the same broker/dealer or (4) where investments are not held in the City's name in the systems and records of the financial institution or broker/dealer.

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 U.S. 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.

Notes to General Purpose Financial Statements (continued)

Local Agency Investment Fund (LAIF): The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. At June 30, 1999, the total market value of LAIF was \$36,801,515,428. The City's proportionate share of that value is \$16,166,957. Included in LAIF's investment portfolio are certain derivative securities or similar products such as structured notes totaling \$1,524,350,000 and asset-backed securities totaling \$351,942,000. LAIF's and the City's exposure to credit, market or legal risk is not currently available.

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

Deposits and Investments were categorized as follows at June 30, 1999

	Category			Bank Balances	Fair (Carrying) Value
	1	2	3		
Deposits:					
Banks:					
Demand Accounts	\$ 557,237	\$ 499,589	\$ 86,629	\$ 1,143,455	\$ (1,627,733)
Fiscal Agent Deposits	100,000	-	1,996,202	2,096,202	2,096,202
Total Deposits	\$ 657,237	\$ 499,589	\$ 2,082,831	\$ 3,239,657	468,469
Investments:					
	1	2	3	Not Categorized	
FNMA	\$ 37,400,978	\$ -	\$ -	\$ -	37,400,978
FHLB	20,038,312	-	-	-	20,038,312
GNMA	207,766	-	-	-	208,596
LAIF	-	-	-	16,166,957	16,166,957
Commercial Paper	3,500,000	-	-	-	3,500,000
Fiscal Agent Investments	-	-	-	-	-
Mutual Funds	-	-	-	96,525	96,525
U.S. Treasury Notes	-	-	7,319,425	-	7,319,425
Total Investments	\$ 61,147,056	\$ -	\$ 7,319,425	\$ 16,263,482	84,730,793
Total Deposits and Investments					\$ 85,199,262

Cash and Investments as reported in the accompanying combined balance sheet

Cash and investments - unrestricted	\$ 74,399,582
Cash and Investments with fiscal agent	9,512,152
Restricted cash	1,287,528
	<u>\$ 85,199,262</u>

The restricted cash of \$1,287,528 represents cash set-aside as required for bond principal and interest and is not available for general use.

3. INTERCITY LOANS RECEIVABLE/PAYABLE

a. *Loans to General Fund from Equipment Rental Fund:*

The General Fund has obtained loans from the Equipment Rental (Internal Service) Fund for the total amount of \$1,023,551 for the purpose of financing the following:

\$373,389	to finance the shared cost in the North Net Fire Training Computer Aided Dispatch Replacement Project. The current balance of this loan is \$100,989.
\$288,000	to finance the purchase of a new Fire Engine. The current balance of this loan is \$217,319.
\$248,218	to finance the replacement of 7 generators in the city's fire stations. The current balance of this loan is \$93,674.
\$113,944	to finance the installation of an energy management system in the municipal buildings located in the civic center. The current balance of this loan is \$58,632.

b. *Loan to Sanitary District Sewage Collection Fund from Equipment Rental Fund*

The Sanitary District Sewage Collection (Enterprise) Fund has obtained a loan from the Equipment Rental (Internal Service) Fund in the amount of \$39,143 to help finance the purchase of a new sewer truck. The balance of this loan at June 30, 1999 is \$19,572.

c. *Loan to Water Utility Fund from General Fund*

The City, through a comprehensive review and analysis, concluded that the General Fund has, over the past 40 years, financed street damage repairs throughout the City that have been a benefit to the Water Utility (Enterprise) Fund. An intercity loan has been established between the General Fund and the Water Utility (Enterprise) Fund in the amount of \$14,145,092 with interest accruing at 6 1/2% 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, 1999 is \$13,136,094.

d. *Loans from Water Utility Fund to Sanitary District Sewer Collection Fund:*

The Water Utility (Enterprise) Fund has loaned the Sanitary District Sewer Collection (Enterprise) Fund \$400,000 for the repair of the Belgrave force sewer main. Interest will accrue at an annual interest rate of 6 1/2% with no specific amortization period and with the unpaid interest being added to the principal annually. The balance of this loan at June 30, 1999 is \$408,737.

Notes to General Purpose Financial Statements (continued)

The Water Utility (Enterprise) Fund has also loaned the Sanitary District Sewer Collection (Enterprise) Fund \$150,000 with interest accruing at 6 1/2% per annum, to help fund the 98/99 operating budget. This loan has no fixed amortization date with all unpaid interest being added to the principal annually. The balance of this loan at June 30, 1999 is \$159,750.

e. *Loan from General Fund to Community Project Fund:*

The General Fund has loaned the Community Project (Capital Projects) Fund \$760,145 with an annual interest rate of 6 1/2% to help fund the 98/99 operating budget. The loan has no fixed amortization date with all unpaid interest being added to the principal annually. The balance of this loan at June 30, 1999 is \$809,554.

f. *Reimbursement Agreement from the General Fund to the Community 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 will reimburse the City \$2,405,511 plus any accruing unpaid interest thereon 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, 1999 balance of \$3,080,197.

g. *Loan from the Water Utility Fund to the Community Project Fund:*

The Community Project (Capital Projects) Fund has a loan from the Water Utility (Enterprise) Fund in the amount of \$750,000. Interest is paid monthly at an annual rate of 10%. The loan has no fixed amortization date. The balance of this loan at June 30, 1999 is \$750,000.

4. **NOTES RECEIVABLE**

- a. On November 30, 1990 the Agency for Community Development Housing Set-Aside (Capital Projects) Fund renegotiated an agreement in the amount of \$30,000 that was originally entered into on April 22, 1986 for the purpose of assisting a developer in the purchase and rehabilitation of a multifamily residential building located within the City's Buena Clinton focus neighborhood for the purpose of providing low income housing opportunities for city residents. This agreement has a forgiveness clause which covers a period of 30 years. The total amount may be forgiven only if the developer meets certain conditions as outlined in the agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. The balance at June 30, 1999 is \$30,000.

On June 29, 1989 in connection with an Affordable Housing Agreement, the Agency for Community Development Housing Set-Aside (Capital Projects) Fund has advanced \$250,000 to assist the same developer for additional rehabilitation of a multifamily

Notes to General Purpose Financial Statements (continued)

residential building located within the City's Buena Clinton focus neighborhood for the purpose of providing low income housing opportunities for city residents. The note is secured by a deed of trust. In 1998 terms of repayment were renegotiated with a first amendment to this agreement being signed setting a fixed, fully amortized annual payment schedule. Repayment, including 7% interest, will be made annually, beginning December 1, 1998 and extending until December 1, 2012. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance at June 30, 1999 is \$240,046.

- b. On February 25, 1992 the Agency for Community Development entered into an Affordable Housing Agreement with a developer with respect to the rehabilitation of a 144 unit multifamily rental housing development know as the "Tudor Grove Project" located within the City. The Housing Set-Aside (Capital Projects) Fund loaned the developer \$912,138. On December 10, 1996 this agreement was amended to permit a forgiveness on an annual basis of \$30,405 covering the 30 year term of the loan. This forgiveness clause was made possible because the developer had entered into a 15 year U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payments Program Project Based Assistance. This contract and its provisions ensured compliance with the terms and covenants of the Affordable Housing Agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. The balance at June 30, 1999 is \$699,306.
- c. In December 1993, the Agency for Community Development entered into a sales/property tax guarantee agreement with Costco Wholesale Corp. for the sum of \$3.8 million. The Agreement calls for a credit against the agreement amount for the net sales tax from the new site for the first three years, the gross sales tax from years four through ten, and the net tax increment from the new site for ten years. Any balance remaining on the guarantee at the end of the ten year period will be forgiven. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$2,357,694.
- d. On August 23, 1995 in connection with an Affordable Housing Agreement dated May 9, 1995 and amended on July 25, 1995, the Agency for Community Development Housing Set-Aside (Capital Projects) Fund loaned a developer \$480,000 towards the purchase of an apartment complex. The loan is evidenced by an interest-free note which has no set term for repayment. The note is secured by a deed of trust which is subordinate only to two loans from a private lending source obtained by the developer for the acquisition and development of an apartment complex. Repayment of the note is dependent upon the developer's net profits (defined as gross income less operating expenses and deposits to the loan reserves required by private lender) from operations of the apartment complex and the developer's ability to use net profits to repay the private lender loans, reimburse themselves for eligible rehabilitation costs and retain a percentage of profit for themselves. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance at June 30, 1999 is \$480,000.

Notes to General Purpose Financial Statements (continued)

In connection with this same Affordable Housing Agreement, The Housing Set-Aside (Capital Projects) Fund has agreed to be the guarantor on one of the developer's private lender loans. The Agency has pledged as security for the guaranty \$275,000 annually for a twelve year period. Any payments made by the agency on the guaranty will be added to the note receivable from the developer. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance at June 30, 1999 is \$729,000.

- e. On February 23, 1996, the Agency for Community Development received a \$958,320 promissory note in connection with the sale of agency land. The note bears interest at 6.5% and interest starts to accrue on October 4, 1998. Principal and interest payments are due in seven annual installments of \$86,974 commencing October 4, 1998 and one final payment of \$796,568 on October 4, 2005. Since the note repayments are not available as a resource to meet current expenditures this note is offset by deferred revenue in The Community Project (Capital Projects) Fund. Revenue will be recognized when received. The balance at June 30, 1999 is \$933,637.
- f. In connection with a disposition and development agreement, the Agency for Community Development sold land to the Coast Community College District for \$1,750,000 on March 15, 1996. The agency received an "Application of Payments" document from the District which authorizes the Agency to apply all tax increment revenue due to the District, pursuant to the Agency's pass through agreement with the District (See note 21), to the payment of the purchase price of the land. The application of all future tax increment revenue due to the District constitutes payment in full of the purchase price, regardless of whether such revenues are more or less than the purchase price. The purchase price of the land was determined by calculating the net present value of the estimated tax increment revenue of approximately \$9,200,000 to be passed through to the District in accordance with the related pass through agreement. Since the related tax increment revenue is not available as a resource to meet current expenditures this note is offset by deferred revenue in the Community Project (Capital Projects) Fund. At June 30, 1999, the outstanding balance on this note receivable is \$1,702,422.
- g. The Agency for Community Development holds several notes related to property rehabilitation loans. The terms of each note vary by circumstance, however, all notes are secured by a second trust deed on the related property. 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 and Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. At June 30, 1999, the notes receivable balances totaled \$199,751.
- h. A mortgage assistance program has been established for residents displaced as a result of the Trask Avenue Widening Program. The 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 residences. 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 and Housing Set-Aside (Capital Projects) Fund. Revenue will

Notes to General Purpose Financial Statements (continued)

be recognized when received. At June 30, 1999, the note receivable balances totaled \$111,794

- i. In connection with an Affordable Housing Agreement, dated July 11, 1995, the Housing Set-Aside (Capital Projects) Fund has agreed to, in a note dated February 1, 1996, to provide financial assistance to a developer by pledging an amount not to exceed \$700,000 per annum to guaranty the repayment of bonds issued to finance the acquisition and rehabilitation costs associated with the Stuart Drive/Rose Garden Apartment Project. The bonds are scheduled to be fully amortized in 2025. This note is secured by a deed of trust with assignment of leases and rents, security agreement, financing statement, and fixture filing. The note amount is to be repaid quarterly, with a zero interest rate, until the note amount has been repaid in full by an amount equal to fifty percent (50%) of the net profits from each of the properties or fifty percent (50%) of the net sales proceeds from the sale or transfer of the property. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 is \$1,307,484.

An amendment to this affordable housing agreement was added in 1998 for the purpose of providing financing for the demolition of garages and construction of carports on several of the apartment buildings. The garages were not being used for parking, with various types of illegal activity taking place. It was determined that transition to carport structures would help alleviate undesirable activities as well as provide greater opportunities for police presence and enforcement. The Agency for Community Development has entered into this agreement for an additional amount of \$225,561. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 totaled \$224,627.

- j. In connection with an Affordable Housing Agreement dated July 25, 1996, the Housing Set-Aside (Capital Projects) Fund has advanced the amount of \$87,000 to assist an owner to purchase and rehabilitate property located in the City. This loan is evidenced by a promissory note secured by a second trust deed to be repaid over a 15 year repayment schedule with interest at five percent (5%), deferred for two years. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 is \$86,430.
- k. The Agency for Community Development has entered into a Commercial Rehabilitation Agreement in the amount of \$410,479 for the rehabilitation of a commercial shopping center located in the City. The loan is a zero interest loan payable at the end of five years. The loan will be credited with the equivalent amount of net new sales and property taxes generated from the site. Any balance remaining on the loan at the end of the five years will be due and payable immediately upon notice by the Agency. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital

Notes to General Purpose Financial Statements (continued)

Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 is \$399,800.

- l. \$99,000 has been advanced by the Agency for Community Development to a developer who has entered into a Participation Agreement for the development of a 100,000 square foot industrial park project located in the City. The full amount of the note, including accrued interest at the rate of 6%, will be due and payable two years from the date of the execution of the promissory note. Since the note repayment is not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 totaled \$99,000.
- m. The Housing Set-Aside (Capital Projects) Fund has entered into an Affordable Housing Agreement dated April 23, 1996 and has advanced the amount of \$205,800 to assist a developer with project start up costs. The note is comprised of a 30 year, fixed rate loan with a compound interest rate of 4.5 percent beginning November 1, 1996. The note contains a provision that if the net operating income is insufficient to pay the full amount of the monthly payment, that the remaining unpaid portion will be added to the principal balance without bearing interest. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Housing Set-Aside (Capital Projects) Fund. Revenue will be recognized when received. The balance of this note receivable at June 30, 1999 totaled \$196,604.
- n. In connection with the same rehabilitation agreement the city's HOME funds, reflected in Other Federal, State and County Grant (Special Revenue) Funds, have advanced the amount of \$581,120 to a developer for the acquisition and rehabilitation of four eight-plex apartment buildings, totaling 32 units on Stuart Dr. This loan is evidenced by a non-interest bearing promissory note dated April 23, 1996. The loan is to be repaid out of the residual receipts generated by the project's cash flow. The City will receive 50% of the net profits until the loan is repaid. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the HOME (Special Revenue) Fund. Revenue will be recognized when received. At June 30, 1999, the outstanding balance on this note receivable is \$564,507.
- o. An amendment to this Housing Rehabilitation Agreement was executed on April 22, 1998 and the developer was advanced an additional \$120,000 for additional rehabilitation requirements. The note bears no interest during the first five (5) years of the term. Sixty thousand Dollars (\$60,000) of the note amount is due and payable on the (5th) anniversary of the date of this note only if the owner is considered to be in default otherwise this amount will be forgiven. The remaining balance will be payable in monthly installments of \$660.40 during the 6th through 15th years of the term of this note until paid in full. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the HOME (Special Revenue) Fund. Revenue will be recognized when received. At June 30, 1999, the outstanding balance on this note receivable is \$120,000.

Notes to General Purpose Financial Statements (continued)

- p. An Affordable Housing Agreement was entered into between the City, utilizing HOME funds which is reflected in Other Federal, State and County Grants (Special Revenue) Funds, with a developer to acquire, rehabilitate, and operate twelve eight (8) unit apartment buildings in one of the focus neighborhoods within the City that has suffered from serious structural deterioration, overcrowding and high crime. The objective of the City's participation was to impose property maintenance standards, reduce occupancy levels through long term covenants on the property, facilitate rehabilitation to the units and maintain the supply of affordable housing units. The City provided financial assistance to the developer in the total amount of \$1,302,000. The loan was a non-interest bearing junior lien which was being repaid from residual receipts generated from the project's monthly cash flow. The City has received \$70,496 as payments against this loan. The balance at June 30, 1999 is \$1,231,504.

In August 1998, the Garden Grove Agency for Community Development purchased land for future development of hotels which included the above property. The apartment complex was razed. This note will now be repaid with future HOME allocations over the next five years. No interest will be charged. Repayment will consist of four annual reductions of \$250,000 of HOME allocations to commence during the fiscal year ending June 30, 2000 with a reduction of \$231,504 in the fifth year.

- q. On July 12, 1994 a HOME Investment Partnership Agreement in the amount of \$195,750 was entered into between the City, utilizing HOME funds which is reflected in Other Federal, State and County Grants (Special Revenue) Funds, with a developer for the acquisition and rehabilitation of buildings in the City for the purpose of providing low income housing to City residents. No payments are required to be made upon the loan prior to the 15th anniversary and at that time if all the covenants, conditions and restrictions have been met, the loan will be forgiven. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the HOME (Special Revenue) Fund. Revenue will be recognized when received. The balance of this note at June 30, 1999 is \$195,750.
- r. A Housing Rehabilitation Agreement has been entered into between the City, utilizing HOME funds which is reflected in Other Federal, State and County Grant (Special Revenue) Funds in the amount of \$187,600. This loan will be used for the purpose of rehabilitating three parcels containing a total of 24 apartment units, located within the City. One-half of the original note amount will be forgiven on the fifth (5th) anniversary of the date of this note if the owner is not in default of the agreement. The balance of the note that has not been forgiven shall be amortized and payable in monthly installments during the sixth (6th) through fifteenth (15th) year at an interest rate of 5.12 percent per annum, compounded annually during the term of the note. This note is secured by a deed of trust. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred

Notes to General Purpose Financial Statements (continued)

revenue in the HOME (Special Revenue) Fund. Revenue will be recognized when received. The balance of this note at June 30, 1999 is \$187,600.

- s. As part of the implementation process of the solid waste recycling program, solid waste disposal barrels were purchased by The Garden Grove Sanitary District. The disposal contractor agreed to purchase these barrels and has executed six promissory notes to reimburse the District. The six notes bear an annual interest rate of 7.6%. The first executed on March 1, 1991 in the amount of \$98,632 is being repaid in 120 monthly installments in the amount of \$1,176 principal and interest. The second was executed on May 1, 1991 in the amount of \$28,274. It is being repaid in 120 monthly installments of \$337 principal and interest. The third was executed on November 1, 1991 in the amount of \$55,556 and is being repaid in 120 monthly installments of \$662. The fourth was executed on April 14, 1992 in the amount of \$13,790. It is being repaid in 120 monthly installments of \$164 commencing May 1, 1992. The fifth was executed on February 26, 1993 in the amount of \$53,556 and is being repaid in 120 monthly installments of \$639. The sixth was executed on September 1, 1993 in the amount of \$25,141. It is being repaid in 120 monthly installments of \$300 principal and interest. The balance on all six notes at June 30, 1999 is \$90,724.
- t. A disposition and development agreement was entered into between the Garden Grove Agency for Community Development and a private developer for the development of the 169 room Hilton Garden Inn. A promissory note in the amount of \$4,008,833 was executed on November 2, 1998. This note is due and payable on the fourteenth (14th) anniversary of the note date, subject to yearly assemblage credits, based on generated revenues as outlined in the agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$4,008,833.
- u. A disposition and development agreement was entered into between the Garden Grove Agency for Community Development and a private developer for the development of the 172 room Hampton Inn. A promissory note in the amount of \$4,008,833 was executed on November 2, 1998. This note is due and payable on the fourteenth (14th) anniversary of the note date, subject to yearly assemblage credits, based on generated revenues as outlined in the agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$4,008,833.
- v. A disposition and development agreement was entered into between the Garden Grove Agency for Community Development and a private developer for the development of the 203 room Homewood Suites. A promissory note in the amount of \$3,483,143 was executed on May 25, 1999. This note is due and payable on the tenth (10th) anniversary of the note date, subject to yearly assemblage credits, based on generated

Notes to General Purpose Financial Statements (continued)

revenues as outlined in the agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$3,483,143.

- w. A disposition and development agreement was entered into between the Garden Grove Agency for Community Development and a private developer for the development of the 384 room Crown Plaza Hotel. A promissory note in the amount of \$7,170,297 was executed on June 18, 1999. This note will be due and payable on the tenth (10th) anniversary of the note date, subject to yearly assemblage credits, based on generated revenues as outlined in the agreement. Since the note reductions are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$7,170,297.
- x. On June 23, 1998, the Agency for Community Development entered into a \$500,000 promissory note in connection with the sale of Agency land for the development of a 103 room Holiday Inn Express Hotel. A promissory note in the amount of \$500,000 was executed on June 23, 1999. The full amount of the note will be due and payable within five years from the issuance of a certificate of occupancy with interest rates varying from 3% to 7% depending on when the payments are made. Since the note repayments are not available for current expenditures, this note receivable is offset by deferred revenue in the Community Project (Capital Projects) Fund. The balance at June 30, 1999 is \$500,000.

5. FIXED ASSETS

The following presents a summary of the changes in general fixed assets for the year ended June 30, 1999:

	July 1 1998	Additions	Retirements	Transfer To Other Funds	June 30 1999
Land	\$ 18,353,149	\$ 1,387,103	\$ (7,375,200)	\$ -	\$ 12,365,052
Buildings	17,037,793	720,796	-	-	17,758,589
Other					
Improvements	7,187,726	154,693	-	-	7,342,419
Furniture and					
Equipment	6,992,149	2,465,349	(581,903)	(114,151)	8,761,444
Fire Training Authority					
Building	306,294	-	-	-	306,294
Total	\$ 49,877,111	\$ 4,727,941	\$ (7,957,103)	\$ (114,151)	\$ 46,533,798

Notes to General Purpose Financial Statements (continued)

A summary of proprietary funds fixed assets at June 30, 1999 follows:

	Enterprise	Internal Service
Land	\$ 12,203,423	\$ -
Buildings	690,186	-
Water utility plant	67,672,511	-
Sewer subsurface lines	7,508,706	-
Sewer pump stations	127,500	-
Improvements	582,712	-
Solid waste trucks and barrels	5,813,307	-
Furniture and equipment	564,823	2,584,596
Automotive equipment	-	9,131,591
Total	95,163,168	11,716,187
Less: Accumulated depreciation	(29,451,521)	(5,899,101)
Net Fixed Assets	<u>\$ 65,711,647</u>	<u>\$ 5,817,086</u>

6. CHANGES IN CONTRIBUTED CAPITAL

The following presents a summary of the changes to contributed capital:

INTERNAL SERVICE FUNDS

	Equipment Rental	Warehouse Operations	Total
Balance, July 1, 1998	\$ 3,294,278	\$ 104,569	\$ 3,398,847
Additions:			
Equipment (From General Fixed Assets Account Group)	114,151	-	114,151
Balance, June 30, 1999	<u>\$ 3,408,429</u>	<u>\$ 104,569</u>	<u>\$ 3,512,998</u>

WATER UTILITY ENTERPRISE FUND

Balance, July 1, 1998	\$ 12,751,013
Contributions from developers	392,249
Balance, June 30, 1999	<u>\$ 13,143,262</u>

SANITARY DISTRICT ENTERPRISE FUNDS

Balance, July 1, 1998	\$ 4,621,667
Contributions from developers	364,303
Balance, June 30, 1999	<u>\$ 4,985,970</u>

Notes to General Purpose Financial Statements (continued)

7. OTHER DEFERRED REVENUE

Certain federal and state grants have advanced funds for project expenditures. These funds will not be taken into revenue until the corresponding expenditures are made. Such amounts are accounted for in the Special Revenue Funds and are classified as deferred revenue.

The deferred revenue of \$721,122 in the Sewer Collection (Sanitary District Enterprise) Fund represents user fees for refuse collection for the months of July & August, 1999.

The deferred revenue in the Mobilehome Parks (Enterprise) Fund reflects prepaid storage fees of \$1,103.

8. CHANGES IN LONG TERM DEBT

- a. Following is a summary of long term debt transactions for the City for the year ended June 30, 1999 (in thousands of dollars):

	General Long-Term Debt				Proprietary Funds			Component	TOTAL
	Tax	Revenue	Agreements	Lease	Revenue	Certificates	Loan	Unit	
	Allocation							Bonds		Of	Payable	Revenue
	Bonds	Bonds	Pavable	Agreements	Bonds	Participation		Bonds	
Balance July 1	\$ 58,170	\$ 3,135	\$ 25,868	\$ 975	\$ 18,958	\$ 17,088	\$ 433	\$ 37	\$ 124,664
New Debt Incurred	-	-	-	-	-	-	-	-	-
Discount amortization	-	-	-	-	6	3	-	-	9
Debt Retired	(1,060)	(290)	(2,938)	(440)	(380)	(985)	(433)	(37)	(6,563)
Balance June 30	<u>\$ 57,110</u>	<u>\$ 2,845</u>	<u>\$ 22,930</u>	<u>\$ 535</u>	<u>\$ 18,584</u>	<u>\$ 16,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,110</u>

- b. General long-term debt at June 30, 1999 consisted of the following individual items:

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 \$1,060,000 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.

Total Tax Allocation Refunding Bonds Payable

\$57,110,000

Revenue Bonds:

\$3,410,000 Countywide Public Financing Authority 1996 Revenue Bonds for the purpose of purchasing an 800 MHZ county wide communications system in a joint operating agreement with 8 participating county entities. The City of Garden Grove's share is financed over a 10 year period through a public leaseback of the Police building. Principal payments ranging from \$290,000 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%.

2,845,000

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.

8,000,000

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

1,200,000

\$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. Payments are due in a 20 year amortization schedule with an interest rate of 6.6% under a Project 8 Lending Interim Financing Agreement until bonds are sold. The Agency for Community Development has pledged future tax increment funds to satisfy the City's obligations under this loan agreement.

12,900,000

Notes to General Purpose Financial Statements (continued)

\$788,800 Agency for Community Development Real Property Purchase Agreement bearing interest at the simple rate of 6.5% per annum, payable in eight (8) semi-annual installments of \$113,557 including interest beginning 1/17/98. 516,370

\$406,667 Agency for Community Development Real Property Purchase Agreement bearing interest at the simple rate of 7% per annum, payable in 2 payments as follows, plus interest: \$203,334 due 1/14/99 and \$203,333 due 1/14/00. 203,333

\$213,334 Agency for Community Development Real Property Purchase Agreement bearing interest at the simple rate of 7.5% per annum, payable in 2 payments as follows: \$102,811 due 3/5/99 and \$110,523 due 3/5/00. 110,523

Total Agreements Payable 22,930,226

Lease-Purchase Agreements:

\$565,192 lease purchase of computer equipment and modular furniture for the new city hall payable in future monthly installments of \$11,160 including interest at 6.9% starting January, 1996 through December, 2000. Payments against this loan are expended from the General Fund. 190,336

\$1,522,500 lease purchase of new telephone system and other equipment for the new city hall payable in future semi annual payments of \$180,768 including interest at 6.5% through June, 2000. Payments against this loan are expended from the General Fund. 344,645

Total Lease Purchase Agreements 534,981

TOTAL GENERAL LONG TERM DEBT \$83,420,207

c. **Proprietary Funds Long-Term Debt at June 30, 1999 consisted of the following individual 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

Notes to General Purpose Financial Statements (continued)

fund and to pay certain costs of issuance. Annual installment payments range from \$1,373,260 to \$1,376,600 through December, 2023. The interest rate ranges from 2.50% to 5.50%.

18,710,000

Less: Unamortized bond discount fees

-126,219

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	\$14,417,601
Non-operating revenues	<u>1,890,672</u>
Gross Revenues	16,308,273
Less: Operating expenses (excluding depreciation and fiscal charges)	<u>-12,019,616</u>
Net Revenues	<u>\$ 4,288,657</u>
Debt Service requirement for next bond year \$1,363,865 X 125%	<u>\$ 1,704,831</u>

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

Total Revenue Bonds Payable

18,583,781

Certificates of Participation:

Mobilehome 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 mobilehome parks within the City (excluding the mobilehomes in such parks): Bahia Village Mobilehome Park located at 13096 Blackbird Street and Emerald Isle Mobilehome 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,

Notes to General Purpose Financial Statements (continued)

as the rental for the right to the use and possession of the projects. Principal payments ranging from \$280,000 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%.	14,600,000
Less: Unamortized COP discount fee	<u>-68,977</u>
Total Mobilehome Enterprise Fund COP	14,531,023

Sanitary District Enterprise Fund:

Certificates of Participation, dated March 1, 1990 in the face amount of \$6,010,000 were issued by the Garden Grove Sanitary District Public Improvement Corporation to finance the purchase of recycling equipment. Interest is due semi-annually at rates varying from 7.5-7.7 percent. Principal is due annually in amounts ranging from \$425,000 to \$815,000.

The equipment has been sold to the District under an Installment Sales Agreement and the Corporation has assigned its right to receive payments under the Agreement to a trustee. The District has executed an Operating Agreement with Taormina Industries, Inc. to operate, maintain and acquire insurance on the equipment. Under terms of the Operating Agreement, Taormina Industries, Inc. is to pay as rent to the District one-twelfth (1/12) of the total annual installment payment due each month. The District, under the Installment Sales Agreement is to remit quarterly one-half (1/2) of the semi-annual interest payment and one-fourth (1/4) of the annual principal payment. Although the installment payments are not secured by the equipment of the sanitation system of the District, the operator must maintain an irrevocable stand-by letter of credit with a bank or other financial institution in an amount equal to the maximum annual installment payments required under the Installment Sales Agreement for the term of the Operating Agreement.

1,575,000

Total Certificates of Participation

16,106,023

**TOTAL PROPRIETARY FUNDS
LONG-TERM DEBT**

34,689,804

TOTAL LONG TERM DEBT

\$118,110,011

Notes to General Purpose Financial Statements (continued)

- d. The scheduled annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments of \$89,145 are as follows (in thousands of dollars):

Year Ending June 30	Tax Allocation Refunding Bonds	Revenue Bonds	Certificates Of Participation	Agreements Payable	Lease Purchase Agreements	Total
2000	\$ 4,360	\$ 1,804	\$ 1,943	\$ 2,691	\$ 496	\$ 11,294
2001	4,357	1,810	1,945	2,364	67	10,543
2002	4,356	1,806	1,099	2,880	-	10,141
2003	4,350	1,806	1,093	2,766	-	10,015
2004	4,350	1,803	1,095	2,774	-	10,022
2005	4,344	1,802	1,096	2,215	-	9,457
2006	4,343	1,799	1,095	2,219	-	9,456
2007	4,340	1,802	1,093	2,219	-	9,454
2008	4,337	1,362	1,094	1,217	-	8,010
2009-24	68,858	21,595	17,356	11,054	-	118,863
	<u>\$ 107,995</u>	<u>\$ 37,389</u>	<u>\$ 28,909</u>	<u>\$ 32,399</u>	<u>\$ 563</u>	<u>\$ 207,255</u>

The Agency for Community Development Debt Service Fund has \$4,494 available to service the Tax Allocation Bonds.

9. RESERVES OF FUND EQUITY

- a. Amounts reserved for encumbrances are commitments for materials and services on purchase orders.
- b. Amounts reserved for intercity loans indicate that repayments are not available as a resource to meet expenditures of the current year.
- c. Amounts reserved for continuing projects in governmental funds are unexpended appropriations on incomplete capital improvement projects which have been carried forward into the new fiscal year.

In the Water Enterprise Fund, this represents commitments of Fiscal Year 1998-99 funds for specific projects which will not commence until Fiscal Year 1999-00.

- d. The reserve for land held for resale in the Community Project (Capital Projects) Fund and Housing Set-Aside (Capital Projects) Fund is equal to the amount of land inventory which is expected to be sold in future years for development (See Note 1e).
- e. Amounts reserved for contractual commitments in the Capital Projects Funds represent commitments for future year expenditures against the current balance available.
- f. Amount reserved for COP retirement in Sanitary District Enterprise Fund represents amount reserved for payment on Certificates of Participation.

10. FUND BALANCE - UNRESERVED

Amounts designated for subsequent years' expenditures are, by resolution, set-aside to finance a portion of the Fiscal Year 1999-00 budget.

11. INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 1999 are:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Special Revenue Funds:		
Housing Authority Fund	\$ -	\$ 49,951
Air Quality Improvement Fund	-	25,598
Other Federal, State, County Grant Funds	-	2,287,325
Community Projects Funds:		
Community Project Fund	273,479	-
Housing Set-Aside Fund	-	273,479
Enterprise Funds:		
Sanitary District Funds	-	1,224,402
Internal Service Funds:		
Worker's Compensation Fund	3,587,276	-
Total	<u>\$ 3,860,755</u>	<u>\$ 3,860,755</u>

12. SELF-INSURANCE PROGRAMS

The City utilizes a program to self-insure for workers' compensation liability for the first \$350,000, per occurrence, for injury or occupational illness to City employees pursuant to Workers Compensation Laws of the State of California. The City contracts with a service agent who administers the program and acts as the representative of the City in claim hearings or litigation. Excess coverage is placed with a commercial insurer for losses from \$350,000 up to the statutory limit per occurrences. This self-insurance program is accounted for in the Workers Compensation (Internal Service) Fund. There is an estimated liability of \$7,436,238 for claims outstanding including claims incurred but not reported on June 30, 1999, which has been included under other accrued liabilities in the Workers Compensation 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, 1999, in the amount of \$13,466,590 which has been included under other accrued liabilities in the Insurance Fund.

Notes to General Purpose Financial Statements (continued)

Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 1999. Changes in the aggregate liability for claims for fiscal year ended June 30, 1998 and June 30, 1999 are as follows:

	<u>1999</u>	<u>1998</u>
	<u>Worker's Compensation</u>	
Liability, July 1	\$ 4,977,217	\$ 6,029,912
Changes in estimates	3,463,277	(1,052,695)
Claim payments	<u>(1,004,256)</u>	<u>-</u>
Liability, June 30	<u>\$ 7,436,238</u>	<u>\$ 4,977,217</u>
	<u>General Liability</u>	
Liability, July 1	\$ 9,261,418	\$ 7,730,162
Changes in estimates	6,061,529	1,870,650
Claim payments	<u>(1,856,357)</u>	<u>(339,394)</u>
Liability, June 30	<u>\$ 13,466,590</u>	<u>\$ 9,261,418</u>

13. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

a. Plan Description

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

Notes to General Purpose Financial Statements (continued)

b. Funding Policy

Active plan members in the Miscellaneous Plan of the City of Garden Grove are required to contribute 8% of their annual covered salary. Active plan members in the Safety Plan of the City of Garden Grove are required to contribute 9% of their annual covered salary. The City of Garden Grove 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, 1999 was 7.472% for miscellaneous employees and 11.103% 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, 1999 the City of Garden Grove's annual pension cost of \$5,445,333 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 1999 was determined as part of the June 30, 1996 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 3.75% to 11.59% for safety members. Both (a) and (b) include an inflation component of 3.5%.

Fiscal Year Ended	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Net Pension Obligation
6/30/97	\$5,502,058	100%	0
6/30/98	5,501,515	100%	0
6/30/99	5,445,333	100%	0

The actuarial value of the City of Garden Grove's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The City of Garden Grove's unfunded actuarial accrued liability(or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at 6/30/97 is 17 years for the safety members and 20 years for the miscellaneous members.

Notes to General Purpose Financial Statements (continued)

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

<u>FUNDED STATUS OF PLANS</u>						
Valuation Date	Entry Age	Actual Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial
	Normal Accrued Liability					Accrued Liability % of Payroll
Miscellaneous Plan						
6/30/95	57,769,936	57,930,038	(160,102)	100.3%	14,981,761	(1.069%)
6/30/96	65,807,050	65,536,166	270,884	99.6%	13,121,046	2.065%
6/30/97	65,632,536	75,865,716	(10,233,360)	115.6%	14,469,472	(70.724%)
Safety Plan						
6/30/95	98,517,688	100,251,974	(1,734,286)	101.8%	14,061,215	(12.334%)
6/30/96	114,021,112	111,882,244	2,138,867	98.1%	15,016,845	14.243%
6/30/97	121,406,917	127,970,263	6,563,346	105.4%	14,928,634	(43.965%)

14. POSTEMPLOYMENT BENEFITS

In addition to the pension benefit described in Note 13, 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 164 have selected this option. The total yearly cost to the City for this benefit was \$31,056, which represents only 5.8 percent of the total yearly premium cost of \$532,236. The difference of \$501,270 was paid by the participating retirees.

15. CERTIFICATES OF DEPOSIT REVENUE BONDS

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 general purpose 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.

16. MULTI FAMILY HOUSING REVENUE BONDS

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 general purpose 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.

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 general purpose 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 Housing Set-Aside 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 general purpose 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, 1999, the City has made payments totaling \$729,999 towards the guarantee. (See Note 4d)

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 in general long-term debt.

18. DALE-JOSEPHINE SPECIAL ASSESSMENT BONDS

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.

- a. Issue Date - September 15, 1990
- b. Interest Rates - 7.60%-8.15%
- c. Maturity Date - September 2, 2010
- d. Authorized and issued - \$656,608
- e. Outstanding balance June 30, 1999 - \$505,000

19. 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.

The minimum level of street and road expenditures required as the maintenance of effort under Proposition 111 and Measure M has been met for the fiscal year ended June 30, 1999.

20. SEGMENT INFORMATION-ENTERPRISE FUNDS

The City maintains three enterprise funds. The Water Utility Fund accounts for the provision of basic water services to all citizens. The Mobilehome Parks Fund accounts for the operation of two

Notes to General Purpose Financial Statements (continued)

mobilehome parks in the City which help to further the City's goal of preservation and protection of low and moderate income housing. The Sanitary District provides solid waste collection disposal and sewage services to all citizens.

	Water Utility	Mobilehome Parks	Sanitary District	Total
Operating revenues	\$ 14,417,601	\$ 1,554,104	\$ 8,514,295	\$ 24,486,000
Depreciation	1,465,702	81,530	776,255	2,323,487
Operating income(loss)	911,670	956,134	(199,499)	1,668,305
Transfer in	1,098,288	183,079	-	1,281,367
Transfer out	-	(70,000)	-	(70,000)
Net income (loss)	1,974,824	329,618	(265,835)	2,038,607
Fixed asset additions	2,483,966	21,395	2,834	2,508,195
Net working capital	12,730,480	1,384,757	(681,245)	13,433,992
Total assets	63,502,344	15,108,203	10,667,050	89,277,597
Revenue bonds payable, net	18,583,781	-	-	18,583,781
Certificates of participation payable, net	-	14,531,023	1,575,000	16,106,023
Total retained earnings	15,380,229	235,467	61,325	15,677,021
Total fund equity	28,523,491	235,467	5,047,295	33,806,253
Sanitary District Retained Earnings (loss) detail:				
			5,688,628	
			(641,333)	
Total Sanitary District Fund Equity			<u>\$ 5,047,295</u>	

21. COMMITMENTS AND CONTINGENCIES

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

Under the terms of federal, county and state grants, periodic audits are required and certain costs may be questioned as not being 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 disallowance, if any, would be immaterial.

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's proportionate share in the authority is 26.67 percent. The City Council of each city appoints one representative to the three-member Board of Directors. Because the City is not financially accountable, the Authority is not considered part of the City's reporting entity. The City's share of the Authority's operating costs is included in the accompanying general purpose

financial statements as expenditures of the General Fund. Revenue and expenditures are recognized on the modified accrual basis of accounting as described in Note 1c.

The amount of the City's equity interest in the Authority as of June 30, 1999 is \$306,294 and has been included in the General Fixed Asset Account Group.

Complete financial statements of the Authority can be obtained from: The City of Garden Grove Controller's office, 11222 Acacia Parkway, Garden Grove, California 92640.

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. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 1998, the City had determined that loans to the Agency for Community Development totaling \$3,830,196 from the General Fund in the amount of \$3,080,196 and the Water Utility Enterprise Fund in the amount of \$750,000, would not be repaid unless the Agency had unreserved fund balances available. Since the ultimate repayment of the loans was uncertain, the loans were removed from the books of all the affected funds. Subsequently, it was determined that the loans should be reflected on the balance sheets of the affected funds in spite of the uncertainty of repayment.

The City, through a comprehensive review and analysis, concluded that the General Fund has, over the past 40 years, financed street damage repairs throughout the City that have been a benefit to the Water Utility (Enterprise) fund in the total amount of \$14,145,092. An intercity loan was established between the General Fund and the Water Utility (Enterprise) Fund in this amount with interest accruing at 6 1/2% 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, 1999 is \$13,136,094.

GENERAL FUND

The General Fund is used to account for all revenues and expenditures of the City that are not required to be accounted for in other special purpose funds.

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CITY OF GARDEN GROVE
GENERAL FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 1999 AND 1998

Schedule B-1

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash and investments	\$ 9,825,506	\$ 6,980,569
Cash with fiscal agent	1,587,166	2,538,447
Taxes receivable	2,741,524	2,431,840
Accounts receivable	803,687	546,566
Accrued interest receivable	98,317	166,373
Intercity loans receivable	17,025,845	-
Deposits	32,500	32,500
	<u>32,114,545</u>	<u>12,696,295</u>
Total assets	\$ 32,114,545	\$ 12,696,295
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 3,156,088	\$ 2,225,442
Other accrued liabilities	1,062,564	942,575
Refundable deposits	1,021,490	763,835
Deferred revenue	234,575	149,436
Intercity loans payable	470,614	1,801,434
	<u>5,945,331</u>	<u>5,882,722</u>
Total liabilities	5,945,331	5,882,722
Fund Balance:		
Reserved:		
Reserved for encumbrances	315,914	371,691
Reserved for intercity loans receivable	17,025,845	-
Reserved for continuing projects	1,211,104	1,694,490
Unreserved:		
Designated for subsequent years' expenditures	7,616,351	4,747,392
	<u>26,169,214</u>	<u>6,813,573</u>
Total fund balance	26,169,214	6,813,573
Total liabilities and fund balance	\$ 32,114,545	\$ 12,696,295

**CITY OF GARDEN GROVE
GENERAL FUND**

Schedule B-2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998**

	1999			1998
	Budget	Actual	Variance-Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 27,104,500	\$ 26,896,325	\$ (208,175)	\$ 26,241,094
Licenses and permits	798,500	1,245,076	446,576	811,737
Fines, forfeits and penalties	930,500	1,217,002	286,502	682,313
From use of money and property	942,000	2,047,401	1,105,401	1,645,559
Charges for current services	6,310,431	5,939,619	(370,812)	6,167,030
From other agencies	7,294,638	7,710,637	415,999	7,191,424
Sale of land	630,800	582,387	(48,413)	162,530
Total revenues	44,011,369	45,638,447	1,627,078	42,901,687
Expenditures:				
Current:				
Fire	11,179,693	10,031,392	1,148,301	10,075,492
Police	22,822,639	21,365,665	1,456,974	20,680,233
Traffic safety	593,139	465,890	127,249	382,816
Public right of way	2,563,431	2,472,332	91,099	2,595,751
Community buildings	2,177,482	1,661,271	516,211	1,792,046
Community services	864,498	676,362	188,136	635,025
Parks and greenbelts	418,341	398,618	19,723	323,065
Community planning and development	2,254,794	2,164,645	90,149	2,025,502
Municipal support	5,247,470	4,187,000	1,060,470	3,934,407
Capital Outlay:				
Police	1,296,990	375,843	921,147	672,196
Public right of way	111,083	81,254	29,829	30,444
Drainage	41,457	41,456	1	938
Community buildings	69,289	69,325	(36)	109,911
Parks and greenbelts	6,600	-	6,600	-
Debt service:				
Principal retirement	439,611	439,611	-	379,968
Interest and fiscal charges	32,634	32,634	-	216,221
Total expenditures	50,119,151	44,463,298	5,655,853	43,854,015
Excess (deficiency) of revenues over (under) expenditures	(6,107,782)	1,175,149	7,282,931	(952,328)
Other financing sources(uses):				
Operating transfers in:				
Golf course fund	500,000	500,000	-	500,000
Mobilehome parks fund	70,000	70,000	-	70,000
Employee benefits fund	1,400,000	1,400,000	-	1,000,000
Equipment rental fund	-	-	-	100,000
Risk management fund	100,000	100,000	-	-
Operating transfers out:				
Self supporting revenue fund	(16,508)	(16,508)	-	-
Capital projects fund	-	-	-	(3,005,601)
Water enterprise fund	(1,098,288)	(1,098,288)	-	-
Total other financing sources(uses)	955,204	955,204	-	(1,335,601)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,152,578)	2,130,353	7,282,931	(2,287,929)
Fund balance, July 1	6,813,573	6,813,573	-	9,101,502
Prior period adjustment	-	17,225,288	17,225,288	-
Adjusted fund balance, July 1	6,813,573	24,038,861	17,225,288	9,101,502
Fund balance, June 30	\$ 1,660,995	\$ 26,169,214	\$ 24,508,219	\$ 6,813,573

SPECIAL REVENUE FUNDS

Public Safety Fund

Funds received from the City's share of drug forfeit and seizure money and funds received from the state under SB172 are accounted for in this fund and are used to support police, fire, and emergency medical services.

State Gas Tax Fund

State gasoline taxes received by the City are accounted for in this fund. Moneys received are 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 Gold Course and for debt service payments applicable to the purchase of the 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 any possible 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.

Kaiser Capital Fund

This fund was established to finance certain off-site street work necessitated by the proposed construction of a hospital complex at the intersection of Euclid St. and Chapman Ave. The developer has deposited funds with the City to pay the costs.

Main Library Fund

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

Housing Authority Fund

Revenues and expenditures pertaining to federal housing grants are accounted for in this fund. A Housing Authority Board appointed by the City Council oversees the operation.

Garden Grove Cable Fund

This fund represents a grant from a private cable corporation of 2% of its revenues. 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 expenditures. Revenues for this fund are 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 money received from the State of California Air Quality Management District for the primary purpose of establishing a ride share program for city employees.

Other Federal, State and County Grants Fund

The City is the recipient of numerous other federal, state and county grants that are accounted for in this fund.

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CITY OF GARDEN GROVE
SPECIAL REVENUE FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

	Public Safety	State Gas Tax	Golf Course	Self- Supporting Revenue	Developer Fees	Kaiser Capital	Main Library
ASSETS							
Cash and investments	\$ 1,933,294	\$ 2,746,381	\$ 445,926	\$ 31,409	\$ 2,779,667	\$ 179,945	\$ 108,767
Taxes receivable	31,876	234,103	-	-	-	-	-
Accounts receivable	-	-	1,602	5,240	-	-	-
Accrued interest receivable	19,365	14,052	-	-	16,386	-	-
Notes receivable	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Total assets	<u>\$ 1,984,535</u>	<u>\$ 2,994,536</u>	<u>\$ 447,528</u>	<u>\$ 36,649</u>	<u>\$ 2,796,053</u>	<u>\$ 179,945</u>	<u>\$ 108,767</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 10,988	\$ 587,893	\$ -	\$ 19,097	\$ 148,480	\$ -	\$ -
Other accrued liabilities	396	65,430	-	15,733	1,817	-	-
Refundable deposits	16,882	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	8,579	832	-	-	-
Total liabilities	<u>28,266</u>	<u>653,323</u>	<u>8,579</u>	<u>35,662</u>	<u>150,297</u>	<u>-</u>	<u>-</u>
Fund balances:							
Reserved:							
Reserved for encumbrances	129,515	309,184	-	987	134,792	-	-
Reserved for continuing projects	1,201,564	1,498,698	-	-	515,849	-	26,150
Unreserved:							
Designated for subsequent years' expenditures	625,190	533,331	438,949	-	1,995,115	179,945	82,617
Undesignated	-	-	-	-	-	-	-
Total fund balances	<u>1,956,269</u>	<u>2,341,213</u>	<u>438,949</u>	<u>987</u>	<u>2,645,756</u>	<u>179,945</u>	<u>108,767</u>
Total liabilities and fund balances	<u>\$ 1,984,535</u>	<u>\$ 2,994,536</u>	<u>\$ 447,528</u>	<u>\$ 36,649</u>	<u>\$ 2,796,053</u>	<u>\$ 179,945</u>	<u>\$ 108,767</u>

Housing Authority	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street Vehicle Parking District	Air Quality Improvement	Other Federal State, County Grants	Totals	
							1999	1998
\$ 1,768,771	\$ 111,606	\$ 954,675	\$ 9,969	\$ 224,226	\$ -	\$ 5,643,064	\$ 16,937,700	\$ 16,594,032
-	-	-	-	18	-	246,799	512,796	509,755
879,949	59,258	4,945	10,645	-	42,508	2,800,531	3,804,678	2,434,903
-	844	20,731	-	1,540	-	58,173	131,091	234,221
-	-	-	-	-	-	2,299,362	2,299,362	2,241,014
-	-	-	-	-	-	-	-	798,392
<u>\$ 2,648,720</u>	<u>\$ 171,708</u>	<u>\$ 980,351</u>	<u>\$ 20,614</u>	<u>\$ 225,784</u>	<u>\$ 42,508</u>	<u>\$ 11,047,929</u>	<u>\$ 23,685,627</u>	<u>\$ 22,812,317</u>
\$ 22,212	\$ 9,063	\$ 84,014	\$ 8,359	\$ 2,196	\$ 3,050	\$ 546,616	\$ 1,441,968	\$ 716,413
2,400,041	5,563	3,748	12,255	-	818	1,291,426	3,797,227	2,051,438
176,516	-	-	-	-	-	53,881	247,279	242,758
49,951	-	-	-	-	25,598	2,287,325	2,362,874	1,488,111
-	-	-	-	-	-	1,082,541	1,091,952	2,524,872
<u>2,648,720</u>	<u>14,626</u>	<u>87,762</u>	<u>20,614</u>	<u>2,196</u>	<u>29,466</u>	<u>5,261,789</u>	<u>8,941,300</u>	<u>7,023,592</u>
-	-	11,857	-	-	-	2,896,046	3,482,381	1,788,064
-	7,577	384,839	-	-	13,042	-	3,647,719	5,218,486
-	149,505	495,893	-	223,588	-	2,890,094	7,614,227	8,647,067
-	-	-	-	-	-	-	-	135,108
-	157,082	892,589	-	223,588	13,042	5,786,140	14,744,327	15,788,725
<u>\$ 2,648,720</u>	<u>\$ 171,708</u>	<u>\$ 980,351</u>	<u>\$ 20,614</u>	<u>\$ 225,784</u>	<u>\$ 42,508</u>	<u>\$ 11,047,929</u>	<u>\$ 23,685,627</u>	<u>\$ 22,812,317</u>

**CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998**

	<u>Public Safety</u>	<u>State Gas Tax</u>	<u>Golf Course</u>	<u>Self- Supporting Revenue</u>	<u>Developer Fees</u>	<u>Kaiser Capital</u>	<u>Main Library</u>
Revenues:							
Taxes	\$ 420,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Fines, forfeits and penalties	172,996	-	-	-	-	-	-
From use of money and property	156,951	123,680	-	-	110,638	-	-
Charges for current services	-	-	625,582	558,104	1,351,734	-	-
From other agencies	-	2,859,434	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	<u>750,462</u>	<u>2,983,114</u>	<u>625,582</u>	<u>558,104</u>	<u>1,462,372</u>	<u>-</u>	<u>-</u>
Expenditures:							
Current:							
Fire	-	-	-	-	-	-	-
Police	178,455	-	-	-	-	-	-
Traffic safety	-	228,868	-	-	-	-	-
Public right of way	-	1,741,167	-	-	-	-	-
Community buildings	-	-	-	-	-	-	8,935
Community services	-	-	-	583,798	-	-	-
Parks and greenbelts	-	-	27,721	-	43,908	-	-
Community planning and development	-	-	-	-	-	-	-
Municipal support	-	-	-	-	-	-	-
Capital outlay:							
Police	807,497	-	-	-	-	-	-
Traffic safety	-	3,076	-	-	262,881	-	-
Public right of way	-	117,805	-	-	32,975	-	-
Drainage	-	1,772,364	-	-	40,787	-	-
Community buildings	143,808	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	102,899	-	-
Community planning and development	-	-	-	-	245,000	-	-
Debt service:							
Principal retirement	290,000	-	-	-	-	-	-
Interest and fiscal charges	146,823	-	-	-	-	-	-
Total expenditures	<u>1,566,583</u>	<u>3,863,280</u>	<u>27,721</u>	<u>583,798</u>	<u>728,450</u>	<u>-</u>	<u>8,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(816,121)</u>	<u>(880,166)</u>	<u>597,861</u>	<u>(25,694)</u>	<u>733,922</u>	<u>-</u>	<u>(8,935)</u>
Other financing sources (uses):							
Operating transfers in -							
General fund	-	-	-	16,508	-	-	-
Operating transfers out -							
General fund	-	-	(500,000)	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-
Total other financing Sources (uses)	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>16,508</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(816,121)</u>	<u>(880,166)</u>	<u>97,861</u>	<u>(9,186)</u>	<u>733,922</u>	<u>-</u>	<u>(8,935)</u>
Fund balances, July 1	<u>2,772,390</u>	<u>3,221,379</u>	<u>341,088</u>	<u>10,173</u>	<u>1,911,834</u>	<u>179,945</u>	<u>117,702</u>
Fund balances, June 30	<u>\$ 1,956,269</u>	<u>\$ 2,341,213</u>	<u>\$ 438,949</u>	<u>\$ 987</u>	<u>\$ 2,645,756</u>	<u>\$ 179,945</u>	<u>\$ 108,767</u>

Housing Authority	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street Vehicle Parking District	Air Quality Improvement	Other Federal State, County Grants	Totals	
							1999	1998
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,282,644	\$ 1,703,159	\$ 414,632
-	-	-	-	-	-	1,233	1,233	33,498
-	-	-	-	-	-	95,617	268,613	96,272
73,790	6,292	-	-	11,614	-	243,852	726,817	1,018,587
-	-	1,328,606	689,572	27,969	-	-	4,581,567	3,919,092
11,956,863	-	-	-	-	162,606	6,700,636	21,679,539	22,083,966
46,912	234,054	-	-	-	-	1,349,876	1,630,842	200,674
<u>12,077,565</u>	<u>240,346</u>	<u>1,328,606</u>	<u>689,572</u>	<u>39,583</u>	<u>162,606</u>	<u>9,673,858</u>	<u>30,591,770</u>	<u>27,766,721</u>
-	-	-	-	-	-	14,314	14,314	14,782
-	-	-	-	-	-	258,484	436,939	506,085
-	-	1,092,295	-	-	-	72,348	1,393,511	1,222,395
-	-	9,219	-	29,840	-	119,242	1,899,468	1,943,673
-	-	-	-	-	-	9,798	18,733	65,959
-	230,388	-	-	-	-	160,001	974,187	974,694
-	-	-	689,572	-	-	-	761,201	716,207
12,077,565	-	-	-	-	-	1,090,725	13,168,290	13,177,513
-	-	13,273	-	-	149,611	1,886,470	2,049,354	1,887,416
-	-	-	-	-	-	457,095	1,264,592	-
-	-	200,435	-	-	1,897	367,576	835,865	560,223
-	-	15,018	-	-	-	1,205,256	1,371,054	1,746,419
-	-	-	-	-	-	262,713	2,075,864	597,761
-	-	-	-	-	-	83,090	226,898	310,252
-	-	-	-	-	-	323,846	426,745	193,666
-	-	-	-	-	-	1,188,606	1,433,606	4,565,911
-	-	-	-	-	-	350,000	640,000	541,867
-	-	-	-	-	-	783,728	930,551	713,149
<u>12,077,565</u>	<u>230,388</u>	<u>1,330,240</u>	<u>689,572</u>	<u>29,840</u>	<u>151,508</u>	<u>8,633,292</u>	<u>29,921,172</u>	<u>29,737,972</u>
-	9,958	(1,634)	-	9,743	11,098	1,040,566	670,598	(1,971,251)
-	-	-	-	-	-	-	16,508	-
-	-	-	-	-	-	-	(500,000)	(500,000)
-	-	-	-	-	-	(1,231,504)	(1,231,504)	-
-	-	-	-	-	-	(1,231,504)	(1,714,996)	(500,000)
-	9,958	(1,634)	-	9,743	11,098	(190,938)	(1,044,398)	(2,471,251)
-	147,124	894,223	-	213,845	1,944	5,977,078	15,788,725	18,259,976
<u>\$ -</u>	<u>\$ 157,082</u>	<u>\$ 892,589</u>	<u>\$ -</u>	<u>\$ 223,588</u>	<u>\$ 13,042</u>	<u>\$ 5,786,140</u>	<u>\$ 14,744,327</u>	<u>\$ 15,788,725</u>

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

	Public Safety			State Gas Tax		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:						
Taxes	\$ 400,000	\$ 420,515	\$ 20,515	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	117,000	172,996	55,996	-	-	-
From use of money and property	8,000	156,951	148,951	67,300	123,680	56,380
Charges for current services	-	-	-	-	-	-
From other agencies	-	-	-	2,957,700	2,859,434	(98,266)
Other	-	-	-	-	-	-
Total revenues	525,000	750,462	225,462	3,025,000	2,983,114	(41,886)
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	296,088	178,455	117,633	-	-	-
Traffic safety	-	-	-	240,335	228,868	11,467
Public right of way	-	-	-	1,876,265	1,741,167	135,098
Community buildings	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Municipal support	-	-	-	-	-	-
Capital outlay:						
Police	1,902,805	807,497	1,095,308	-	-	-
Traffic safety	-	-	-	330,000	3,076	326,924
Public right of way	-	-	-	943,290	117,805	825,485
Drainage	-	-	-	2,446,974	1,772,364	674,610
Community buildings	261,946	143,808	118,138	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Debt service:						
Principal retirement	290,000	290,000	-	-	-	-
Interest and fiscal charges	146,823	146,823	-	-	-	-
Total expenditures	2,897,662	1,566,583	1,331,079	5,836,864	3,863,280	1,973,584
Excess (deficiency) of revenues over (under) expenditures	(2,372,662)	(816,121)	1,556,541	(2,811,864)	(880,166)	1,931,698
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,372,662)	(816,121)	1,556,541	(2,811,864)	(880,166)	1,931,698
Fund balances, July 1	2,772,390	2,772,390	-	3,221,379	3,221,379	-
Fund balances, June 30	\$ 399,728	\$ 1,956,269	\$ 1,556,541	\$ 409,515	\$ 2,341,213	\$ 1,931,698

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Golf Course			Self-Supporting Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	-	-	-
From use of money and property	-	-	-	-	-	-
Charges for current services	600,000	625,582	25,582	552,555	558,104	5,549
From other agencies	-	-	-	-	-	-
Other	-	-	-	3,000	-	(3,000)
Total revenues	<u>600,000</u>	<u>625,582</u>	<u>25,582</u>	<u>555,555</u>	<u>558,104</u>	<u>2,549</u>
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Parks and greenbelts	64,295	27,721	36,574	632,142	583,798	48,344
Community planning and development	-	-	-	-	-	-
Municipal support	-	-	-	-	-	-
Capital outlay:						
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>64,295</u>	<u>27,721</u>	<u>36,574</u>	<u>632,142</u>	<u>583,798</u>	<u>48,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>535,705</u>	<u>597,861</u>	<u>62,156</u>	<u>(76,587)</u>	<u>(25,694)</u>	<u>50,893</u>
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	16,508	16,508	-
Operating transfer out:						
General fund	(500,000)	(500,000)	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>16,508</u>	<u>16,508</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>35,705</u>	<u>97,861</u>	<u>62,156</u>	<u>(60,079)</u>	<u>(9,186)</u>	<u>50,893</u>
Fund balances, July 1	<u>341,088</u>	<u>341,088</u>	<u>-</u>	<u>10,173</u>	<u>10,173</u>	<u>-</u>
Fund balances, June 30	<u>\$ 376,793</u>	<u>\$ 438,949</u>	<u>\$ 62,156</u>	<u>\$ (49,906)</u>	<u>\$ 987</u>	<u>\$ 50,893</u>

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Developer Fees			Kaiser Capital		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	33,500	-	(33,500)	-	-	-
Fines, forfeits and penalties	-	-	-	-	-	-
From use of money and property	73,700	110,638	36,938	-	-	-
Charges for current services	381,200	1,351,734	970,534	-	-	-
From other agencies	-	-	-	-	-	-
Other	1,600	-	(1,600)	-	-	-
Total revenues	490,000	1,462,372	972,372	-	-	-
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Community services	6,000	-	6,000	-	-	-
Parks and greenbelts	69,000	43,908	25,092	-	-	-
Community planning and development	-	-	-	-	-	-
Municipal support	-	-	-	-	-	-
Capital outlay:						
Police	-	-	-	-	-	-
Traffic safety	492,216	262,881	229,335	-	-	-
Public right of way	97,578	32,975	64,603	-	-	-
Drainage	294,485	40,787	253,698	-	-	-
Community buildings	-	-	-	-	-	-
Parks and greenbelts	201,319	102,899	98,420	-	-	-
Community planning and development	245,000	245,000	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	1,405,598	728,450	677,148	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(915,598)	733,922	1,649,520	-	-	-
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(915,598)	733,922	1,649,520	-	-	-
Fund balances, July 1	1,911,834	1,911,834	-	179,945	179,945	-
Fund balances, June 30	\$ 996,236	\$ 2,645,756	\$ 1,649,520	\$ 179,945	\$ 179,945	\$ -

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Main Library			Housing Authority		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	-	-	-
From use of money and property	-	-	-	-	73,790	73,790
Charges for current services	-	-	-	-	-	-
From other agencies	-	-	-	14,077,439	11,956,863	(2,120,576)
Other	-	-	-	-	46,912	46,912
Total revenues	-	-	-	14,077,439	12,077,565	(1,999,874)
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Community buildings	28,000	8,935	19,065	-	-	-
Community services	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	14,077,439	12,077,565	1,999,874
Municipal support	-	-	-	-	-	-
Capital outlay:						
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	28,000	8,935	19,065	14,077,439	12,077,565	1,999,874
Excess (deficiency) of revenues over (under) expenditures	(28,000)	(8,935)	19,065	-	-	-
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(28,000)	(8,935)	19,065	-	-	-
Fund balances, July 1	117,702	117,702	-	-	-	-
Fund balances, June 30	\$ 89,702	\$ 108,767	\$ 19,065	\$ -	\$ -	\$ -

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Garden Grove Cable			Street Lighting		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	-	-	-
From use of money and property	8,000	6,292	(1,708)	-	-	-
Charges for current services	-	-	-	1,288,800	1,328,606	39,806
From other agencies	-	-	-	-	-	-
Other	226,000	234,054	8,054	-	-	-
Total revenues	<u>234,000</u>	<u>240,346</u>	<u>6,346</u>	<u>1,288,800</u>	<u>1,328,606</u>	<u>39,806</u>
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Traffic safety	-	-	-	1,178,081	1,092,295	85,786
Public right of way	-	-	-	9,630	9,219	411
Community buildings	5,000	-	5,000	-	-	-
Community services	254,693	230,388	24,305	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Municipal support	-	-	-	14,309	13,273	1,036
Capital outlay:						
Police	-	-	-	-	-	-
Traffic safety	-	-	-	608,158	200,435	407,723
Public right of way	-	-	-	13,536	15,018	(1,482)
Drainage	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>259,693</u>	<u>230,388</u>	<u>29,305</u>	<u>1,823,714</u>	<u>1,330,240</u>	<u>493,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,693)</u>	<u>9,958</u>	<u>35,651</u>	<u>(534,914)</u>	<u>(1,634)</u>	<u>533,280</u>
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(25,693)</u>	<u>9,958</u>	<u>35,651</u>	<u>(534,914)</u>	<u>(1,634)</u>	<u>533,280</u>
Fund balances, July 1	<u>147,124</u>	<u>147,124</u>	<u>-</u>	<u>894,223</u>	<u>894,223</u>	<u>-</u>
Fund balances, June 30	<u>\$ 121,431</u>	<u>\$ 157,082</u>	<u>\$ 35,651</u>	<u>\$ 359,309</u>	<u>\$ 892,589</u>	<u>\$ 533,280</u>

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Park Maintenance			Main Street/Vehicle Parking District		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Fines, forfeits and penalties	-	-	-	-	-	-
From use of money and property	-	-	-	8,000	11,614	3,614
Charges for current services	700,000	689,572	(10,428)	28,500	27,969	(531)
From other agencies	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>700,000</u>	<u>689,572</u>	<u>(10,428)</u>	<u>36,500</u>	<u>39,583</u>	<u>3,083</u>
Expenditures:						
Current:						
Fire	-	-	-	-	-	-
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	38,612	29,840	8,772
Community buildings	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Parks and greenbelts	700,000	689,572	10,428	-	-	-
Community planning and development	-	-	-	-	-	-
Municipal support	-	-	-	-	-	-
Capital outlay:						
Police	-	-	-	-	-	-
Traffic safety	-	-	-	-	-	-
Public right of way	-	-	-	-	-	-
Drainage	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>700,000</u>	<u>689,572</u>	<u>10,428</u>	<u>38,612</u>	<u>29,840</u>	<u>8,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,112)</u>	<u>9,743</u>	<u>11,855</u>
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,112)</u>	<u>9,743</u>	<u>11,855</u>
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,845</u>	<u>213,845</u>	<u>-</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,733</u>	<u>\$ 223,588</u>	<u>\$ 11,855</u>

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Air Quality Improvement			Other Federal, State, County Grants		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,282,644	\$ 1,282,644
Licenses and permits	-	-	-	-	1,233	1,233
Fines, forfeits and penalties	-	-	-	-	95,617	95,617
From use of money and property	-	-	-	-	243,852	243,852
Charges for current services	-	-	-	-	-	-
From other agencies	155,000	162,606	7,606	22,116,192	6,700,636	(15,415,556)
Other	-	-	-	-	1,349,876	1,349,876
Total revenues	155,000	162,606	7,606	22,116,192	9,673,858	(12,442,334)
Expenditures:						
Current:						
Fire	-	-	-	20,833	14,314	6,519
Police	-	-	-	567,500	258,484	309,016
Traffic safety	-	-	-	-	72,348	(72,348)
Public right of way	-	-	-	336,186	119,242	216,944
Community buildings	-	-	-	197,268	9,798	187,470
Community services	-	-	-	172,000	160,001	11,999
Parks and greenbelts	-	-	-	-	-	-
Community planning and development	-	-	-	3,643,278	1,090,725	2,552,553
Municipal support	155,000	149,611	5,389	4,100,078	1,886,470	2,213,608
Capital outlay:						
Police	-	-	-	2,849,020	457,095	2,391,925
Traffic safety	26,700	1,897	24,803	4,697,506	367,576	4,329,930
Public right of way	-	-	-	5,519,869	1,205,256	4,314,613
Drainage	-	-	-	379,862	262,713	117,149
Community buildings	-	-	-	83,090	83,090	-
Parks and greenbelts	-	-	-	459,167	323,846	135,321
Community planning and development	-	-	-	2,442,166	1,188,606	1,253,560
Debt service:						
Principal retirement	-	-	-	350,000	350,000	-
Interest and fiscal charges	-	-	-	783,728	783,728	-
Total expenditures	181,700	151,508	30,192	26,601,551	8,633,292	17,968,259
Excess (deficiency) of revenues over (under) expenditures	(26,700)	11,098	37,798	(4,485,359)	1,040,566	5,525,925
Other financing sources (uses):						
Operating transfer in:						
General fund	-	-	-	-	-	-
Operating transfer out:						
General fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	(1,231,504)	(1,231,504)
Total other financing sources (uses)	-	-	-	-	(1,231,504)	(1,231,504)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(26,700)	11,098	37,798	(4,485,359)	(190,938)	4,294,421
Fund balances, July 1	1,944	1,944	-	5,977,078	5,977,078	-
Fund balances, June 30	\$ (24,756)	\$ 13,042	\$ 37,798	\$ 1,491,719	\$ 5,786,140	\$ 4,294,421

(Continued)

CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule C-3
Continued

	Totals		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 400,000	\$ 1,703,159	\$ 1,303,159
Licenses and permits	33,500	1,233	(32,267)
Fines, forfeits and penalties	117,000	268,613	151,613
From use of money and property	165,000	726,817	561,817
Charges for current services	3,551,055	4,581,567	1,030,512
From other agencies	39,306,331	21,679,539	(17,626,792)
Other	230,800	1,630,842	1,400,242
Total revenues	43,803,486	30,591,770	(13,211,716)
Expenditures:			
Current:			
Fire	20,833	14,314	6,519
Police	863,588	436,939	426,649
Traffic safety	1,418,416	1,393,511	24,905
Public right of way	2,260,693	1,899,468	361,225
Community buildings	230,268	18,733	211,535
Community services	1,064,835	974,187	90,648
Parks and greenbelts	833,295	761,201	72,094
Community planning and development	17,720,717	13,168,290	4,552,427
Municipal support	4,269,387	2,049,354	2,220,033
Capital outlay:			
Police	4,751,825	1,264,592	3,487,233
Traffic safety	6,154,580	835,865	5,318,715
Public right of way	6,574,273	1,371,054	5,203,219
Drainage	3,121,321	2,075,864	1,045,457
Community buildings	345,036	226,898	118,138
Parks and greenbelts	660,486	426,745	233,741
Community planning and development	2,687,166	1,433,606	1,253,560
Debt service:			
Principal retirement	640,000	640,000	-
Interest and fiscal charges	930,551	930,551	-
Total expenditures	54,547,270	29,921,172	24,626,098
Excess (deficiency) of revenues over (under) expenditures	(10,743,784)	670,598	11,414,382
Other financing sources (uses):			
Operating transfer in:			
General fund	16,508	16,508	-
Operating transfer out:			
General fund	(500,000)	(500,000)	-
Capital projects fund	-	(1,231,504)	(1,231,504)
Total other financing sources (uses)	(483,492)	(1,714,996)	(1,231,504)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(11,227,276)	(1,044,398)	10,182,878
Fund balances, July 1	15,788,725	15,788,725	-
Fund balances, June 30	\$ 4,561,449	\$ 14,744,327	\$ 10,182,878

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DEBT SERVICE FUNDS

Community Project Fund

This fund is used to account for resources provided to pay principal and interest on Agency for Community Development Community Project Debt.

Buena-Clinton Project Fund

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

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CITY OF GARDEN GROVE
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

Schedule D-1

	Community Project	Buena-Clinton Project	Totals	
			1999	1998
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 127,582
Cash and investments with fiscal agents	4,388,861	-	4,388,861	4,387,057
Taxes receivable	104,780	116	104,896	54,131
Total assets	\$ 4,493,641	\$ 116	\$ 4,493,757	\$ 4,568,770
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 181,675
Due to capital projects fund	-	-	-	38
Total liabilities	-	-	-	181,713
Fund balances:				
Reserved for debt service	4,493,641	116	4,493,757	4,387,057
Total liabilities and fund balances	\$ 4,493,641	\$ 116	\$ 4,493,757	\$ 4,568,770

CITY OF GARDEN GROVE
DEBT SERVICE FUNDS

Schedule D-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

	Community Project	Buena-Clinton Project	Totals	
			1999	1998
Revenues:				
Taxes	\$ 7,893,678	\$ 177,484	\$ 8,071,162	\$ 6,837,497
From use of money and property	57,301	-	57,301	31,826
From other agencies	38,753	-	38,753	37,623
Total revenues	<u>7,989,732</u>	<u>177,484</u>	<u>8,167,216</u>	<u>6,906,946</u>
Expenditures:				
Principal retirement	1,060,000	-	1,060,000	1,015,000
Interest and fiscal charges	3,305,950	-	3,305,950	3,353,104
Total expenditures	<u>4,365,950</u>	<u>-</u>	<u>4,365,950</u>	<u>4,368,104</u>
Excess of revenues over expenditures	3,623,782	177,484	3,801,266	2,538,842
Other Financing (Uses):				
Operating transfer out:				
Capital projects funds	<u>(3,517,198)</u>	<u>(177,368)</u>	<u>(3,694,566)</u>	<u>(2,741,889)</u>
Excess of revenues over expenditures and other financing uses	106,584	116	106,700	(203,047)
Fund balances, July 1	<u>4,387,057</u>	<u>-</u>	<u>4,387,057</u>	<u>4,590,104</u>
Fund balances, June 30	<u>\$ 4,493,641</u>	<u>\$ 116</u>	<u>\$ 4,493,757</u>	<u>\$ 4,387,057</u>

CAPITAL PROJECTS FUNDS

Community Project Fund

Capital projects within the Agency for Community Development Community Project Area are accounted for in this fund. Included within this area are the Community Center, Harbor Corridor, Harbor-Buaro, Brookhurst-Chapman, Brookhurst-Katella, and Trask Auto Center.

Buena-Clinton Project Fund

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

Housing Set-Aside Fund

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

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CITY OF GARDEN GROVE
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 1999
 WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

Schedule E-1

	Community Project	Buena-Clinton Project	Housing Set-Aside	Totals	
				1999	1998
ASSETS					
Cash and investments	\$ 4,201,285	\$ 73,049	\$ 75,209	\$ 4,349,543	\$ 6,568,690
Taxes receivable	-	-	26,195	26,195	13,533
Accounts receivable	446,587	-	246	446,833	4,699,593
Accrued interest receivable	58,047	1,043	9,186	68,276	169,036
Notes receivable	25,183,671	-	3,785,029	28,968,700	9,410,187
Due from debt service fund	-	-	-	-	38
Due from capital projects fund	273,479	-	-	273,479	61,221
Land held for resale	19,235,897	-	2,256,321	21,492,218	28,371,108
Allowance for decline in value of land held for resale	(614,443)	-	-	(614,443)	(3,018,117)
Total assets	\$ 48,784,523	\$ 74,092	\$ 6,152,186	\$ 55,010,801	\$ 46,275,289
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 22,272	\$ 22,272	\$ 73,585
Other accrued liabilities	-	-	12,017	12,017	11,541
Refundable deposits	2,111,989	-	-	2,111,989	-
Due to capital projects fund	-	-	273,479	273,479	61,221
Deferred revenue	25,183,671	-	3,785,029	28,968,700	8,451,866
Intercity loans payable	4,639,750	-	-	4,639,750	-
Total liabilities	31,935,410	-	4,092,797	36,028,207	8,598,213
Fund balances:					
Reserved:					
Reserved for encumbrances	134,171	-	-	134,171	413,762
Reserved for notes receivable	-	-	-	-	958,320
Reserved for continuing projects	1,207,247	-	-	1,207,247	847,934
Reserved for land held for resale	18,621,454	-	2,256,321	20,877,775	25,352,991
Reserved for contractual commitments	-	74,092	547,273	621,365	-
Unreserved	(3,113,759)	-	(744,205)	(3,857,964)	10,104,069
Total fund balances	16,849,113	74,092	2,059,389	18,982,594	37,677,076
Total liabilities and fund balances	\$ 48,784,523	\$ 74,092	\$ 6,152,186	\$ 55,010,801	\$ 46,275,289

CITY OF GARDEN GROVE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule E-2

	Community	Buena-Clinton	Housing	Totals	
	Project	Project	Set-Aside	1999	1998
Revenues:					
Taxes	\$ -	\$ -	\$ 2,017,791	\$ 2,017,791	\$ 1,709,374
From use of money and property	766,007	7,744	75,015	848,766	2,000,881
From other agencies	-	-	9,688	9,688	9,405
Sale of land	2,464,173	-	-	2,464,173	8,537,581
Other	241,375	-	566,762	808,137	174,968
Total revenues	3,471,555	7,744	2,669,256	6,148,555	12,432,209
Expenditures:					
Capital outlay:					
Police	-	93,604	-	93,604	139,288
Traffic safety	-	-	-	-	10,232
Public right of way	181,879	-	-	181,879	767,268
Drainage	40,627	-	-	40,627	64,319
Community buildings	2,853	-	-	2,853	1,618
Community services	-	-	-	-	6,000
Community planning and development	5,600,215	25,867	3,021,070	8,647,152	13,129,420
Municipal support	252,545	-	49,317	301,862	302,874
Cost of land sold	13,318,410	-	-	13,318,410	11,286,527
Debt service:					
Principal retirement	2,149,653	-	437,980	2,587,633	1,850,000
Interest and fiscal charges	556,495	-	25,317	581,812	112,107
Total expenditures	22,102,677	119,471	3,533,684	25,755,832	27,669,653
Excess (deficiency) of revenues over (under) expenditures	(18,631,122)	(111,727)	(864,428)	(19,607,277)	(15,237,444)
Other financing sources (uses):					
Operating transfer in:					
Debt service funds	3,517,198	177,368	-	3,694,566	2,741,889
Community project fund	-	-	1,241,076	1,241,076	-
Special revenue funds	1,231,504	-	-	1,231,504	-
General fund	-	-	-	-	3,005,601
Water enterprise fund	-	-	-	-	750,000
Operating transfer out:					
Housing set-aside fund	(1,241,076)	-	-	(1,241,076)	-
Mobilehome parks fund	(183,079)	-	-	(183,079)	(275,669)
Proceeds from long term debt	-	-	-	-	2,417,859
Total other financing sources (uses)	3,324,547	177,368	1,241,076	4,742,991	8,639,680
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,306,575)	65,641	376,648	(14,864,286)	(6,597,764)
Fund balances, July 1	35,985,884	8,451	1,682,741	37,677,076	44,274,840
Prior period adjustment	(3,830,196)	-	-	(3,830,196)	-
Adjusted fund balances, July 1	32,155,688	8,451	1,682,741	33,846,880	44,274,840
Fund balances, June 30	\$ 16,849,113	\$ 74,092	\$ 2,059,389	\$ 18,982,594	\$ 37,677,076

CITY OF GARDEN GROVE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule E-3

	Community Project		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ -	\$ -
From use of money and property	525,000	766,007	241,007
From other agencies	-	-	-
Sale of land	3,440,000	2,464,173	(975,827)
Other	-	241,375	241,375
Total revenues	3,965,000	3,471,555	(493,445)
Expenditures:			
Capital outlay:			
Police	-	-	-
Public right of way	276,636	181,879	94,757
Drainage	40,168	40,627	(459)
Community buildings	10,025	2,853	7,172
Community planning and development	15,054,577	5,600,215	9,454,362
Municipal support	309,400	252,545	56,855
Cost of land sold	-	13,318,410	(13,318,410)
Debt service:			
Principal retirement	2,149,653	2,149,653	-
Interest and fiscal charges	556,495	556,495	-
Total expenditures	18,396,954	22,102,677	(3,705,723)
Excess (deficiency) of revenues over (under) expenditures	(14,431,954)	(18,631,122)	(4,199,168)
Other financing sources (uses):			
Operating transfer in:			
Debt service fund	3,517,198	3,517,198	-
Community project fund	-	-	-
Special revenue fund	-	1,231,504	1,231,504
Operating transfer out:			
Housing set-aside fund	(166,396)	(1,241,076)	(1,074,680)
Mobilehome parks fund	(183,079)	(183,079)	-
Total other financing sources (uses)	3,167,723	3,324,547	156,824
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(11,264,231)	(15,306,575)	(4,042,344)
Fund balances, July 1	35,985,884	35,985,884	-
Prior period adjustment	-	(3,830,196)	(3,830,196)
Adjusted fund balances, July 1	35,985,884	32,155,688	(3,830,196)
Fund balances, June 30	\$ 24,721,653	\$ 16,849,113	\$ (7,872,540)

(Continued)

CITY OF GARDEN GROVE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule E-3
Continued

	Buena-Clinton Project			Housing Set-Aside		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 1,586,000	\$ 2,017,791	\$ 431,791
From use of money and property	1,000	7,744	6,744	50,000	75,015	25,015
From other agencies	-	-	-	8,000	9,688	1,688
Sale of land	-	-	-	-	-	-
Other	-	-	-	496,000	566,762	70,762
Total revenues	1,000	7,744	6,744	2,140,000	2,669,256	529,256
Expenditures:						
Capital outlay:						
Police	136,000	93,604	42,396	-	-	-
Public right of way	-	-	-	120,000	-	120,000
Drainage	-	-	-	-	-	-
Community buildings	-	-	-	-	-	-
Community planning and development	-	25,867	(25,867)	1,668,517	3,021,070	(1,352,553)
Municipal support	-	-	-	54,582	49,317	5,265
Cost of land sold	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	437,980	437,980	-
Interest and fiscal charges	-	-	-	25,317	25,317	-
Total expenditures	136,000	119,471	16,529	2,306,396	3,533,684	(1,227,288)
Excess (deficiency) of revenues over (under) expenditures	(135,000)	(111,727)	23,273	(166,396)	(864,428)	(698,032)
Other financing sources (uses):						
Operating transfer in:						
Debt service fund	177,368	177,368	-	-	-	-
Community project fund	-	-	-	166,396	1,241,076	1,074,680
Special revenue fund	-	-	-	-	-	-
Operating transfer out:						
Housing set-aside fund	-	-	-	-	-	-
Mobilehome parks fund	-	-	-	-	-	-
Total other financing sources (uses)	177,368	177,368	-	166,396	1,241,076	1,074,680
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	42,368	65,641	23,273	-	376,648	376,648
Fund balances, July 1	8,451	8,451	-	1,682,741	1,682,741	-
Prior period adjustment	-	-	-	-	-	-
Adjusted fund balances, July 1	8,451	8,451	-	1,682,741	1,682,741	-
Fund balances, June 30	\$ 50,819	\$ 74,092	\$ 23,273	\$ 1,682,741	\$ 2,059,389	\$ 376,648

(Continued)

CITY OF GARDEN GROVE
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999

Schedule E-3
Continued

	Totals		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 1,586,000	\$ 2,017,791	\$ 431,791
From use of money and property	576,000	848,766	272,766
From other agencies	8,000	9,688	1,688
Sale of land	3,440,000	2,464,173	(975,827)
Other	496,000	808,137	312,137
Total revenues	6,106,000	6,148,555	42,555
Expenditures:			
Capital outlay:			
Police	136,000	93,604	42,396
Public right of way	396,636	181,879	214,757
Drainage	40,168	40,627	(459)
Community buildings	10,025	2,853	7,172
Community planning and development	4,838,804	8,647,152	8,075,942
Municipal support	363,982	301,862	62,120
Cost of land sold	-	13,318,410	(13,318,410)
Debt service:			
Principal retirement	2,587,633	2,587,633	-
Interest and fiscal charges	581,812	581,812	-
Total expenditures	20,839,350	25,755,832	(4,916,482)
Excess (deficiency) of revenues over (under) expenditures	<u>(14,733,350)</u>	<u>(19,607,277)</u>	<u>(4,873,927)</u>
Other financing sources (uses):			
Operating transfer in:			
Debt service fund	3,694,566	3,694,566	-
Community project fund	166,396	1,241,076	1,074,680
Special revenue fund	-	1,231,504	1,231,504
Operating transfer out:			
Housing set-aside fund	(166,396)	(1,241,076)	(1,074,680)
Mobilehome parks fund	(183,079)	(183,079)	-
Total other financing sources (uses)	3,511,487	4,742,991	1,231,504
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(11,221,863)</u>	<u>(14,864,286)</u>	<u>(3,642,423)</u>
Fund balances, July 1	37,677,076	37,677,076	-
Prior period adjustment	-	(3,830,196)	(3,830,196)
Adjusted fund balances, July 1	37,677,076	33,846,880	(3,830,196)
Fund balances, June 30	\$ 26,455,213	\$ 18,982,594	\$ (7,472,619)

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ENTERPRISE FUNDS

Water Utility Fund

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

Mobilehome Parks Fund

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

Garden Grove Sanitary District Funds

The Sanitary District comprises of two funds, the Sewage Collection Fund and the Solid Waste Disposal Fund. Resources of the Sewage Collection Fund are applied to the operation and maintenance of the City's sewage collection system. The Solid Waste Disposal Fund accounts for the operation of the trash and solid waste collections and disposal services.

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**CITY OF GARDEN GROVE
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1999**

Schedule F-1

WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

	Water Utility	Mobilehome Parks	Sanitary District	Totals	
				1999	1998
ASSETS					
Current assets:					
Cash and investments	\$ 11,304,208	\$ 400,895	\$ 2,538,139	\$ 14,243,242	\$ 12,141,711
Cash with fiscal agent	1,376,031	1,554,532	605,562	3,536,125	3,464,754
Taxes receivable	-	-	68,678	68,678	79,967
Accounts receivable	973,076	24,453	853,120	1,850,649	1,512,226
Accrued interest receivable	129,445	31,590	5,098	166,133	190,106
Intercity loans receivable	1,318,487	-	-	1,318,487	1,098,288
Notes receivable, current portion	-	-	33,595	33,595	31,144
Deposits	15,000	-	-	15,000	15,000
Total current assets	15,116,247	2,011,470	4,104,192	21,231,909	18,533,196
Restricted cash	1,268,210	-	19,318	1,287,528	1,244,253
Notes receivable, less current portion	-	-	57,129	57,129	90,724
Fixed assets:					
Land	499,103	11,695,000	9,320	12,203,423	12,203,423
Buildings	76,186	614,000	-	690,186	690,186
Water utility plant	67,672,511	-	-	67,672,511	64,741,458
Sewer subsurface lines	-	-	7,508,706	7,508,706	7,144,403
Sewer pump stations	-	-	127,500	127,500	127,500
Improvements	-	582,712	-	582,712	561,316
Solid waste trucks and barrels	-	-	5,813,307	5,813,307	5,813,307
Furniture and equipment	441,260	-	123,563	564,823	595,755
Less: accumulated depreciation	(21,949,982)	(405,554)	(7,095,985)	(29,451,521)	(27,187,351)
Total fixed assets	46,739,078	12,486,158	6,486,411	65,711,647	64,689,997
Deferred issuance costs	378,809	610,575	-	989,384	1,030,110
Total assets	\$ 63,502,344	\$ 15,108,203	\$ 10,667,050	\$ 89,277,597	\$ 85,588,280
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts payable	\$ 2,767,924	\$ 611	\$ 1,446,312	\$ 4,214,847	\$ 2,598,414
Accrued interest payable	40,715	339,838	39,375	419,928	445,643
Other accrued liabilities	112,722	-	17,102	129,824	118,112
Refundable deposits	337,616	161	8,383	346,160	329,578
Due to other funds	-	-	1,224,402	1,224,402	468,249
Deferred revenue	-	1,103	721,122	722,225	702,835
Intercity loans payable	-	-	588,059	588,059	39,143
Loan payable, current portion	-	-	-	-	200,004
Revenue bonds payable, current portion	395,000	-	-	395,000	380,000
Certificates of participation, current portion	-	285,000	760,000	1,045,000	985,000
Total current liabilities	3,653,977	626,713	4,804,755	9,085,445	6,266,978
Long-term liabilities:					
Intercity loan to general fund	13,136,095	-	-	13,136,095	-
Loan payable, less current portion	-	-	-	-	233,318
Revenue bonds payable, less current portion	18,188,781	-	-	18,188,781	18,578,630
Certificates of participation payable, less current portion	-	14,246,023	815,000	15,061,023	16,103,168
Total long-term liabilities	31,324,876	14,246,023	815,000	46,385,899	34,915,116
Total liabilities	34,978,853	14,872,736	5,619,755	55,471,344	41,182,094
Fund equity:					
Contributed capital	13,143,262	-	4,985,970	18,129,232	17,372,680
Retained earnings:					
Reserved for COP retirement	-	-	188,883	188,883	188,883
Reserved for bond retirement	52,529	-	-	52,529	52,529
Reserved for continuing projects	2,168,961	-	-	2,168,961	1,926,514
Unreserved	13,158,739	235,467	(127,558)	13,266,648	24,865,580
Total retained earnings	15,380,229	235,467	61,325	15,677,021	27,033,506
Total fund equity	28,523,491	235,467	5,047,295	33,806,253	44,406,186
Total liabilities and fund equity	\$ 63,502,344	\$ 15,108,203	\$ 10,667,050	\$ 89,277,597	\$ 85,588,280

CITY OF GARDEN GROVE
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule F-2

	Water Utility	Mobilehome Parks	Sanitary District	Totals	
				1999	1998
Operating revenues:					
Water sales	\$ 14,195,247	\$ -	\$ -	\$ 14,195,247	\$ 13,889,699
Mobilehome parks operation	-	1,554,104	-	1,554,104	1,454,841
Solid waste disposal fees	-	-	5,652,608	5,652,608	5,471,536
Property assessments	-	-	1,767,842	1,767,842	1,480,018
Sewer user fees	-	-	138,140	138,140	-
Equipment lease	-	-	885,478	885,478	882,483
Other	222,354	-	70,227	292,581	228,116
Total operating revenues	14,417,601	1,554,104	8,514,295	24,486,000	23,406,693
Operating expenses:					
Salaries and wages	2,790,996	-	484,536	3,275,532	2,726,075
Contractual services	2,132,584	-	7,306,678	9,439,262	10,709,024
Materials and supplies	869,432	-	146,325	1,015,757	379,201
Water production expenses	6,226,604	-	-	6,226,604	4,531,684
Mobilehome parks on-site operation	-	488,321	-	488,321	461,981
Depreciation	1,465,702	81,530	776,255	2,323,487	2,246,834
Amortization	20,613	28,119	-	48,732	48,732
Total operating expenses	13,505,931	597,970	8,713,794	22,817,695	21,103,531
Operating income(loss)	911,670	956,134	(199,499)	1,668,305	2,303,162
Nonoperating revenues (expenses):					
Interest income	1,768,986	80,124	22,154	1,871,264	738,885
Rent	-	-	59,000	59,000	50,152
Gain on disposal of assets	121,686	-	-	121,686	99,896
Loss on disposal of assets	(18,868)	-	-	(18,868)	(7,568)
Interest expense	(1,903,558)	(816,674)	(147,490)	(2,867,722)	(2,039,005)
Fiscal charges	(3,380)	(3,045)	-	(6,425)	(6,654)
Total nonoperating revenues (expenses)	(35,134)	(739,595)	(66,336)	(841,065)	(1,164,294)
Income (loss) before transfers	876,536	216,539	(265,835)	827,240	1,138,868
Transfers from (to) other funds:					
Transfer from other funds:					
General fund	1,098,288	-	-	1,098,288	-
Capital projects fund	-	183,079	-	183,079	275,669
Transfer to other funds:					
Capital projects fund	-	-	-	-	(750,000)
General fund	-	(70,000)	-	(70,000)	(70,000)
Total transfers	1,098,288	113,079	-	1,211,367	(544,331)
Net Income (loss)	1,974,824	329,618	(265,835)	2,038,607	594,537
Retained earnings (deficit), July 1	26,800,497	(94,151)	327,160	27,033,506	26,438,969
Prior period adjustment	(13,395,092)	-	-	(13,395,092)	-
Adjusted retained earnings (deficit), July 1	13,405,405	(94,151)	327,160	13,638,414	26,438,969
Retained earnings, June 30	\$ 15,380,229	\$ 235,467	\$ 61,325	\$ 15,677,021	\$ 27,033,506

CITY OF GARDEN GROVE
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule F-3

	Water	Mobilehome	Sanitary	Totals	
	Utility	Parks	District	1999	1998
Cash flows from operating activities:					
Cash received from users	\$ 14,204,161	\$ 1,551,918	\$ 8,206,564	\$ 23,962,643	\$ 24,194,495
Cash received from quasi-external transactions	-	(68,246)	824,399	756,153	386,394
Cash paid to suppliers	(8,382,408)	(495,149)	(6,673,557)	(15,551,114)	(17,098,989)
Cash paid to employees	(2,790,996)	-	(484,536)	(3,275,532)	(2,726,075)
Net cash provided by operating activities	<u>3,030,757</u>	<u>988,523</u>	<u>1,872,870</u>	<u>5,892,150</u>	<u>4,755,825</u>
Cash flows from noncapital financing activities:					
Transfer in - Capital Projects fund	-	183,079	-	183,079	275,669
Transfers out - General fund	-	(70,000)	-	(70,000)	(70,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>113,079</u>	<u>-</u>	<u>113,079</u>	<u>205,669</u>
Cash flows from investing activities:					
Interest on investments	<u>1,768,986</u>	<u>80,124</u>	<u>22,154</u>	<u>1,871,264</u>	<u>738,885</u>
Cash flows from capital and related financing activities:					
Loan principal payments	-	-	(433,322)	(433,322)	(200,004)
Certificates of participation principal payments	-	(280,000)	(705,000)	(985,000)	(920,000)
Bond principal payments	(380,000)	-	-	(380,000)	(370,000)
Rent	-	-	59,000	59,000	50,152
Purchase of fixed assets	(2,483,966)	(21,395)	(2,834)	(2,508,195)	(4,158,442)
Intercity loan payoff from General fund	1,098,288	-	-	1,098,288	-
Intercity loan from Water Utility fund to Sanitary District fund	(550,000)	-	550,000	-	-
Gain on disposal of assets	121,686	-	-	121,686	99,896
Cash capital contributions	102,453	-	-	102,453	48,315
Notes receivable principal payments	-	-	31,144	31,144	26,641
Interest paid	(1,814,268)	(816,674)	(129,003)	(2,759,945)	(2,039,005)
Fiscal charges	(3,380)	(3,045)	-	(6,425)	(6,654)
Net cash (used) by capital and related financing activities	<u>(3,909,187)</u>	<u>(1,121,114)</u>	<u>(630,015)</u>	<u>(5,660,316)</u>	<u>(7,469,101)</u>
Net increase (decrease) in cash and cash equivalents	890,556	60,612	1,265,009	2,216,177	(1,768,722)
Cash and cash equivalents, July 1	<u>13,057,893</u>	<u>1,894,815</u>	<u>1,898,010</u>	<u>16,850,718</u>	<u>18,619,440</u>
Cash and cash equivalents, June 30	<u>\$ 13,948,449</u>	<u>\$ 1,955,427</u>	<u>\$ 3,163,019</u>	<u>\$ 19,066,895</u>	<u>\$ 16,850,718</u>

(Continued)

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED
BY OPERATING ACTIVITIES

Schedule F-3
Continued

	Water Utility	Mobilehome Parks	Sanitary District	Totals	
				1999	1998
Operating income (loss)	\$ 911,670	\$ 956,134	\$ (199,499)	\$ 1,668,305	\$ 2,303,162
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	1,465,702	81,530	776,255	2,323,487	2,246,834
Amortization expense	20,613	28,119	-	48,732	48,732
Changes in assets and liabilities:					
Decrease (increase) in taxes receivable	-	-	11,289	11,289	(13,626)
(Increase) decrease in accounts receivable	(18,809)	(5,417)	(314,197)	(338,423)	770,012
Increase (decrease) in accrued interest receivable	25,566	3,231	(4,824)	23,973	36,423
Decrease in due from other funds	-	-	-	-	13,609
Decrease in deposits	-	-	-	-	8,022
(Increase) in intercity loans receivable	(220,199)	-	-	(220,199)	-
Increase (decrease) in accounts payable	824,049	(1,519)	793,903	1,616,433	(911,855)
(Decrease) in accrued interest payable	(632)	(5,309)	(19,774)	(25,715)	(22,702)
(Decrease) increase in intercity loan payable	-	-	(19,571)	(19,571)	39,143
Increase in other accrued liabilities	6,215	-	5,498	11,713	17,939
Increase in refundable deposits	16,582	-	-	16,582	12,786
(Decrease) increase in due to other funds	-	(68,246)	824,399	756,153	290,699
Increase (decrease) in deferred revenue	-	-	19,391	19,391	(83,353)
Total adjustments	2,119,087	32,389	2,072,369	4,223,845	2,452,663
Net cash provided by operating activities	\$ 3,030,757	\$ 988,523	\$ 1,872,870	\$ 5,892,150	\$ 4,755,825

**CITY OF GARDEN GROVE
WATER ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 1999 AND 1998**

Schedule F-4

	1999	1998
ASSETS		
Current assets:		
Cash and investments	\$ 11,304,208	\$ 10,513,983
Cash with fiscal agent	1,376,031	1,308,840
Accounts receivable	973,076	954,267
Accrued interest receivable	129,445	155,011
Intercity loans receivable	1,318,487	1,098,288
Deposits	15,000	15,000
Total current assets	15,116,247	14,045,389
Restricted cash	1,268,210	1,235,070
Water plant in service:		
Land	499,103	499,103
Buildings	76,186	76,186
Utility plant	67,672,511	64,741,458
Furniture and equipment	441,260	475,026
Less: accumulated depreciation	(21,949,982)	(20,543,598)
Total water plant in service	46,739,078	45,248,175
Deferred issuance costs	378,809	394,270
Total assets	\$ 63,502,344	\$ 60,922,904
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,767,924	\$ 1,943,875
Accrued interest payable	40,715	41,347
Other accrued liabilities	112,722	106,508
Refundable deposits	337,616	321,034
Revenue bonds payable - current portion	395,000	380,000
Total current liabilities	3,653,977	2,792,764
Long-term liabilities:		
Intercity loan to general fund	13,136,095	-
Revenue bonds payable - less current portion	18,188,781	18,578,630
Total long-term liabilities	31,324,876	18,578,630
Total liabilities	34,978,853	21,371,394
Fund equity:		
Contributed capital	13,143,262	12,751,013
Retained earnings:		
Reserved for bond retirement	52,529	52,529
Reserved for continuing projects	2,168,961	1,926,514
Unreserved	13,158,739	24,821,454
Total retained earnings	15,380,229	26,800,497
Total fund equity	28,523,491	39,551,510
Total liabilities and fund equity	\$ 63,502,344	\$ 60,922,904

**CITY OF GARDEN GROVE
WATER ENTERPRISE FUND**

Schedule F-5

**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1999 AND 1998**

	1999	1998
Operating revenues:		
Water sales	\$ 14,195,247	\$ 13,889,699
Other	222,354	69,933
Total operating revenues	14,417,601	13,959,632
Operating expenses:		
Salaries and wages	2,790,996	2,279,374
Contractual services	2,132,584	3,803,273
Materials and supplies	869,432	336,878
Water production expenses	6,226,604	4,531,684
Depreciation	1,465,702	1,389,777
Amortization	20,613	20,613
Total operating expenses	13,505,931	12,361,599
Operating income	911,670	1,598,033
Nonoperating revenues (expenses):		
Interest income	1,768,986	660,302
Proceeds from disposal of assets	121,686	99,896
Loss on disposal of assets	(18,868)	-
Interest expense	(1,903,558)	(998,804)
Fiscal charges	(3,380)	(3,609)
Total nonoperating revenues (expenses)	(35,134)	(242,215)
Income before transfers	876,536	1,355,818
Transfers from (to) other funds:		
Transfer from General Fund	1,098,288	-
Transfer to Capitals Project fund	-	(750,000)
Total transfers	1,098,288	(750,000)
Net income (loss)	1,974,824	605,818
Retained earnings, July 1	26,800,497	26,194,679
Prior period adjustment	(13,395,092)	-
Adjusted retained earnings, July 1	13,405,405	26,194,679
Retained earnings, June 30	\$ 15,380,229	\$ 26,800,497

**CITY OF GARDEN GROVE
WATER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998**

Schedule F-6

	1999	1998
Cash flows from operating activities:		
Cash received from users	\$ 14,204,161	\$ 14,165,610
Cash paid to suppliers	(8,382,408)	(9,269,155)
Cash paid to employees	(2,790,996)	(2,279,374)
Net cash provided by operating activities	3,030,757	2,617,081
Cash flows from investing activities:		
Interest on Investments	1,768,986	660,302
Cash flows from capital and related financing activities:		
Bond principal payments	(380,000)	(370,000)
Purchase of fixed assets	(2,483,966)	(4,142,650)
Intercity loan payoff from General fund	1,098,288	-
Intercity loan to Sanitary District Enterprise fund	(550,000)	-
Gain on disposal of assets	121,686	99,896
Cash capital contributions	102,453	48,315
Interest paid	(1,814,268)	(998,804)
Fiscal charges	(3,380)	(3,609)
Net cash (used) by capital and related financing activities	(3,909,187)	(5,366,852)
Net increase (decrease) in cash and cash equivalents	890,556	(2,089,469)
Cash and cash equivalents, July 1	13,057,893	15,147,362
Cash and cash equivalents, June 30	\$ 13,948,449	\$ 13,057,893

(Continued)

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Schedule F-6
Continued

	1999	1998
Operating income	\$ 911,670	\$ 1,598,033
 Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,465,702	1,389,777
Amortization expense	20,613	20,613
		-
 Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(18,809)	183,126
Decrease in accrued interest receivable	25,566	22,850
(Increase) in intercity loans receivable	(220,199)	-
Increase (decrease) in accounts payable	824,049	(626,271)
(Decrease) in accrued interest payable	(632)	(585)
Increase in other accrued liabilities	6,215	16,752
Increase in refundable deposits	16,582	12,786
	2,119,087	1,019,048
Total adjustments		
Net cash provided by operating activities	\$ 3,030,757	\$ 2,617,081

CITY OF GARDEN GROVE
MOBILEHOME PARKS ENTERPRISE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 1999 and 1998

Schedule F-7

	1999	1998
ASSETS		
Current assets:		
Cash and investments	\$ 400,895	\$ 344,945
Cash with fiscal agent	1,554,532	1,549,870
Accounts receivable	24,453	19,036
Accrued interest receivable	31,590	34,821
Total current assets	2,011,470	1,948,672
Mobilehome parks		
Land	11,695,000	11,695,000
Buildings	614,000	614,000
Improvements	582,712	561,316
Less: accumulated depreciation	(405,554)	(324,024)
Total mobilehome parks	12,486,158	12,546,292
Deferred issuance costs	610,575	635,840
Total assets	\$ 15,108,203	\$ 15,130,804
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 611	\$ 2,130
Accrued interest payable	339,838	345,147
Refundable deposits	161	161
Due to other funds	-	68,246
Deferred revenue	1,103	1,103
Certificates of participation payable - current portion	285,000	280,000
Total current liabilities	626,713	696,787
Long-term liabilities:		
Certificates of participation payable - less current portion	14,246,023	14,528,168
Total liabilities	14,872,736	15,224,955
Fund equity (deficit):		
Retained earnings (deficit):		
Unreserved	235,467	(94,151)
Total liabilities and fund equity	\$ 15,108,203	\$ 15,130,804

CITY OF GARDEN GROVE
MOBILEHOME PARKS ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1999 and 1998

Schedule F-8

	1999	1998
Operating revenues:		
Mobilehome parks operation	\$ 1,554,104	\$ 1,454,841
Operating expenses:		
On-site operation	488,321	461,981
Depreciation	81,530	80,742
Amortization	28,119	28,119
Total operating expenses	597,970	570,842
Operating income	956,134	883,999
Nonoperating revenues (expenses):		
Interest income	80,124	19,101
Interest expense	(816,674)	(829,302)
Fiscal charges	(3,045)	(3,045)
Total nonoperating revenue (expenses)	(739,595)	(813,246)
Income before transfers	216,539	70,753
Transfers from (to) other funds:		
Transfer from Capital Projects fund	183,079	275,669
Transfer to General fund	(70,000)	(70,000)
Total transfers	113,079	205,669
Net income	329,618	276,422
Retained earnings (deficit), July 1	(94,151)	(370,573)
Retained earnings (deficit), June 30	\$ 235,467	\$ (94,151)

**CITY OF GARDEN GROVE
MOBILEHOME PARKS ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998**

Schedule F-9

	1999	1998
Cash flows from operating activities:		
Cash received from users	\$ 1,551,918	\$ 1,448,416
Cash used by quasi-external transactions	(68,246)	-
Cash paid to suppliers	(495,149)	(561,867)
Net cash provided by operating activities	988,523	886,549
Cash flows from noncapital financing activities:		
Transfer in - Capital Projects fund	183,079	275,669
Transfer out - General fund	(70,000)	(70,000)
Net cash provided by noncapital financing activities	113,079	205,669
Cash flows from investing activities:		
Interest on investments	80,124	19,101
Cash flows from capital and related financing activities:		
Principal payment - Certificates of participation	(280,000)	(265,000)
Purchase of fixed assets	(21,395)	(11,289)
Interest paid	(816,674)	(829,302)
Fiscal charges	(3,045)	(3,045)
Net cash (used) by capital and related financing activities	(1,121,114)	(1,108,636)
Net increase in cash and cash equivalents	60,612	2,683
Cash and cash equivalents, July 1	1,894,815	1,892,132
Cash and cash equivalents, June 30	\$ 1,955,427	\$ 1,894,815

(Continued)

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY
OPERATING ACTIVITIES**

**Schedule F-9
Continued**

	1999	1998
Operating income	\$ 956,134	\$ 883,999
 Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	81,530	80,742
Amortization expense	28,119	28,119
 Changes in assets and liabilities:		
(Increase) in accounts receivable	(5,417)	(5,346)
Decrease (increase) in accrued interest receivable	3,231	(1,080)
(Decrease) increase in accounts payable	(1,519)	558
(Decrease) in accrued interest payable	(5,309)	(4,748)
(Decrease) in due to other funds	(68,246)	(95,695)
 Total adjustments	 32,389	 2,550
 Net cash provided by operating activities	 \$ 988,523	 \$ 886,549

CITY OF GARDEN GROVE
SANITARY DISTRICT ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

Schedule F-10

	Sewage Collection	Solid Waste Disposal	Totals	
			1999	1998
ASSETS				
Current assets:				
Cash and investments	\$ 1,696,755	\$ 841,384	\$ 2,538,139	\$ 1,282,783
Cash with fiscal agent	-	605,562	605,562	606,044
Taxes receivable	26,070	42,608	68,678	79,967
Accounts receivable	32,570	820,550	853,120	538,923
Accrued interest receivable	-	5,098	5,098	274
Notes receivable, current portion	-	33,595	33,595	31,144
Total current assets	1,755,395	2,348,797	4,104,192	2,539,135
Restricted cash	19,318	-	19,318	9,183
Notes receivable, less current portion	-	57,129	57,129	90,724
Plant and Equipment:				
Land	9,320	-	9,320	9,320
Sewer subsurface lines	7,508,706	-	7,508,706	7,144,403
Pump stations	127,500	-	127,500	127,500
Trucks and barrels	-	5,813,307	5,813,307	5,813,307
Furniture and equipment	82,797	40,766	123,563	120,729
Less: accumulated depreciation	(2,286,270)	(4,809,715)	(7,095,985)	(6,319,729)
Net plant and equipment	5,442,053	1,044,358	6,486,411	6,895,530
Total assets	\$ 7,216,766	\$ 3,450,284	\$ 10,667,050	\$ 9,534,572
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 499,894	\$ 946,418	\$ 1,446,312	\$ 652,409
Accrued interest payable	-	39,375	39,375	59,149
Intercity loans payable	588,059	-	588,059	39,143
Other accrued liabilities	11,750	5,352	17,102	11,604
Refundable deposits	8,383	-	8,383	8,383
Due to other funds	420,052	804,350	1,224,402	400,003
Deferred revenue	-	721,122	721,122	701,732
Loan payable, current portion	-	-	-	200,004
Certificates of participation, current portion	-	760,000	760,000	705,000
Total current liabilities	1,528,138	3,276,617	4,804,755	2,777,427
Long-term liabilities:				
Loan payable, less current portion	-	-	-	233,318
Certificates of participation, less current portion	-	815,000	815,000	1,575,000
Total long-term liabilities	-	815,000	815,000	1,808,318
Total liabilities	1,528,138	4,091,617	5,619,755	4,585,745
Fund equity(deficit):				
Contributed capital	4,985,970	-	4,985,970	4,621,667
Retained earnings(deficit):				
Reserved for COP retirement	-	188,883	188,883	188,883
Unreserved	702,658	(830,216)	(127,558)	138,277
Total retained earnings (deficit)	702,658	(641,333)	61,325	327,160
Total fund equity (deficit)	5,688,628	(641,333)	5,047,295	4,948,827
Total liabilities and fund equity	\$ 7,216,766	\$ 3,450,284	\$ 10,667,050	\$ 9,534,572

CITY OF GARDEN GROVE
 SANITARY DISTRICT ENTERPRISE FUNDS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN RETAINED EARNINGS
 YEARS ENDED JUNE 30, 1999 AND 1998

Schedule F-11

	Sewage Collection	Solid Waste Disposal	Totals	
			1999	1998
Operating revenues:				
Solid waste disposal fees	\$ -	\$ 5,652,608	\$ 5,652,608	\$ 5,471,536
Property assessments	1,183,061	584,781	1,767,842	1,480,018
Sewer user fees	138,140	-	138,140	-
Equipment lease	-	885,478	885,478	882,483
Other	37,023	33,204	70,227	158,183
Total operating revenues	1,358,224	7,156,071	8,514,295	7,992,220
Operating expenses:				
Salaries and wages	323,785	160,751	484,536	446,701
Contractual services	794,331	6,512,347	7,306,678	6,905,751
Materials and supplies	131,179	15,146	146,325	42,323
Depreciation	194,610	581,645	776,255	776,315
Total operating expenses	1,443,905	7,269,889	8,713,794	8,171,090
Operating (loss)	(85,681)	(113,818)	(199,499)	(178,870)
Nonoperating revenues (expenses):				
Interest income	10,099	12,055	22,154	59,482
Rent	-	59,000	59,000	50,152
Loss on disposal of assets	-	-	-	(7,568)
Interest expense	(18,487)	(129,003)	(147,490)	(210,899)
Total nonoperating revenues, (expenses)	(8,388)	(57,948)	(66,336)	(108,833)
Net (loss)	(94,069)	(171,766)	(265,835)	(287,703)
Retained earnings (deficit), July 1	796,727	(469,567)	327,160	614,863
Retained earnings (deficit), June 30	\$ 702,658	\$ (641,333)	\$ 61,325	\$ 327,160

CITY OF GARDEN GROVE
 SANITARY DISTRICT ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 1999
 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule F-12

	Sewage Collection	Solid Waste Disposal	Totals	
			1999	1998
Cash flows from operating activities:				
Cash received from users	\$ 1,332,185	\$ 6,874,379	\$ 8,206,564	\$ 8,580,469
Cash received from quasi-external transactions	338,131	486,268	824,399	386,394
Cash paid to suppliers	(631,677)	(6,041,880)	(6,673,557)	(7,267,967)
Cash paid to employees	(323,785)	(160,751)	(484,536)	(446,701)
Net cash provided by operating activities	<u>714,854</u>	<u>1,158,016</u>	<u>1,872,870</u>	<u>1,252,195</u>
Cash flows from investing activities:				
Interest on Investments	<u>10,099</u>	<u>12,055</u>	<u>22,154</u>	<u>59,482</u>
Cash flows from capital and related financing activities:				
Loan principal payments	-	(433,322)	(433,322)	(200,004)
Certificates of participation principal payments	-	(705,000)	(705,000)	(655,000)
Rent	-	59,000	59,000	50,152
Purchase of fixed asset	(2,834)	-	(2,834)	(4,503)
Intercity loans from Water Utility fund	550,000	-	550,000	-
Notes receivable principal payments	-	31,144	31,144	26,641
Interest paid	-	(129,003)	(129,003)	(210,899)
Net cash provided (used) by capital and related financing activities	<u>547,166</u>	<u>(1,177,181)</u>	<u>(630,015)</u>	<u>(993,613)</u>
Net increase (decrease) in cash and cash equivalents	1,272,119	(7,110)	1,265,009	318,064
Cash and cash equivalents, July 1	<u>443,954</u>	<u>1,454,056</u>	<u>1,898,010</u>	<u>1,579,946</u>
Cash and cash equivalents, June 30	<u>\$ 1,716,073</u>	<u>\$ 1,446,946</u>	<u>\$ 3,163,019</u>	<u>\$ 1,898,010</u>

(Continued)

Non-cash investing, capital, and financing activities:

Fixed asset addition of \$364,303 was due to a non-cash transaction.

RECONCILIATION OF OPERATING (LOSS)
TO NET CASH PROVIDED
BY OPERATING ACTIVITIES

Schedule F-12
Continued

	Sewage Collection	Solid Waste Disposal	Totals	
			1999	1998
Operating (loss)	\$ (85,681)	\$ (113,818)	\$ (199,499)	\$ (178,870)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:				
Depreciation expense	194,610	581,645	776,255	776,315
Changes in assets and liabilities:				
Decrease (increase) in taxes receivable	6,257	5,032	11,289	(13,626)
(Increase) in accounts receivable	(32,570)	(281,627)	(314,197)	592,232
Decrease (increase) in accrued interest receivable	274	(5,098)	(4,824)	14,653
Decrease in due from other funds	-	-	-	13,609
Decrease in deposits	-	-	-	8,022
Increase (decrease) in accounts payable	309,550	484,353	793,903	(286,142)
(Decrease) in accrued interest payable	-	(19,774)	(19,774)	(17,369)
(Decrease) increase in intercity loan payable	(19,571)	-	(19,571)	39,143
Increase in other accrued liabilities	3,854	1,644	5,498	1,187
Increase in due to other funds	338,131	486,268	824,399	386,394
Increase (decrease) in deferred revenue	-	19,391	19,391	(83,353)
Total adjustments	800,535	1,271,834	2,072,369	1,431,065
Net cash provided by operating activities	\$ 714,854	\$ 1,158,016	\$ 1,872,870	\$ 1,252,195

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.

Equipment Rental Fund

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

Employee Benefits Fund

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

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 cost of materials and supplies plus an overhead charge which ranges from 10 percent to 16 percent.

Telephone System Fund

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

Risk Management Fund

This fund is used to account for the City's self-insured liability program and for the purchase of various types of property and casualty insurance protection as required by the City. The funds are used to pay any liability losses, program operating cost, 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
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR JUNE 30, 1998

Schedule G-1

	Workers'	Equipment	Employee	Warehouse	Telephone	Risk	Totals	
	Compensation	Rental	Benefits	Operations	System	Management	1999	1998
ASSETS								
Current assets:								
Cash and investments	\$ 4,710,441	\$ 1,657,305	\$ 8,240,304	\$ 288,291	\$ 276,548	\$ 13,870,702	\$ 29,043,591	\$ 30,122,864
Accounts receivable	-	5,516	631,881	-	-	-	637,397	659,951
Accrued interest receivable	93,659	-	-	-	-	156,905	250,564	290,186
Intercity loan receivable	-	490,186	-	-	-	-	490,186	742,289
Due from other funds	3,587,276	-	-	-	-	-	3,587,276	1,956,360
Inventory	-	36,556	-	150,966	-	-	187,522	257,305
Deposits	23,669	-	32,100	-	-	85,057	140,826	127,222
Total current assets	8,415,045	2,189,563	8,904,285	439,257	276,548	14,112,664	34,337,362	34,156,177
Fixed assets:								
Furniture and equipment	111,960	922,365	-	6,989	1,539,476	3,806	2,584,596	2,509,623
Automotive equipment	-	9,131,591	-	-	-	-	9,131,591	8,747,048
Accumulated depreciation	(6,461)	(5,110,288)	-	(4,193)	(774,621)	(3,538)	(5,899,101)	(5,416,343)
Total fixed assets	105,499	4,943,668	-	2,796	764,855	268	5,817,086	5,840,328
Total assets	\$ 8,520,544	\$ 7,133,231	\$ 8,904,285	\$ 442,053	\$ 1,041,403	\$ 14,112,932	\$ 40,154,448	\$ 39,996,505
LIABILITIES AND FUND EQUITY								
Current liabilities:								
Accounts payable	\$ 41,812	\$ 95,131	\$ 652,869	\$ 22,415	\$ 19,437	\$ 15,431	\$ 847,095	\$ 1,520,547
Accrued compensated absences	-	-	3,859,267	-	-	-	3,859,267	3,672,820
Other accrued liabilities	10,090	18,036	88,504	4,831	731	3,368	125,560	148,116
Claims payable	7,436,238	-	-	-	-	13,466,590	20,902,828	14,238,635
Total liabilities	7,488,140	113,167	4,600,640	27,246	20,168	13,485,389	25,734,750	19,580,118
Fund equity:								
Contributed capital	-	3,408,429	-	104,569	-	-	3,512,998	3,398,847
Retained earnings:								
Unreserved	1,032,404	3,611,635	4,303,645	310,238	1,021,235	627,543	10,906,700	17,017,540
Total fund equity	1,032,404	7,020,064	4,303,645	414,807	1,021,235	627,543	14,419,698	20,416,387
Total liabilities and fund equity	\$ 8,520,544	\$ 7,133,231	\$ 8,904,285	\$ 442,053	\$ 1,041,403	\$ 14,112,932	\$ 40,154,448	\$ 39,996,505

CITY OF GARDEN GROVE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998

Schedule G-2

	Workers'	Equipment	Employee	Warehouse	Telephone	Risk	Totals	
	Compensation	Rental	Benefits	Operations	System	Management	1999	1998
Operating revenue:								
Charges for services	\$ 1,542,376	\$ 2,223,529	\$ 11,088,872	\$ 99,281	\$ 705,586	\$ 1,921,084	\$ 17,580,728	\$ 17,581,324
Operating expenses:								
Salaries and wages	243,956	588,546	10,270,817	62,126	23,547	94,159	11,283,151	11,456,197
Contractual services	223,821	378,215	660,525	7,754	617,764	697,007	2,585,086	1,937,522
Liability claims	3,463,276	-	-	-	-	4,606,357	8,069,633	2,957,773
Materials and supplies	1,950	1,076,392	157,530	538	13,944	853	1,251,207	1,084,984
Depreciation	1,615	707,316	-	1,398	110,260	761	821,350	719,788
Total operating expenses	3,934,618	2,750,469	11,088,872	71,816	765,515	5,399,137	24,010,427	18,156,264
Operating income (loss)	(2,392,242)	(526,940)	-	27,465	(59,929)	(3,478,053)	(6,429,699)	(574,940)
Nonoperating revenues (expenses):								
Interest income	448,511	15,221	-	-	-	753,116	1,216,848	1,095,087
Gain on disposal of assets	-	48,190	-	-	-	-	48,190	70,835
Loss on disposal of assets	(3,835)	(9,086)	-	-	-	(1,388)	(14,309)	-
Other nonoperating revenues	-	594,902	-	-	-	-	594,902	1,610,068
Interest expense	-	-	-	-	(26,772)	-	(26,772)	(45,705)
Total nonoperating revenues (expenses)	444,676	649,227	-	-	(26,772)	751,728	1,818,859	2,730,285
Income (loss) before transfers	(1,947,566)	122,287	-	27,465	(86,701)	(2,726,325)	(4,610,840)	2,155,345
Transfers (to) General fund	-	-	(1,400,000)	-	-	(100,000)	(1,500,000)	(1,100,000)
Net Income (loss)	(1,947,566)	122,287	(1,400,000)	27,465	(86,701)	(2,826,325)	(6,110,840)	1,055,345
Retained earnings, July 1	2,979,970	3,489,348	5,703,645	282,773	1,107,936	3,453,868	17,017,540	15,962,195
Retained earnings, June 30	\$ 1,032,404	\$ 3,611,635	\$ 4,303,645	\$ 310,238	\$ 1,021,235	\$ 627,543	\$ 10,906,700	\$ 17,017,540

**CITY OF GARDEN GROVE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1998**

Schedule G-3

	Workers's	Equipment	Employee	Warehouse	Telephone	Risk	Totals	
	Compensation	Rental	Benefits	Operations	System	Management	1999	1998
Cash flow from operating activities:								
Cash received from users	\$ 1,563,667	\$ 2,498,887	\$ 11,074,496	\$ 169,137	\$ 705,586	\$ 1,947,913	\$ 17,959,686	\$ 17,161,129
Cash received from quasi-external transactions	-	-	-	-	-	-	-	8,122,511
Cash used for quasi-external transactions	(1,630,916)	-	-	-	-	-	(1,630,916)	(1,956,360)
Cash paid to suppliers	(1,247,050)	(1,757,680)	(6,637,743)	(2,742)	(626,636)	(1,151,240)	(11,423,091)	(11,018,667)
Cash paid to employees	(243,956)	(581,291)	(4,597,925)	(62,126)	(23,547)	(94,159)	(5,603,004)	(5,484,299)
Net cash provided (used) by operating activities	(1,558,255)	159,916	(161,172)	104,269	55,403	702,514	(697,325)	6,824,314
Cash flow from noncapital financing activities:								
Other revenue	-	-	-	-	-	-	-	1,227,655
Transfers out	-	-	(1,400,000)	-	-	(100,000)	(1,500,000)	(1,100,000)
Net cash provided (used) by noncapital financing activities	-	-	(1,400,000)	-	-	(100,000)	(1,500,000)	127,655
Cash flow from investing activities:								
Interest on investments	448,511	15,221	-	-	-	753,116	1,216,848	1,095,087
Net cash provided by investing activities	448,511	15,221	-	-	-	753,116	1,216,848	1,095,087
Cash flows from capital and related financing activities:								
Lease payments	-	-	-	-	-	-	-	(64,180)
Intercity loan payments	-	252,054	-	-	-	-	252,054	-
Purchase of fixed assets	(95,808)	(698,841)	-	-	-	-	(794,649)	(1,145,434)
Gain on disposal of assets	-	48,190	-	-	-	-	48,190	70,835
Cash capital contributions	-	422,381	-	-	-	-	422,381	521,269
Interest paid	-	-	-	-	(26,772)	-	(26,772)	(45,705)
Net cash provided (used) by capital and related financing activities	(95,808)	23,784	-	-	(26,772)	-	(98,796)	(663,215)
Net Increase (decrease) in cash and cash equivalents	(1,205,552)	198,921	(1,561,172)	104,269	28,631	1,355,630	(1,079,273)	7,383,841
Cash and cash equivalents, July 1	5,915,993	1,458,384	9,801,476	184,022	247,917	12,515,072	30,122,864	22,739,023
Cash and cash equivalents, June 30	\$ 4,710,441	\$ 1,657,305	\$ 8,240,304	\$ 288,291	\$ 276,548	\$ 13,870,702	\$ 29,043,591	\$ 30,122,864

(Continued)

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO
NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

Schedule G-3
Continued

	Worker's Compensation	Equipment Rental	Employee Benefits	Warehouse Operations	Telephone System	Risk Management	Totals	
							1999	1998
Operating income (loss)	\$ (2,392,242)	\$ (526,940)	\$ -	\$ 27,465	\$ (59,929)	\$ (3,478,053)	\$ (6,429,699)	\$ (574,940)
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:								
Depreciation expense	1,615	707,316	-	1,398	110,260	761	821,350	719,788
Changes in assets and liabilities:								
Decrease (increase) in accounts receivable	-	14,830	7,724	-	-	-	22,554	(38,118)
Decrease (increase) in accrued interest receivable	15,790	-	-	-	-	23,832	39,622	(50,838)
Decrease (increase) in intercity loans receivable	-	252,103	-	-	-	-	252,103	(368,900)
(Increase) decrease in due from other funds	(1,630,916)	-	-	-	-	-	(1,630,916)	6,166,151
Decrease in inventory	-	8,425	-	78,208	-	-	86,633	32,859
Decrease (increase) in deposits	5,501	-	(22,100)	-	-	2,995	(13,604)	(1,682)
(Decrease) increase in accounts payable	(21,928)	(296,894)	(300,501)	(5,694)	4,978	(53,413)	(673,452)	417,477
Increase in accrued compensated absences	-	-	186,447	-	-	-	186,447	33,957
Increase (decrease) in other accrued liabilities	4,904	1,076	(32,742)	2,892	94	1,220	(22,556)	9,999
Increase in claims payable	2,459,021	-	-	-	-	4,205,172	6,664,193	478,561
Total adjustments	833,987	686,856	(161,172)	76,804	115,332	4,180,567	5,732,374	7,399,254
Net cash (used) provided by operating activities	\$ (1,558,255)	\$ 159,916	\$ (161,172)	\$ 104,269	\$ 55,403	\$ 702,514	\$ (697,325)	\$ 6,824,314

Non-cash investing, capital, and financing activities:

Equipment with a net book value of \$114,151 was transferred to the equipment rental fund from the general fixed assets account group.

GENERAL FIXED ASSETS ACCOUNT GROUP

This group is used to account for fixed assets of the City which are used in the performance of general government functions and are not accounted for in proprietary operations.

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CITY OF GARDEN GROVE
 COMPARATIVE SCHEDULES OF GENERAL FIXED ASSETS
 BY SOURCE
 JUNE 30, 1999 and 1998

Schedule H-1

	<u>1999</u>	<u>1998</u>
General Fixed Assets:		
Land	\$ 12,365,052	\$ 18,353,149
Buildings	17,758,589	17,037,793
Improvements other than buildings	7,342,419	7,187,726
Furniture and equipment	8,761,444	6,992,149
Investment in joint venture	<u>306,294</u>	<u>306,294</u>
 Total general fixed assets	 <u>\$ 46,533,798</u>	 <u>\$ 49,877,111</u>
 Investment in General Fixed Assets from:		
General fund	\$ 27,789,711	\$ 25,835,770
County grants	1,250,046	1,250,046
Federal grants	8,922,589	14,764,705
State grants	3,126,603	2,751,702
Other special revenue funds	4,334,260	4,170,299
Gifts	<u>1,110,589</u>	<u>1,104,589</u>
 Total investment in general fixed assets	 <u>\$ 46,533,798</u>	 <u>\$ 49,877,111</u>

CITY OF GARDEN GROVE
SCHEDULE OF GENERAL FIXED ASSETS
BY PROGRAM
JUNE 30, 1999

Schedule H-2

Program	Land	Buildings	Improvements Other than Buildings	Furniture and Equipment	Investment in Joint Venture	Total
Fire	\$ 140,767	\$ 1,274,000	\$ 265,564	\$ 708,735	\$ -	\$ 2,389,066
Police	-	1,980,534	35,201	5,239,004	-	7,254,739
Community buildings	2,171,659	13,130,115	705,972	71,352	-	16,079,098
Community services	-	40,754	94,771	111,943	-	247,468
Parks and greenbelts	4,115,285	1,333,186	6,240,911	238,477	-	11,927,859
Community planning and development	5,937,341	-	-	387,265	-	6,324,606
Municipal support	-	-	-	2,004,668	-	2,004,668
Fire training authority	-	-	-	-	306,294	306,294
Total general fixed assets	\$ 12,365,052	\$ 17,758,589	\$ 7,342,419	\$ 8,761,444	\$ 306,294	\$ 46,533,798

CITY OF GARDEN GROVE
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY PROGRAM
YEAR ENDED JUNE 30, 1999

Schedule H-3

Program	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Fire	\$ 2,266,615	\$ 173,280	\$ (50,829)	\$ 2,389,066
Police	5,185,495	2,326,101	(256,857)	7,254,739
Community buildings	15,965,154	113,944	-	16,079,098
Community services	281,714	17,894	(52,140)	247,468
Parks and greenbelts	11,462,538	465,321	-	11,927,859
Community planning and development	12,302,963	1,414,281	(7,392,638)	6,324,606
Municipal support	2,106,338	102,969	(204,639)	2,004,668
Fire training authority	306,294	-	-	306,294
Total general fixed assets	\$ 49,877,111	\$ 4,613,790	\$ (7,957,103)	\$ 46,533,798

SUPPLEMENTARY INFORMATION

Evaluation of Year 2000 Issue

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SUPPLEMENTARY INFORMATION
EVALUATION OF YEAR 2000 ISSUE

The City of Garden Grove has implemented a program to evaluate its computer programming code, computer equipment, and other electronic systems and equipment (including equipment containing embedded chips) to ascertain which of these might be impacted by a failure to properly recognize and process transactions dated on or after the year 2000. In addition, certain dates in calendar year 1999 may present difficulties because some programs and embedded chips were coded to read a date of "99" or "9999" to mean something other than a date (e.g., "end of file", etc.) which might also prevent the proper processing of data. The costs of correcting the year 2000 issue cannot be estimated at this time. Because of the unprecedented nature of the year 2000, it is not possible to provide assurances that the City has or will achieve complete year 2000 compliance, even after completing all planned year 2000 corrective actions and related testing. Nor can the City determine the effect, if any, on City operations should entities external to the City (other governments, significant vendors, suppliers, service providers, customers, taxpayers, businesses, etc.) fail to achieve year 2000 compliance in a timely manner. The scope of the audit does not include an evaluation of the adequacy of management's plans with respect to this issue. Equipment and systems considered by management to be critical to conducting operations include the following: Application software for finance, purchasing, payroll, business license, traffic control systems, personal computers with related software and phone/voicemail systems. These systems have all been upgraded to insure proper processing prior to December 31, 1999

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STATISTICAL SECTION

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CITY OF GARDEN GROVE
 REVENUES BY SOURCE - ALL GOVERNMENTAL FUND TYPES
 LAST TEN FISCAL YEARS

Exhibit A

Fiscal Year	Taxes	Licenses and Permits	Fines, Forfeits and Penalties	From Use of Money and Property	Charges for Current Services	From Other Agencies	Other	Total
1990	\$ 33,946,278	\$ 537,116	\$ 1,639,135	\$ 4,084,250	\$ 5,850,595	\$ 17,130,710	\$ 858,667	\$ 64,046,751
1991	36,594,004	506,720	2,292,301	4,059,781	6,879,756	19,695,576	2,297,841	72,325,979
1992	34,858,459	569,991	1,517,877	2,764,956	8,043,586	21,934,897	1,453,784	71,143,550
1993	34,273,349	495,320	1,210,145	2,731,176	8,512,910	23,348,710	1,624,513	72,196,123
1994	33,655,516	541,624	978,646	3,906,016	8,862,616	25,178,700	1,110,919	74,234,037
1995	33,357,034	513,759	940,834	4,314,946	8,517,319	27,058,147	1,641,387	76,343,426
1996	34,359,920	559,885	713,406	3,817,567	8,968,904	28,736,661	8,454,947	85,611,290
1997	34,922,842	631,604	708,349	4,158,539	9,935,681	33,202,517	6,166,290	89,725,822
1998	35,202,597	845,235	778,585	4,696,853	10,086,122	29,322,418	9,075,753	90,007,563
1999	38,688,437	1,246,309	1,485,615	3,680,285	10,521,186	29,438,617	5,485,539	90,545,988

NOTE: Includes general, special revenue, debt service, and capital projects funds
 SOURCE: City Controller's Office

**CITY OF GARDEN GROVE
EXPENDITURES BY PROGRAM - ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**

Fiscal Year	Fire	Police	Traffic Safety	Public Right of Way	Drainage	Community Buildings
1990	\$ 8,814,762	\$ 16,550,019	\$ 2,061,332	\$ 5,518,283	\$ 4,128,806	\$ 1,624,000
1991	8,904,641	17,418,738	1,847,540	6,400,251	1,419,942	1,476,402
1992	9,247,171	19,211,038	2,234,032	7,002,100	298,127	1,622,578
1993	9,119,139	19,700,984	1,999,927	7,561,582	487,098	1,760,908
1994	9,155,042	18,995,741	1,930,744	7,140,811	479,447	1,669,211
1995	9,178,778	19,847,742	1,984,856	13,090,184	1,655,460	4,200,049
1996	9,656,627	20,664,243	2,645,307	9,410,289	1,770,657	4,704,578
1997	9,539,889	22,148,062	2,707,193	8,527,186	608,719	1,921,470
1998	10,090,274	21,997,802	2,175,666	7,083,555	663,018	2,279,786
1999	10,045,706	23,536,643	2,776,520	5,924,733	2,157,947	1,979,080

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

Source: City Controller's Office

	Community Services	Parks and Greenbelts	Community Planning and Development	Municipal Support	Debt Service	Total
\$	1,410,686	\$ 2,093,969	\$ 16,307,748	\$ 4,389,032	\$ 4,363,842	\$ 67,262,479
	1,534,256	1,336,460	18,550,150	4,888,723	3,758,961	67,536,064
	1,545,694	1,427,254	17,123,361	4,773,999	4,195,812	68,681,166
	1,466,154	1,227,253	20,655,782	4,662,728	4,169,089	72,810,644
	1,531,503	1,305,719	23,164,416	4,926,501	4,212,120	74,511,255
	1,569,353	1,601,864	19,930,562	5,400,563	5,122,050	83,581,461
	1,553,774	1,298,804	30,313,735	5,463,973	5,481,426	92,963,413
	1,526,112	1,217,777	40,811,965	5,463,452	8,440,628	102,912,453
	1,615,719	1,232,938	44,184,873	6,124,697	8,181,416	105,629,744
	1,650,549	1,586,564	38,732,103	6,538,216	9,578,191	104,506,252

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

Exhibit C

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
1990	0.025	\$ 8,039,759	\$ 7,742,358	96.30%	\$ 191,947	\$ 7,934,305	98.7	\$ 297,401	3.7
1991	0.025	8,581,567	8,111,934	94.5	190,282	8,302,216	96.7	387,700	4.5
1992	0.025	8,975,314	8,312,104	92.6	338,472	8,650,576	96.4	427,433	4.8
1993	0.025	8,562,861	7,841,371	91.6	360,191	8,201,562	95.8	435,642	5.1
1994	0.025	7,422,786	6,955,760	93.7	390,350	7,346,110	98.9	272,199	3.7
1995	0.025	7,482,224	6,900,068	92.3	293,376	7,193,444	96.1	265,742	3.6
1996	0.025	7,330,476	6,751,782	92.1	369,698	7,121,480	97.1	173,309	2.4
1997	0.025	7,097,406	6,698,543	94.3	317,589	7,016,132	98.9	145,099	2.0
1998	0.0025	7,347,609	7,084,765	96.4	235,421	7,320,186	99.6	150,644	2.0
1999	0.0025	7,624,720	7,320,554	96.0	168,499	7,489,053	98.2	151,995	2.0

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 Controller's Office

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

Exhibit D

Fiscal Year	Secured Property	Unsecured	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase (Decrease)
1990	\$ 3,823,988,621	\$ 246,429,120	\$ 4,070,417,741	\$ 4,070,417,741	11.2
1991	4,161,904,006	196,903,347	4,358,807,353	4,358,807,353	7.1
1992	4,384,673,033	275,512,557	4,660,185,590	4,660,185,590	6.9
1993	4,635,566,466	318,661,996	4,954,228,462	4,954,228,462	6.4
1994	4,647,032,626	241,198,303	4,888,230,929	4,888,230,929	(1.4)
1995	4,650,058,496	247,975,774	4,898,034,270	4,898,034,270	-
1996	4,596,713,371	237,419,608	4,834,132,979	4,834,132,979	(1.3)
1997	4,569,482,092	234,999,187	4,804,481,279	4,804,481,279	(0.6)
1998	4,626,552,656	246,003,468	4,872,556,124	4,872,556,124	1.4
1999	4,784,032,451	253,572,578	5,037,605,029	5,037,605,029	0.9

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

Source: Orange County Assessor's Office

**CITY OF GARDEN GROVE
PRINCIPAL TAXPAYERS
JUNE 30, 1999**

Exhibit E

Taxpayer	Type of Business	1999 Assessed Valuation	Percent of Total Assessed Valuation
Swedlow Inc	Manufacturing Plastics	\$ 35,391,376	0.59%
Gatway Properties	Property Management/Hotel	31,840,543	0.53%
Hughes/Lyon	General Merchandise/Retao;	27,457,156	0.46%
American Medical	Medical Center/Hospital	26,899,077	0.45%
Air Industries Corp	Manufacturing/Aircraft Fasteners	21,483,699	0.36%
Fujita California	General Merchandise/Retail	12,650,391	0.21%
Mead Corporation	Manufacturing/Wholesale Stationery	12,388,921	0.21%
Linfinity Microelectronics	Mfg. Linear Integrated Circuits	11,695,560	0.20%
Winston Choe	General Merchandise/Retail	11,403,600	0.19%
Sanyo Foods	Food Processing	<u>10,849,022</u>	0.18%
Total		<u><u>\$ 202,059,345</u></u>	3.38%

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 F

Fiscal Year	City General	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
1990	N/A	0.02500	0.01210	0.00020	0.00040	0.13920	1.00090	1.17780
1991	N/A	0.02500	0.00970	0.00010	0.00080	0.13070	1.00010	1.16640
1992	N/A	0.02500	0.00890	0.00010	0.00070	0.00150	1.00010	1.03630
1993	N/A	0.02500	0.00890	0.00010	0.00070	0.00100	1.00010	1.03580
1994	N/A	0.02500	0.00890	-	0.00070	-	1.00010	1.03470
1995	N/A	0.02500	0.00890	-	0.00040	-	1.00010	1.03440
1996	N/A	0.02500	0.00890	0.00012	-	-	1.00000	1.03402
1997	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
1998	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390
1999	N/A	0.02500	0.00890	-	-	-	1.00000	1.03390

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 to 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, 1999**

Exhibit G

1998-99 Assessed Valuation:	\$5,984,389,804
Redevelopment Incremental Valuation:	<u>946,784,775</u>
Adjusted Assessed Valuation:	\$5,037,605,029

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/99</u>
Orange County Teeter Plan Obligations	2.897%	\$3,775,515
Metropolitan Water District	0.590	3,410,407
City of Garden Grove 1915 Act Bonds	100.	<u>505,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$7,690,922

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Orange County General Fund Obligations	2.897%	\$31,617,684
Orange County Pension Obligations	2.897	9,019,039
Orange County Transit Authority	2.897	419,920
Orange County Water District Certificates of Participation	4.808	9,101,784
Municipal Water District of Orange County Water Facilities Corporation	4.368	3,018,725
Coast Community College District Certificates of Participation	6.285	1,084,163
Orange Unified School District Certificates of Participation	1.262	149,863
Huntington Beach Union High School District Certificates of Participation	1.425	7,624
City of Garden Grove Certificates of Participation	100.	17,313,095
Garden Grove Sanitary District Certificates of Participation	95.417	1,502,818
Orange County Sanitation District No. 2 Certificates of Participation	5.840	7,169,945
Orange County Sanitation District No. 3 Certificates of Participation	10.223	<u>11,920,883</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$92,325,543
Less: Orange County Transit Authority (80% self-supporting)		335,936
Orange County Water District Certificates of Participation (100% self-supporting)		9,101,784
MWDOC Water Facilities Corporation (100% self-supporting)		<u>3,018,725</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$79,869,098

GROSS COMBINED TOTAL DEBT	\$100,016,465 (1)
NET COMBINED TOTAL DEBT	\$87,560,020

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

Ratios to 1998-99 Assessed Valuation:
 Total Overlapping Tax and Assessment Debt 0.13%

Ratios to Adjusted Assessed Valuation:
 Combined Direct Debt (\$17,313,095) 0.34%
 Gross Combined Total Debt 1.99%
 Net Combined Total Debt 1.74%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: \$0

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

**CITY OF GARDEN
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 1999**

Exhibit H

Assessed Valuation		\$ 5,037,605,029
Debt Limit: 3.75% os Assessed Value		\$ 188,910,189
Amount of debt applicable to debt limit:		
Total bonded debt	\$ -	
Other Debt	\$ -	
Less: Net assets in Debt Service Fund	\$ -	
Total amount of debt applicable to debt limit		\$ -
LEGAL DEBT MARGIN		<u>\$ 188,910,189</u>

Source: City Controller's Office

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

Exhibit I

Fiscal Year	Gross Revenue	Expenses(1)	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1990	\$ 8,879,570	\$ 7,311,351	\$ 1,568,219	\$ 180,000	\$ 92,080	\$ 272,080	5.76
1991	9,307,312	7,118,537	2,188,775	195,000	83,286	278,286	7.87
1992	10,689,526	7,840,945	2,848,581	205,000	73,797	278,797	10.22
1993	11,524,104	9,351,662	2,172,442	205,000	64,032	269,032	8.08
1994	13,139,429	9,955,801	3,183,628	75,000	516,336	591,336	5.38
1995	14,959,267	10,988,077	3,971,190	335,000	1,033,722	1,368,722	2.90
1996	15,670,573	10,907,207	4,763,366	355,000	1,012,633	1,367,633	3.48
1997	15,908,822	11,436,272	4,472,550	370,000	999,390	1,369,390	3.27
1998	14,719,830	10,951,209	3,768,621	380,000	984,760	1,364,760	2.76
1999	16,308,273	12,038,484	4,269,789	395,000	968,865	1,363,865	3.19

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

Source: City Controller's Office

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

Exhibit J

Fiscal Year	Property Value (Secured)	Construction				Bank Deposits (in thousands)
		Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change	
1990	\$ 3,823,988,621	2,833	(11.0)	\$ 55,201,613	21.0	\$ 1,183,472
1991	4,161,904,006	2,578	(10.0)	40,581,474	(36.0)	1,298,215
1992	4,384,673,033	2,696	5.0	29,250,438	(28.0)	N/A
1993	4,635,566,466	2,817	4.0	27,533,020	(6.0)	1,359,674
1994	4,647,032,626	2,860	2.0	32,715,644	19.0	N/A
1995	4,650,058,496	2,495	(13.0)	23,466,959	(28.0)	N/A
1996	4,596,713,371	3,753	50.0	33,475,078	41.0	N/A
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	N/A

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

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

Exhibit K

Fiscal Year	Population	Median Age of Population	Median Family Income	Unemployment Rate	School Enrollment
1990	135,485	30.5	\$ 42,400	3.2	37,969
1991	143,050	30.5	41,398	5.4	39,772
1992	148,065	30.5	45,077	6.7	41,162
1993	149,700	30.5	43,504	6.6	41,664
1994	151,800	30.5	43,530	5.9	42,423
1995	153,824	30.5	44,406	5.5	43,413
1996	151,376	31.7	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

*Sources: City Controller's Office
U.S. Census Bureau
State Employment Development Department
Garden Grove Unified School District*

CITY OF GARDEN GROVE
INSURANCE IN FORCE
JUNE 30, 1999

Exhibit L

TYPE COVERAGE	INSURANCE COMPANY	POLICY TERM	ANNUAL PREMIUM	POLICY LIMITS
Property	Public Entity Property Insurance Program (PEPIP) Various Companies	5/15/99-5/15/00	\$86,543	\$1,000,000,000 per occurrence; \$13,500,000 per occurrence and annual aggregate as respects to earthquake and flood Deductibles: 10% Earthquake Class "C" Bldgs 5% All Other Bldgs \$100,000 minimum \$5,000 AOP \$25,000 Flood
Boiler and Machinery	Public Entity Boiler and Machinery Program (PEPIP) CNA Insurance BM1077609612	5/15/99-5/15/00	\$4,568	\$50,000,000 Various deductibles
California Municipal Excess Workers Compensation Program (CAMEX)	Reliance National Indemnity Company NXCO15533400	5/1/99-5/1/00	\$28,403	Statutory Workers Compensation \$5,000,000 Employers Liability \$350,000 SIR per occurrence
Employee Dishonesty Bond including Faithful Performance and Computer Fraud	Hartford Fire Insurance Company PEBGJ9305	6/1/99-6/1/00	\$4,864	\$1,000,000 \$ 10,000 Deductible
Calif Municipal Excess Liability (CAMEL) Program	Sable Insurance Co. SGB0100042	7/1/98-7/1/99	\$ 71,876	\$10,000,000 per occurrence \$2,000,000 SIR per occurrence

Source: City Controller's Office

**CITY OF GARDEN GROVE
MISCELLANEOUS STATISTICAL INFORMATION**

Exhibit M

Incorporation	.....	June 18, 1956
Population	.....	156,534
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 19th largest city in California and the 4th largest city in Orange County

Source: City Controller's office

